Moneta Asset Management ESG policy

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Introduction

Moneta AM is an equity fund management company whose DNA is based on stock picking driven by companies' fundamentals. As investors, we attach great importance to the role our portfolio companies can play and the regulatory, financial and social risks they face. Since 2018, Moneta AM has been a signatory to the Principles for Responsible Investment (PRI), a UN-supported initiative that acknowledges the importance of ESG issues for the performance of managed funds and for us represents a commitment to take these issues into account in the analysis and management of portfolio companies.

Moneta Asset Management has traditionally placed great importance on corporate governance and is one of the Paris market's most active asset management companies in this area . Since 2006, the year of our first major lobbying initiative on the Buffalo Grill case, we have carried out some 15 largely successful actions aimed at actively defending our interests as minority shareholders and benefiting our unitholders. Moreover, these actions have generally benefited all the minority shareholders of the companies concerned. Through its stance as an attentive and demanding shareholder, Moneta AM is proud to contribute to improving practices in the French financial market. We have gained extensive experience in governance issues over the long term, supported regularly by Colette Neuville's shareholder rights defence group and, more occasionally, law firms.

We placed environmental issues high on our agenda at a very early stage, both out of personal conviction, but also after noting that, in a context of low economic growth and increasing concern about sustainable development issues, sectors identified as "sustainable" now offer more growth potential than in the past. Thus, since the early 2000s we have studied many companies linked to this theme that have gone public, including a good number of very small, innovative companies. While many of them did not find a market, analysing them enabled us very early on to develop expertise in renewable energies and environmental services, two sectors currently well represented in our portfolios.

Lastly, while our monitoring of social issues has so far been less formalised, indicators such as employee turnover rate, employment climate quality and pride in company belonging, which are particularly noticeable during site visits, are all criteria that enable us to assess corporate culture. This culture is generally predictive of companies' performance over time and evaluating it is part and parcel of our company assessment process.

In order to systematise our analysis of ESG criteria and formalise our approach, we have developed a proprietary rating system called **Moneta VIDA** (***Valorisation des Indicateurs de Durabilité de l'Activité - activity sustainability indicator valuation***). **Moneta VIDA** tracks portfolios' ESG ratings as well as those of the **VIDA benchmark indices** against which we compare our managed funds.

I. Our ESG approach: responsible, demanding and pragmatic

We have a multiple-capitalisation, resolutely pragmatic management style that has dictated our selection of criteria for **Moneta VIDA** by focusing on assessing companies from the perspective of **principles**, i.e. the interest of civil society, and **financial materiality**, i.e. the ultimate risk for companies. Without being exhaustive, the **Moneta VIDA** input criteria are designed to screen the key aspects of the three ESG dimensions. These criteria therefore guide our analysis without limiting its scope: any material subject identified in our investigations is included in our assessments and the definition of the final score.

True to our attitude as investors who think outside the box, we do not hesitate to take clear positions, sometimes against the prevailing opinion, and often based on our own experience as investors: for example, while it is generally accepted that a director should not hold multiple listed company board directorships, we believe that a director who sits on a number of boards has more experience and a more independent perspective than the holder of a single directorship, and will therefore be more likely to push their opinion with fellow directors and management.

In order not to penalise small companies, not all of which are equipped to produce ESG reports giving them access to the best ratings from external service providers, we endeavour to give ratings that correspond to our perception of these issuers' ESG challenges.

We ensure that we maintain **Moneta VIDA** ratings covering at least 90% of our portfolio's large caps (i.e. market cap of more than €10 billion) and 75% of our small- and mid-cap companies.

I.1 ESG policy objectives

We target an overall rating for our portfolios that is higher than our VIDA benchmark indices.

Moneta VIDA is designed as a decision-making tool for our day-to-day stock picking – and represents an additional potential source of performance for our funds. The ESG rating is one of the four criteria that guide our investment decisions, alongside valuation potential, investment risk and liquidity of the securities. Therefore, a highly liquid security with low risk, significant valuation potential and a good ESG rating would likely be among the main positions in our portfolios.

