

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

As part of its management process, METROPOLE Gestion meets approximately 350 companies a year. Interviews on ESG topics are held at least once a year for companies included in the portfolio. This dialogue enables us to have a clear understanding of the company's ESG issues, to detect in greater detail any opportunities, discuss any risks that may have been 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.

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.

Such data is sourced from the investment process, it being stated that METROPOLE Avenir Europe sets targets for ESG scoring. Changes to indicators used in the impact report are monitored over time.

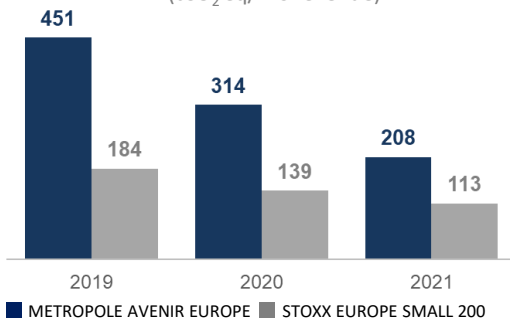
### Our engagement approach to companies is built around three main components:

- Individual engagement with companies by means of:
  - ongoing dialogue with companies,
  - dealing with controversies in accordance with our procedure,
  - exercising the voting rights attached to stocks held in our portfolios, in accordance with a voting policy published on our website.
- Thematic engagement, resulting from an analytical process conducted and reviewed each year internally, covering specific issues.
- Collective engagement by joining with other investors in initiatives to encourage companies to adopt a responsible and sustainable approach in their business activities.

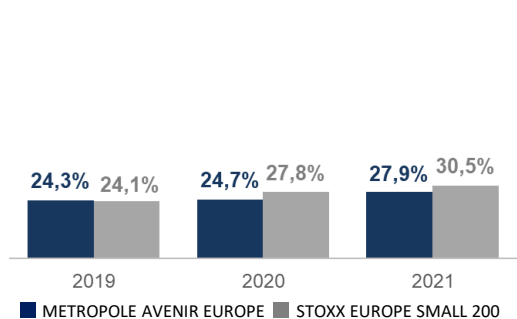
## ESG PERFORMANCE INDICATORS

The coverage rate of the four impact indicators is 100%

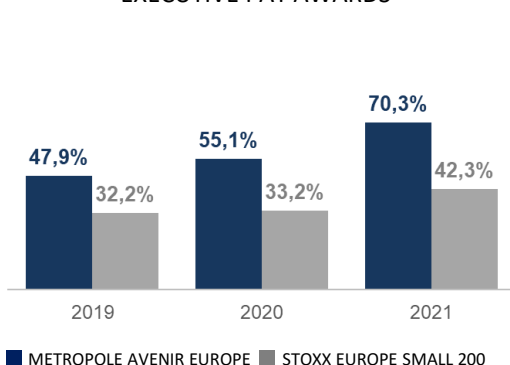
**CO<sub>2</sub> EMISSIONS**  
(tCO<sub>2</sub> eq/m€ revenue)



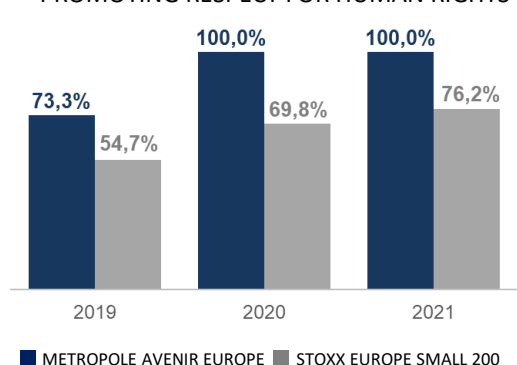
**% WOMEN MANAGERS**



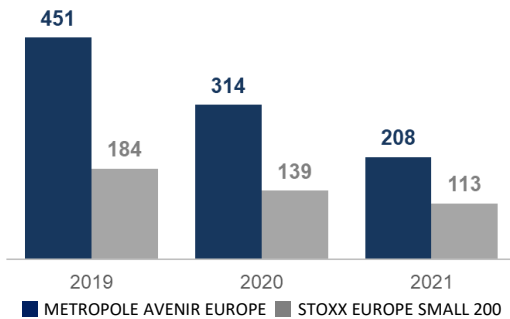
**INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS**



**COMPANIES APPLYING A POLICY PROMOTING RESPECT FOR HUMAN RIGHTS**



## CO<sub>2</sub> EMISSIONS (tCO<sub>2</sub> eq/m€ revenue)



## ENVIRONMENT

As a signatory to the CDP (Carbon Disclosure Project) and the Montreal Carbon Pledge and a supporter of the TCFD (Task Force on Climate-related Financial Disclosures), METROPOLE Gestion undertakes to measure and report the environmental impact of its investments.

We measure the carbon footprints<sup>(1)</sup> of all our portfolios. Our assessment focuses on what are known as scope 1 and scope 2 emissions, currently the most widely adopted standard.

