

2017 IMPACT REPORT | METROPOLE EURO SRI*

Responsible Value Investment – Our principal convictions on discounted Eurozone stocks

As a company engaged in Responsible Value investment and a pioneer of ESG since 2008, it is of fundamental importance to METROPOLE Gestion that issuers and companies adopt and comply with ESG criteria.

Through its Responsible Value investment policy, METROPOLE Gestion encourages companies and issuers of the stocks held in its portfolios to pursue lasting improvements in three key extra-financial areas: Environment/Social/Governance (ESG).

As part of its management process, METROPOLE Gestion makes over 450 company visits a year. Meetings with companies in the portfolios are held on average three to four times a year. Interviews on ESG topics are held at least once a year. This dialogue enables us to have a clear understanding of the company's ESG issues, to look in greater detail at the risks identified, to pinpoint risks not identified during the ESG rating process and to influence corporate strategy.

As part of this dialogue, METROPOLE Gestion encourages companies towards greater ESG transparency, for example by publishing their ESG strategy, policies and results.

We use ESG criteria in managing all of our portfolios and as for the METROPOLE Euro SRI fund, it selects stocks on the basis of their ESG ratings.

Our impact report is based on a selection of key indicators specific to each ESG theme, such as the inclusion of ESG criteria in the executive pay awards, CO₂ emissions, the proportion of women in management and the respect for human rights.

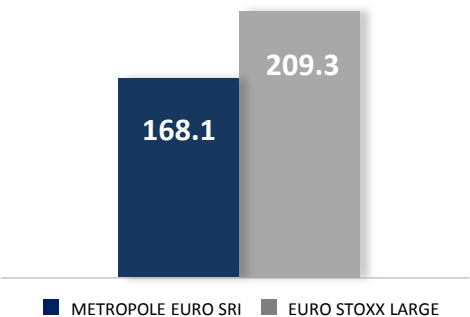
Our engagement approach to companies:

METROPOLE Gestion's approach is based on engaging with issuers, which it does by:

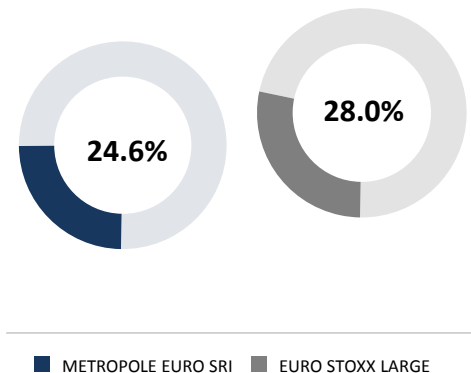
- exercising the voting rights attached to securities held in the portfolio as part of our voting policy,
- direct dialogue with issuers as a means of identifying ESG risks and influencing the strategy of the companies analysed.

ESG PERFORMANCE INDICATORS

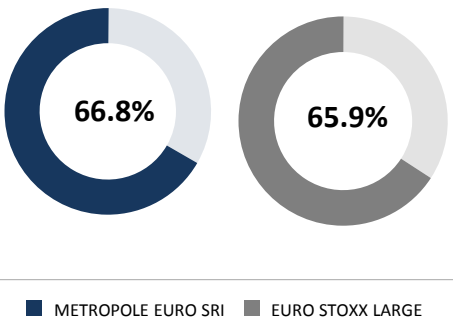
CO₂ EMISSIONS
(tCO₂eq/year/M€ revenue)



