Commitment Policy

Updated on June 5th of 2020

1. Our philosophy as equity investors

Moneta Asset Management is an independent asset management company that is 100% owned by its managers and employees. Our only business is the management of equity funds, with a resolutely fundamental approach.

Our team is essentially composed of managers and financial analysts who all share a passion for investment and company analysis. We like to think outside the box, studying companies that have been neglected or misunderstood by other investors. Valuation and governance are among the key criteria in our assessment of companies, which is why we spend most of our time studying them.

Naturally, our analyses and the ongoing dialogue we maintain with companies are imbued with societal issues. Our investments are resolutely focused on a long-term performance that considers all the risks and challenges facing companies. As such, corporate governance has always been a key element in the assessment of the companies in which we invest.

2. Our commitment

2.1 Social and environmental impact

Moneta's employees are aware of the challenges linked to global warming and the importance that everyone's behaviour changes to preserve natural resources and the environment. There is a real sensitivity within the teams on this subject which has led us to develop a constructive approach around our stock selection process in order to reflect our environmental sensitivity in the portfolios.

We believe that in the current context of low growth and collective awareness of the challenges of sustainable development, the growth of the sectors that we identify as "sustainable" is more promising today than in the past.

Furthermore, studies have shown that companies whose non-financial performance (ESG) improved saw their prices outperform the indices, particularly in the case of companies with average or low ESG scores. Thus, the "momentum" of score improvement appears as a performance driver from which we can benefit.

Conversely, companies with "controversial" behaviors tend to underperform the market, so it is important to identify those subjects that are not generally taken into account by the market.

2.2 Corporate governance

The quality of corporate governance is very eclectic: it can be structurally good or bad, sometimes improving or improving during companies'life, depending on financial transactions, changes in shareholders or management. Corporate governance is an essential criteria for assessing the companies in which we invest. We believe that our actions have all contributed, sometimes significantly, to the performance of the funds we manage and contribute to the improvement of market practices.

2.3 A lucid approach

Within the framework of the French energy transition law and the regulatory obligation to publish an energy transition report reviewing our practices and the carbon footprint of our funds, we have carefully studied the subject of different measures and different approaches to sustainable development in portfolio construction. This work confirmed several intuitions that we had:

1. **Sectoral bias and exclusion short cut**: highly carbon-intensive sectors such as Materials can be excluded from a portfolio to improve its carbon footprint, however this is too simplistic a short cut because these sectors remain necessary for the economy... and to other sectors with a better carbon footprint.
2. **The trap of a fixed image**: businesses change, and it may be preferable to value companies going in the right direction. The notion of trajectory is therefore key in our view.
3. **Disparate data quality:** the quality of transparency and reliability of data published by companies remains uneven at present. Basing a portfolio construction on only quantified data and on "checked boxes" is therefore a pitfall for us to avoid.

As a result, none of our funds takes environmental, social and governance criteria into account in their investment policies in a systematic and binding manner. We wish to continue to choose investments on a case-by-case basis on their financial merits, with a strong desire to take part in financing innovative projects committed to sustainable development. The idea is not to pursue an exclusion policy or sectoral allocation determined by the various SRI labels.

3. Implementation of our commitment policy

Moneta Asset Management is a signatory to the Carbon Disclosure Project (CDP), an independent non-profit organization that encourages companies to be as transparent as possible about their environmental impact. Launched by investors in partnership with the UNEP Finance Initiative and the UN Global Compact, the PRI initiative, of which Moneta Asset Management is a signatory, cooperates with an international network of signatories to implement the Principles for Responsible Investment.

3.1 Energy transition indicators

In our energy transition report on the Moneta Multi Caps and Moneta Long Short funds, we report annually on the carbon footprint of our portfolios, their energy transition score, the weighting green share / brown share. Our stock-picker soul explains that this monitoring is not our main objective and that our attention is focused on other indicators that will better reflect our willingness to take part in the financing of innovative projects committed to sustainable development (cf Innovative Share).

3.2 Dialogue with companies

The management team's opportunities for contact with the management of the companies studied are numerous: face-to-face meetings, in our offices or during visits to the company, or public meetings or meetings organized by financial intermediaries. Contacts with management enable a better understanding of the company and its priorities, as well as to form an opinion on the qualities of the managers, the non-quantifiable but determining elements in an investment decision, such as the consideration of extra-financial criteria.