I.2 Exclusions and controversies

I.2.a Exclusions

We exclude from our investment universe companies with activity in any of the following areas:

- Controversial weapons (norm-based exclusions[1]): production or marketing of cluster bombs, anti-personnel mines, chemical or bacteriological weapons

- Tobacco:
  - Production of tobacco or tobacco products, in a proportion that exceeds a non-negligible part of the business
  - Production of components of finished tobacco products (chemical additives, filters, rolling papers), in a proportion that exceeds a non-negligible part of the business
  - Distribution of tobacco or tobacco products, in a proportion that exceeds a non-negligible part of the business

- Coal:
  - Mining activities for thermal and metallurgical activities (except for a negligible part of the business and only with a formal commitment of no opening of new mines) [2]
  - Coal-based energy production (except for a negligible part of the business and only with a formal commitment to exit within a short time frame)
  - Companies active in the distribution, transport or production of equipment and services, insofar as they generate a significant portion of their revenue from customers whose business is directly related to coal

- Serious and proven breach of one of the ten principles of the United Nations Global Compact

I.2.b Controversies

We monitor controversies continuously and have all relevant channels at our disposal: press, broker notes, company communications, Vigeo Eiris alerts (Moody's ESG Solutions), etc.
Depending on their degree of materiality, controversies directly impact companies' ESG ratings (in particular via the bonus/penalty points system).

[1] Ottawa Treaty on landmines (effective 1999), Convention on Cluster Munitions (Oslo Convention) (2008), Biological and Toxin Weapons Convention (BWC – 1972), Chemical Weapons Convention (CWC – 1993)
[2] This derogation does not apply to funds labelled Relance: these completely exclude mining activities for thermal and metallurgical activities.

I.2.c Remediation actions

If a company in our portfolios is identified as being on one of the exclusion lists or flagged by our controversy monitoring, we initiate a divestment procedure, or possibly dialogue if we consider such a course of action realistic and likely to result in appropriate corrective action by the issuer in question. Accordingly, from the day of identification, we give ourselves:

- in the event of divestment: 6 months to complete the total sale of the line in question in order not to harm our unitholders.
- in the event of dialogue: 12 months to initiate a specific engagement approach with regard to the company and to measure the result of the engagement actions. At the end of this process, if we do not obtain satisfactory results we initiate the divestment procedure mentioned above.

II. Our internal rating system: Moneta VIDA

II.1 Rating criteria

The rating of companies in our **Moneta VIDA** system is based on the assessment of around 20 criteria broken down into ten pillars, in an analysis grid covering each of the three environmental, social/societal and governance (ESG) dimensions.

The specific rating criteria may vary depending on the funds and the breakdown by fund, as for technical reasons these criteria differ slightly for long funds and long-short funds. The breakdown by fund is appended to this policy. The main principles by pillar are as follows:

Environmental dimension

The environmental score summarises our analysis of three pillars: the company's growth opportunities, risk factors and environmental policy. Our assessment of growth factors corresponds to our analysis of the company's development of "green" products and services, which may lead to it being categorised as an "innovative green" stock.

Our risk factor analysis focuses on indicators relating to the company's environmental footprint, as well as on short-term and longer-term risks that could affect its outlook. Lastly, we assess the company's environmental policy and its trajectory in terms of actual results.

Social/societal dimension

The purpose of the social/societal score is to assess the company's culture and analyse its responsibility towards civil society and its risks with regard to all stakeholders. To assess company culture, we use quantitative and qualitative indicators on health and safety at work, attractiveness and retention, and development of employee share ownership.

To measure corporate social responsibility, a source of risks and opportunities, we examine data on past, current and potential controversies of any kind and award a related financial impact risk score. We also analyse companies from the perspective of their relations with their suppliers, their consumer customers and civil society in general, thereby ensuring our analysis covers all stakeholders; we also study non-environmental regulatory risks, the promotion of development and the company's contribution to general interest causes.

***Governance* dimension**

Governance is key to companies' sustainability. The pillars used to score the governance dimension are Board analysis, management analysis and transparency of information. We analyse the governance structure and the separation of responsibilities between Boards and management. The criteria that we may use include the separation of the roles of chairman and chief executive officer, the actual independence of Board members, respect for the rights of minority shareholders and the assessment of audit and internal control aspects.

II.2 Rating scale

The scale used to determine each score ranges from 0 to 5, corresponding to the following levels of quality:

Rating guide	
5	Very good
4	Good
3	Satisfactory
2	Unsatisfactory
1	Bad
0	Very bad

ESG rating formation

The ESG rating of each company consists of a weighted average of the ratings of each E, S and G dimension. The analyst in charge of the rating identifies the major issue concerned by the rating depending on the company in question. For example, a manufacturing company that emits large amounts of greenhouse gases and has no apparent employment issues will be primarily concerned by the environmental issue, which will be its primary risk factor. In preparing our rating, therefore, we need to overweight the major issue identified in order to better take into account the risks and opportunities specific to each situation.