A growing number of companies are now setting emissions reductions targets approved by the SBTi (Science Based Targets initiative) and, as such, aligned on the Paris Agreement 2°C target. While methodological approaches are not available for all sectors, more and more companies are now setting targets that include Scope 3.

In 2020, we took part in the campaign conducted by the CDP, asking 1,800 companies to commit to having their greenhouse gas reduction targets validated by the SBTi. Our thematic engagement in 2021 addressed the financing of energy transition, with the aim of encouraging banks, key players in corporate lending, to pay greater attention to the issues surrounding climate change.

The average carbon footprint of METROPOLE Avenir Europe fell significantly in 2021 compared to 2020, down from 314 teq CO<sub>2</sub> per €m revenue to 208 teq. This compares to the carbon intensity of the benchmark, namely Stoxx Europe Small 200, of 113 teq CO<sub>2</sub> per €m revenue vs 139 teq in 2020. The fall posted vs 2020 is mainly a function of the liquidation of the position in Aggreko, the target of a bid by a private equity fund and which was responsible for high levels of greenhouse gas emissions. The carbon intensity of the portfolio nevertheless remains higher than that of the benchmark, due solely to the presence of Italian cement manufacturer Buzzi Unicem and Swedish steelmaker SSAB.

## MONITORING OF POSITIONS

### SSAB

✓ **2.1 %\* of the portfolio**

\*Data as of 31/12/2021

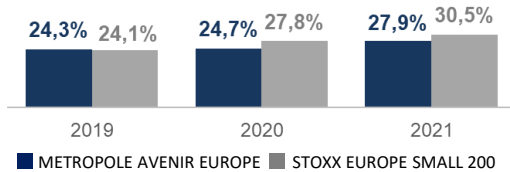
Steel is a durable and recyclable material, but the process of producing it from iron ore in a blast furnace generates high CO<sub>2</sub> emissions. Steelmaking accounts for 7% of all global greenhouse gas emissions.

Swedish steelmaker SSAB is well aware of its environmental impact and is particularly proactive, pioneering research into solutions that will reduce its carbon footprint. Back in 2016, SSAB joined forces with iron ore producer LKAB and power company Vattenfall to create the HYBRIT joint venture, with the aim of revolutionising the industry by replacing the coking coal hitherto used in steelmaking by fossil-free electricity and hydrogen. In 2021, the process reached the industrial pilot phase and SSAB succeeded in producing a green steel that meets growing demand from customers also seeking to reduce their carbon emissions. Encouraged by these promising results, SSAB has decided to speed up the transformation of its production plant in Scandinavia by switching to low-carbon technology. This initiative will have a huge impact, enabling Sweden to reduce its total emissions by 10% and Finland by 7%.

It will also result in a big reduction in the group's own emissions by 2030, 15 years earlier than targeted in the previous reduction plan.

(1) Carbon footprints are expressed in carbon intensity (tonnes of CO<sub>2</sub> per million euros in revenue) and are calculated as the average of end-of-month carbon footprints for the year under review. The data used in the calculation are scope 1 and scope 2 CO<sub>2</sub> emissions as reported by companies to Bloomberg. In the absence of reliable and uniform data, scope 3 emissions are not taken into consideration.

## % WOMEN MANAGERS



## SOCIAL

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 results in this direction often remain inadequate.

The percentage of women managers in the portfolio stands at 27.9% in 2021 vs 24.7% in 2020 and 24.3% in 2019. By way of comparison, its benchmark recorded a percentage of women managers of 30.5% in 2021 vs 27.8% in 2020 and 24.1% in 2019.

The difference is a function of the portfolio's higher weighting in multiple companies in industrials, automotive and materials. Accordingly, stocks such as Andritz, Krones, Meggitt, FLSmidth, Wienerberger, Aperam and Brembo have had a negative impact on the ratio. These labour-intensive industries have historically attracted fewer women and face structural barriers to feminisation of their workforce, notably management functions. These companies

are attempting to overcome this barrier by implementing active recruitment and promotion policies, and by offering partnerships and training at university level in order to encourage women to choose these professions. However, the cultural developments required to achieve change will only take place gradually.

## MONITORING OF POSITIONS

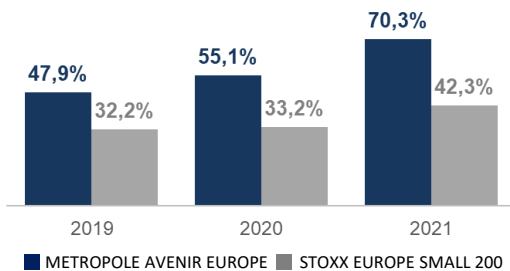
### ELIS

✓ **3%\* of the portfolio**

*\*Data as of 31/12/2021*

Elis is another company in the portfolio with one of the highest proportions of women in the workforce, at 53% of total headcount. Women account for only 30% of managers, however. Elis has set out to increase the number of women on its management teams in the years ahead, setting itself a 2025 target of at least 40% women managers. The company has launched action plans to help it achieve this target, including changes to recruitment procedures to systematically attract between 30% and 50% female applicants depending on the field concerned. At the same time, recruitment and communications staff are tasked with circulating information to business schools and universities on the various career opportunities available within the Elis group. A career development pathway and mentoring programme have also been introduced to support women's professional development.

## INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS



## GOVERNANCE

When making investment decisions, METROPOLE Gestion analyses companies' willingness to align executive targets with both financial and extra-financial criteria in order to deliver sustainable performance. This issue was chosen as our engagement theme for 2018 and continues to figure largely in our dialogue with companies.

These criteria differ according to each company's specific issues, and currently represent some 15 to 20% of executive variable compensation. The use of such criteria is spreading, since many managers now have a financial stake in ESG performance.

In recent years, a number of professional associations such as the AFG or The Investment Association recommended the inclusion of extra-financial criteria in executive pay awards. In addition, AFEP-MEDEF code in France and the German "Kodex" which set out the

principles of good corporate governance recommend a performance-related component for executive pay to promote a sustainable long-term strategy for the company, particularly on social and environmental issues. Promoting sustainable value creation, this approach is also encouraged under the United Nations Principles for Responsible Investment (UNPRI), of which we are a signatory.

The proportion of companies including ESG criteria in executive pay awards for companies in the portfolio was 70.3% in 2021, a rise against the figures of 55.1% in 2020 and 47.9% in 2019. The performance of the benchmark stands at 42.3% in 2021 vs 32.2% in 2019 and 33.2% in 2020.

## MONITORING OF POSITIONS

### FLSMIDTH

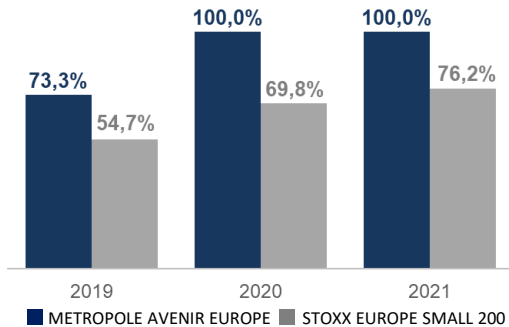
✓ **2.0%\*** of the portfolio

\*Data as of 31/12/2021

FLSmidth supplies equipment and solutions for the mining and cement industries, two sectors where reducing greenhouse gas emissions is primordial in achieving the Paris Climate Agreement targets. As a supplier to these industries, FLSmidth has a key role to play in decarbonising production processes by developing and marketing new and innovative solutions.

Hitherto, executive pay was based solely on financial targets. In 2021, however, the company introduced an ESG component into its long-term incentive programme (LTIP) for managers. 10% of the LTIP now depends on the progress of the company's MissionZero initiative, which aims to achieve zero-carbon cement manufacturing and mining. The more products and solutions for reducing CO2 emissions the company sells to its customers, the larger this component of executive pay will be. Progress on MissionZero has also become a target included in calculating variable remuneration for the group's top 200 managers.

## 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 engagement policy 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, Ottawa, BWC and OPCW conventions, METROPOLE Gestion refrains from investing in any company involved in the production of controversial weapons. Other sectors excluded from our investment universe<sup>(1)</sup> are pornography, tobacco production and coal production or consumption<sup>(2)</sup>.

Lastly, we make sure 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.

In 2021, as in 2020 all portfolio companies held by METROPOLE Avenir Europe complied with this indicator, with the benchmark progressing to 76.2% in 2021 vs 69.8% in 2020 and 54.7% in 2019.

## MONITORING OF POSITIONS

### IMI

✓ **3.0%\*** of the portfolio

*\*Data as of 31/12/2021*

IMI is a British industrial conglomerate founded in 1862, now a specialist in the design and manufacture of motion and fluid control solutions with a global presence.

To ensure that fundamental human rights are respected in every area of its business, IMI has deployed a number of mechanisms referenced in the Modern Slavery Transparency Statement, an annual statement mandatory for all companies operating on British soil and reporting turnover in excess of GBP36 million. IMI operates a number of policies, including its Group Code of Conduct and Supply Chain Code of Conduct, that also apply to its suppliers. These stipulate that all suppliers must contractually undertake to abide by the ethical standards laid down by the group, covering the environment, prohibition of forced labour, compliance with national legislation on working conditions and providing proof that raw materials used by the group such as tungsten, cobalt and gold are not sourced from conflict zones.

These codes are backed up by oversight measures including site visits and the creation of a hotline for employee whistle-blowers. 39 reports of breaches were investigated over the course of 2021.

Among its commitments on fundamental human rights, IMI is working to reduce the gender pay gap, reducing the average differential within the group from 25.1% in 2020 to 17.8% in 2021.

(1) Since 2022, the management company has applied ODDO group's common base of exclusion. The policy applied to the 2021 financial year is available on request from the management company.

(2) Mining companies generating over 30% of their revenue from coal production and power generating companies deriving over 30% of their generating capacity from coal.