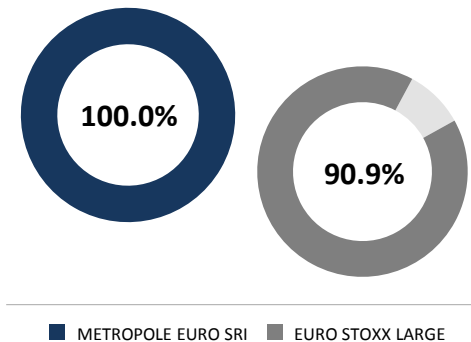
% WOMEN MANAGERS



INCLUSION OF EXTRA-FINANCIAL CRITERIA IN
EXECUTIVE PAY AWARDS



COMPANIES APPLYING A POLICY
PROMOTING RESPECT FOR HUMAN RIGHTS

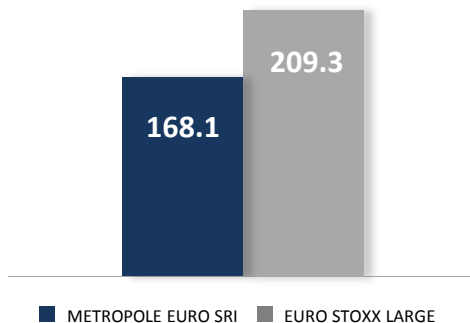


* The METROPOLE Value SRI sub-fund was created by the merger -absorption of the FCP METROPOLE Value SRI FCP established on 9 July 2008. On 29 March 2018, this sub-fund absorbed the METROPOLE Euro sub-fund, becoming the METROPOLE Euro SRI sub-fund.

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CO₂ EMISSIONS (tCO₂eq/year/M€ revenue)



ENVIRONMENT

As part of its responsible investment strategy, METROPOLE Gestion pays particular attention to the levers for reducing CO₂ emissions deployed by the companies held in its portfolios.

As part of our engagement, we are also signatories to the CDP (Carbon Disclosure Project) and the Montreal Pledge, through which we undertake to measure and disclose the environmental impact of our investments.

We measure the carbon footprints of all our portfolios. Our assessment focuses on what are known as scope 1 and scope 2 emissions, currently the most widely adopted as standard. While it has emerged from our dialogue with companies that many have begun measuring their scope 3 emissions, the indicator is not homogeneous enough at this stage to produce comparable results.

The levers for improvement that companies describe to us are many and varied: improvements to the energy mix, to the business portfolio, to the energy efficiency of their building stock, to transport, communication networks, data centers, etc.

Scope 1: All direct GHG emissions / Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam / Scope 3: Other indirect emissions.

MONITORING OF POSITIONS



ATOS

✓ 2.6%* of the portfolio

*Data at 31/12/2017

One of the major challenges Atos faces is the energy efficiency of its data centers. In an attempt to reduce its carbon footprint, the company has embarked on a worldwide modernisation programme. Atos also makes maximum use of zero-carbon energy and offsets all its residual carbon emissions to ensure that the hosting services provided to its clients are fully carbon neutral.

Between 2008 and 2015, Atos managed to reduce its carbon footprint by 50% both in intensity and in absolute value. For the 2016-2020 period, the company has undertaken to reduce its CO₂ emissions per million euros in revenue by between 5% and 15%. By end 2017, it had already achieved a reduction of 13%.



CNH Industrial

✓ 1.6 %* of the portfolio

*Data at 31/12/2017

Agricultural equipment manufacturer CNH Industrial has set clear targets for reducing its carbon footprint. Over the 2014-2022 period, the group is aiming to reduce CO₂ emissions from its production process by 20%, and from the transport of goods and persons by 18%. In pursuit of this ambition, the group is targeting:

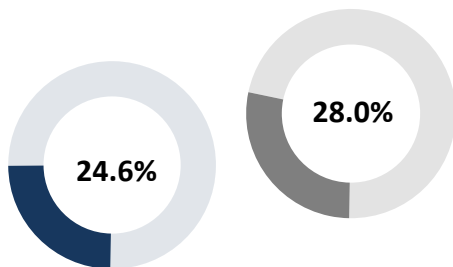
- a significant improvement in its energy mix, to reach 50% use of alternative energy by 2020. The group is ahead of target, having already reached a level of 56% in 2017.
- an improvement in its energy efficiency, with the aim of reducing 2018 energy consumption by 6.5% compared with 2014.

These measures have an impact on scope 1 and 2 emissions. The group also stresses the importance of innovation, however, which has enabled it to exceed the regulatory requirements for "clean" agricultural equipment. The group is already looking to the future and to the measuring of scope 3 emissions, by reducing the environmental impact of its products in areas other than the production process alone.

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% WOMEN MANAGERS



■ METROPOLE EURO SRI ■ EURO STOXX LARGE

SOCIAL

Increasing the number of women in corporate management roles has only recently come to be seen as an issue. Most groups make this a stated priority, but efforts in this direction often remain inadequate.