However, we systematically monitor the governance issue for all the companies we study, including those whose overriding issue concerns the rating's other two dimensions. In other cases, meanwhile, governance may become the focal point of our analysis: if material events justify paying particular attention to this issue, the companies concerned may then be placed under surveillance and thus see the governance dimension overweighted in their rating.

Lastly, we have to deal with a specific segment in our rating exercise: holding companies. These companies are by nature subject to a different approach: we consider that diversified holding companies(1) are primarily concerned by governance issues, while concentrated holding companies(2) must be studied in light of the characteristics of their main asset (look-through approach, while paying particular attention to the holding company's own governance).

The following table presents all the possible scenarios:

Dimension	Overriding issue			Surveillance	Specific case of holding companies	
	Environmental	Social	Envt./Social	Governance	Diversified holding company (1)	Concentrated holding company (2)
E	**40%**	30%	**35%**	25%	10%	look through approach
S	30%	**40%**	**35%**	25%	10%	look through approach
G	30%	30%	30%	**50%**	**80%**	look through approach

(1) Company whose main asset represents less than 2/3 of the company's value.
(2) Company whose main asset represents more than 2/3 of the company's value: the weightings used for the three dimensions depend on the characteristics of the main asset (mainly industrial or mainly service-based).
The E and S dimension scores correspond to the main asset, while the G dimension score is that of the holding company (or that of the main asset for certain criteria, if more relevant).

The score for each dimension (E, S or G) is derived from a weighted average of the three pillars, which are themselves calculated by aggregating the scores of the various criteria used in each pillar.

A bonus/penalty of -1 to +1 may exceptionally impact the score of each dimension when there are situations or criteria specific to a company that are not taken into account in the standard rating criteria provided for by **Moneta** VIDA, or in the event of points of satisfaction or dissatisfaction that warrant a particular impact on the rating beyond the existing weightings.

II.3 Organisation

Our **Moneta** VIDA proprietary system takes the form of a file that pools all our portfolio companies' ESG ratings.

For companies that the management team rates directly, our ESG policy provides for regular updating of the rating, at least annually and specifically after a meeting with the company or the publication of universal registration documents, which are a rich source of information that serves largely as the basis for our assessment. As part of the ESG rating update process, we may also consult documents from service providers of which we are customers, such as S&P Trucost, Vigeo Eiris (Moody's ESG Solutions) and ISS, as well as the CDP. For companies that the management team does not rate directly, we have adopted a so-called simplified methodology based on a breakdown of the data from Vigeo Eiris (Moody's ESG Solutions), which we adapt to the VIDA proprietary rating framework (criteria, weightings, etc.).

Each analyst is responsible for rating the companies within his/her stock coverage. Ratings may be harmonised by a decision of the head of fund management or at group meetings.

III. Impact of ESG ratings on valuations

A company's ESG rating is an integral part of the company analysis process and a factor we take into account when deciding on the weighting of positions in our funds. For example, a company for which we see significant upside potential and which has a high **Moneta** **VIDA** rating will be strongly represented in the funds, subject to the liquidity of the company's listed securities and the risks of the investment.

As for its direct impact on company valuations, the **Moneta** **VIDA** rating may have a direct impact on company price targets on a case-by-case basis, through growth or beta assumptions in DCFs, through discounts on sum of the parts (SOP) valuations or through multiples.

Engagement policy

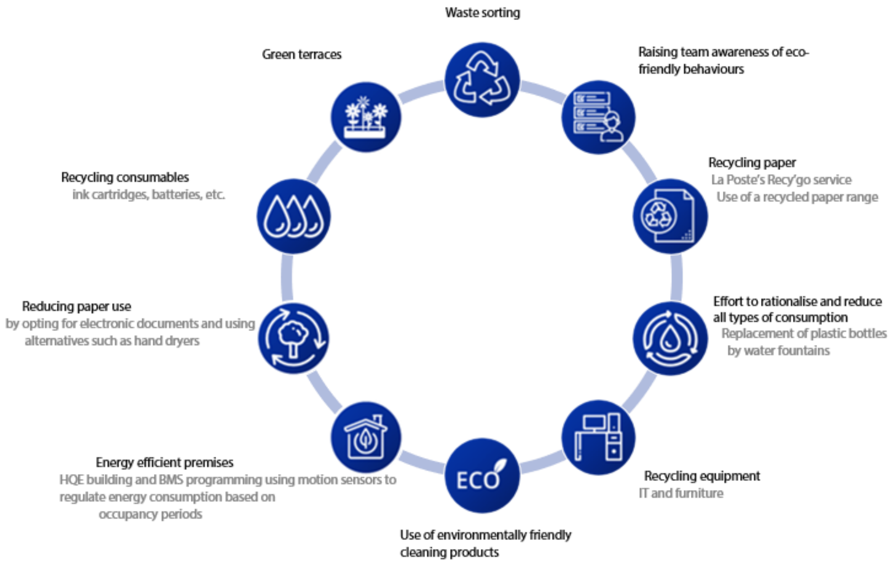
Moneta AM's engagement policy is an integral part of our ESG policy. Our engagement policy, as well as the voting policy it includes, are detailed in dedicated documents, available on our website at the following address: www.moneta.fr/informations-reglementaires