3.3 Voting policy

The managers and analysts of Moneta Asset Management follow the companies closely in which they invest. They are therefore in the best position to examine and analyse the resolutions submitted and to decide on the votes to be cast. In this context, direct monitoring of each of the companies in the portfolio is assigned to an analyst or manager of Moneta Asset Management, who is responsible for deciding on votes at the meetings of the companies for which he or shei s directly responsible

To ensure the best interests of unitholders, Moneta Asset Management has identified three cases in which it exercises its voting rights:

(i) where the holdings of the UCITS managed exceed 2.5% of the voting rights of the company concerned with regard to the consolidation of the fund portfolios. The presence of the portfolio management company is thus considered significant to require a vote on its part, it being specified that most of the companies in which Moneta Asset Management is a shareholder have a controlling shareholder.

(ii) When at least one of the proposed resolutions is flagrantly deemed contrary to the interests of the unitholders of the UCITS or to the principle of fairness in the light of press reports, contacts with the financial community and any recommendations made by proxies (ISS and Proxinvest). The portfolio management company intends to show its disagreement in particular by means of a vote in a meeting.

(iii) When participation in a vote at a meeting is explicitly requested by a company, either for reasons of quorum, or because the company has declared itself sensitive to the effective participation of Moneta Asset Management.

For more information, our full voting policy is online on our website

3.4 Equity investors

Our expertise in the field of governance has grown over the years. While we always favor dialogue with companies, we have developed reflexes that enable us to react quickly when the situation requires it. Our total independence allows us to act freely: there are no industrial or financial shareholders in our capital, and we have no private management, two potential sources of pressure.

We believe that it is our responsibility as a shareholder to work to improve the governance of the companies in which we are invested. It is a matter of respecting our rights as shareholders but also of defending the interests of our unitholders. Since the creation of the Company in 2003, we have carried out some fifteen major actions aimed at improving corporate governance.

It should be noted that we are not "activist" shareholders in the Anglo-Saxon sense of the term: valuation remains the trigger for our investment decision and we do not invest in companies with the primary goal of influencing strategy or governance.

Among the means at our disposal that we have used in the past are:

- oral questions at public meetings,
- private meetings with the companies,
- written questions to the Board of Directors or Supervisory Board,
- active participation in AGMs (written questions to the Board of Directors or the Supervisory Board with appendix to the minutes of the AGM, role of scrutineer, proposed resolutions),
- letters and meetings with legal authority (AMF),
- meetings with independent experts,
- contacts with other shareholders, etc.

3.5 Innovative Share

From our conviction that taking ESG criteria into account in our approach to companies is an opportunity for performance and our desire to remain stock-pickers, the “Innovative Share” concept was born.

Behind this idea, we find the will to make a positive selection of stocks that can meet the following attributes:

- companies with highly innovative technology
- innovation technology or energy service providers
- companies directly involved in the energy transition
- companies with a positive societal impact

Our strategy, consistent with our stock-picker approach, is to include in our investment universe a growing number of innovative players at the forefront of the energy and ecological transition. We have a wide choice of companies because we invest in companies of all sizes, especially in IPOs of small companies. In this way, we increase their weight in our universe of analyzed stocks, which has allowed us to progressively "green" the portfolios while continuing to choose equities for their financial attractiveness.

4. Conflict of interest prevention and management

In accordance with Moneta Asset Management's procedure for the prevention and management of conflicts of interest, any Concerned Person (including employees and managers) who is in a situation of conflict of interest that may affect the independent application of the engagement policy, and in particular the free exercise of voting rights, must report it to the RCCI by e-mail. The RCCI will then determine the appropriate action, which may result in the non-exercise of voting rights.

It should be recalled, however, that Moneta Asset Management is owned by individuals whose professional activity is exclusively dedicated to the portfolio management company, whose only activity is the management of UCITS. The risks of conflict of interest are therefore very low or even non-existent in this case due to the very nature of Moneta Asset Management's organization.

5. Reporting

1. The energy transition reports for the Moneta Multi Caps and Moneta Long Short funds are available on our website and allow us to report annually on our approach. In particular, they present our vision of energy transition as investors, information on the carbon footprint of the portfolios as well as on the innovative green pocket of the funds (evolution within the portfolio, investment cases, development strategy).

2. Actions related to corporate governance, when they are subject to public action, are listed on our website in the governance section.

3. A report on the exercise of voting rights is published each year as part of our voting policy and includes the information essential to the proper application of our policy (list of companies for which we have exercised voting rights, participation rate, possible cases of conflict of interest).