Some firms report structural or historic difficulties in adjusting their gender balance. Technical sectors are generally home to fewer women and struggle to attract sufficient candidates. To overcome this shortfall, many companies are investing at school and university level. These changes are thus coming into effect gradually.

The cultural environment of the market in which a business operates also constitutes a crucial factor, that may either slow or accelerate the processes of change.

MONITORING OF POSITIONS



SOCIETE GENERALE

✓ **2.2%* of the portfolio**

**Data at 31/12/2017*

The bank scores well in our rating model with 44% women executives and a Board of Directors that is 50% female.

The group, 59% of whose workforce is made up of women, has committed itself to non-discrimination against women by way of the Women's Empowerment Principles, a charter that, under the auspices of the UN Global Compact, promotes gender equality.

In 2017, Société Générale featured in 14th place (the highest-placed French bank) in the international gender equality rankings published by NGO Equileap. The rating is based on 19 criteria (percentage of women in senior executive positions, pay parity, parental leave, etc.).

The bank has also introduced a Strategic Talents approach designed to develop and retain high-potential employees to provide for managerial succession. This talent pool represents 2.7% of group headcount and women make up 40% of its numbers.



THYSSENKRUPP

✓ **2.4%* of the portfolio**

**Data at 31/12/2017*

In 2011, the group joined forces with 30 DAX companies to sign a joint declaration on Women in Management. The aim is to promote the presence of women in senior management positions in traditionally highly male-oriented technical businesses. In terms of vocational training, Thyssenkrupp is also involved in the Femtec professional network, which seeks to attract more women into technical academic studies.

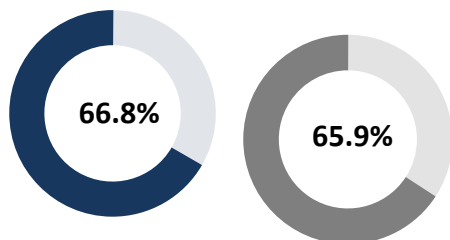
Applying these policies has resulted in a steady increase in the percentage of women in managerial positions since 2014, to reach 11.6% in 2017. The group is aiming for a target of 15% women managers by 2020:

FY 2014	FY 2015	FY 2016	FY 2017	Target 2020
8.8%	10.2%	11.0%	11.6%	15%

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INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS



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GOVERNANCE

When making investment decisions, METROPOLE Gestion analyses the willingness of companies to align executive targets with both financial and extra-financial criteria. In view of the growing importance of ESG criteria for both investors and companies, we find that currently some 15% to 20% of variable executive pay now depends on these criteria. The criteria applied, however, often differ according to the specific nature of the sector concerned.

Furthermore, these criteria are now no longer applied exclusively to senior executive and CSR manager pay, but increasingly to middle managers.

Finally, the regulatory framework within which companies operate can also support this shift. France's Sapin II Act and the EU Shareholder Rights Directive of April 2017 on compensation policies and the inclusion of non-financial performance criteria have made it easier to include extra-financial criteria in the determination of senior executive pay.

MONITORING OF POSITIONS



ORANGE

✓ **3.7%* of the portfolio**

**Data at 31/12/2017*

Orange's image was seriously tarnished following the wave of employee suicides that took place in the late 2000s. Since then, the group has completely reoriented its social relations policy, and the efforts made are now bearing fruit.

Orange has included extra-financial criteria in the determination of senior executive and managerial pay (by up to some 30%) to leverage the deployment of its CSR policy.

One of these criteria is based on improvement in the social performance indicator, and is made up of 6 components:

- 3 of these are linked to the results of the annual employee satisfaction survey conducted by an external body. The results are examined on the basis of employee perceptions on three themes: skills, collective agility, engagement;
- 3 correspond to changes in human resources indicators: percentage of managers trained in collaborative working methods, satisfaction level of employees active on the internal social network, Piazza, and the percentage of women in management networks.



INTESA SANPAOLO

✓ **4.0%* of the portfolio**

**Data at 31/12/2017*

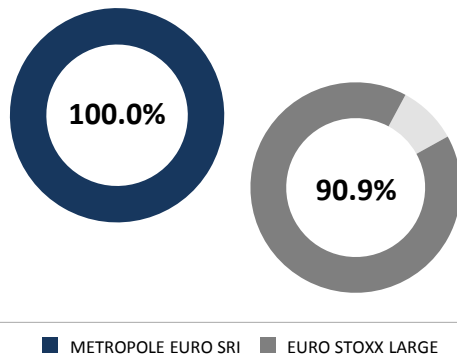
Our SRI management process relies on a Best-in-class/Best Effort approach designed to encourage issuers to take ESG issues into account. Our dialogue with companies provides an ideal opportunity to promote certain practices to them. In the course of our meetings with the CSR managers and the management of Intesa Sanpaolo, we have repeatedly stressed the importance of aligning senior executives' interests with those of shareholders, not only in financial terms, but also in the extra-financial domain, since the adoption of ESG criteria creates the conditions for responsible and sustainable performance.

Italy's leading retail bank informs us that this topic was included on the agenda of the Compensation Committee, which has reached an agreement in principle. The company is currently analysing the most relevant ESG conditions and criteria in order to deploy the measure in the near future. This example clearly illustrates the impact that ESG investing can have on companies, encouraging them to adopt a constructive approach.

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COMPANIES APPLYING A POLICY PROMOTING RESPECT OF HUMAN RIGHTS



HUMAN RIGHTS

In keeping with its active engagement in the ESG approach, METROPOLE Gestion pays special attention to respect for human rights across all its portfolios. Our policy of engagement with issuers and our adherence, since 2009, to the UN Principles for Responsible Investment (UNPRI) is the formal expression of our engagement in this field.

Furthermore, in accordance with the Oslo and Ottawa Conventions, METROPOLE Gestion refuses to invest in any company involved in the production of cluster munitions or anti-personnel landmines.

Lastly, we ascertain through our analyses that companies go above and beyond their strict internal scope and ensure that human rights are respected at every stage in their value chain.

MONITORING OF POSITIONS

CARREFOUR

✓ **2.8%* of the portfolio**

**Data at 31/12/2017*

The Carrefour Group has relied since 1997 on the support of the International Federation for Human Rights (FIDH) in establishing an approach that adheres to international standards on human rights, including on labour law as applied by its suppliers and their subcontractors. This collaboration has resulted in a supplier charter, an audit document and a user guide, all of which are employed in over 1,500 social audits of suppliers of own-label brands conducted each year.

Carrefour bases its approach on compliance with and promotion of fundamental international principles, in particular: on the Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration of Fundamental Principles and Rights at Work, and on the relevant ILO conventions including the 8 ILO fundamental conventions, and on the OECD guidelines.

Carrefour formalised its commitment in 2012 by obtaining ISO 26000 certification, launched at the end of 2010, which defines Corporate Social Responsibility (CSR). One of the main issues at stake involves promoting respect for human rights in all the countries in which the group operates. Carrefour addresses this by means of a number of commitments, including requiring its suppliers to give an undertaking of compliance with human rights, and by contributing to the improvement of international standards.

HUGO BOSS

✓ **2.3%* of the portfolio**

**Data at 31/12/2017*

In 2017, Hugo Boss updated its materiality analysis with all its stakeholders. Respect for human rights in the supply chain stands out as a fundamental requirement in the textile industry and therefore ranks as one of the group's main CSR issues.

Hugo Boss conducts social due diligence before entering into any business relations with its suppliers, and subsequently on a regular basis. In the event of any breach of its social standards, Hugo Boss works with the supplier to draw up an action plan and checks that corrective measures have been taken within a timescale of 3 to 6 months. If insufficient progress has been made, or a lack of commitment on the part of the service provider is apparent, Hugo Boss may terminate the partnership. To give an example, in 2017 Hugo Boss dealt with a case of forced labour in south India. At the same time, the company pursued its action in the region by taking part in the Tamil Nadu initiative, designed to raise local workers' awareness and provide training on human rights. Relying on its in-depth knowledge of its supply chain, Hugo Boss adopts complete transparency by disclosing the full list of its suppliers and their production sites.