Company engagement process

The management team discusses companies' strategy with them, as well as financial and non-financial criteria; these discussions include the integration of ESG issues when this is a material topic for companies, whether as a potential threat or – as is now the case for most companies – a source of opportunities.

Daily engagement by the Moneta AM teams

Moneta AM has been working to reduce its footprint through multiple initiatives spanning many years now.



Appendix 1 | Policy applied by long funds

Funds concerned	Moneta Micro Entreprises Moneta Multi Caps MME 2026 MME 2027
VIDA benchmark index	SBF 120

Specific rating criteria

Dimension	Pillar	Criterion
Environmental	I. Growth factors	1. Contribution of the activity to the energy transition or to environmental improvement 2. Net contribution of energy transition/environmental concerns to company's growth
	II. Risk factors	3. Carbon footprint of the activity/product 4. Other environmental issues and risks (water, waste, various pollutants, etc.)
	III. Environmental policy and results	5. Assessment of environmental policy 6. Recent trajectory
Social	IV. Corporate culture	7. Employee shareholding 8. Attractiveness and retention 9. Health and safety
	V. Social responsibility	10. Controversies related to the activities 11. Taxation 12. Risks with respect to communities, customers, suppliers and regulations
Governance	VI. Board of directors/Supervisory board	13. Quality of the Board 14. Separation of the roles of chairman and chief executive officer 15. Independence 16. Alignment of interests with minority shareholders
	VII. Management	17. Quality of management 18. Compensation 19. Alignment of interests
	VIII. Transparency of information	20. Ease of reading financial statements 21. Quality of communication

The financial materiality principle guides our selection of the criteria included in the rating system. Each analysis criterion is substantiated by the collection of several indicators that are relevant in the production of the rating, without being exhaustive. For example, criterion “2. Carbon footprint of the activity/product” is illustrated by several indicators including: scope 1 and 2 emissions, scope 3 emissions, carbon intensity (tonnes of CO2 per €million of revenue), potential financial impact on operating income of a carbon tax (calculated for scopes 1 and 2). As specified above, these criteria guide the analysis but do not limit it: any relevant data collected may feed into our assessment and the rating’s formation.

Environmental dimension

The environmental score summarises our analysis of three pillars: the company’s growth opportunities, risk factors and environmental policy. Our assessment of growth factors corresponds to our analysis of stocks belonging to the "innovative green" category[3]. In the future, the European

[3] The "innovative green" category consists of companies operating in one of the following areas: (i) companies directly involved in the energy transition (renewable energy producers or specialised suppliers), (ii) suppliers of innovation technology or energy services (outsourced R&D companies), (iii) companies with innovative

Taxonomy will make it possible to quantify in detail each company's contribution to the energy transition. Our risk factor analysis focuses on indicators relating to the company's environmental footprint, as well as on short-term and longer-term risks that could affect its outlook. Lastly, we assess companies' environmental policies. Increasingly, companies that fail to show they have an approach for controlling their greenhouse gas (GHG) emissions will be exposed to regulatory and reputational risks. We pay particular attention to the results of the policies that companies implement (changes in carbon footprint, waste volumes, etc.), which in our opinion make it possible to assess their relevance and proper execution.

Social/societal dimension

The purpose of the social/societal score is to assess the company's culture and analyse its responsibility towards society and its risks with regard to all stakeholders. To assess company culture, we use quantitative and qualitative indicators on health and safety at work, attractiveness and retention, and development of employee share ownership. Our in-depth knowledge of companies is an essential prerequisite for interpreting quantitative data such as turnover, absenteeism and workplace accidents, in the context of the company's activity. To measure social responsibility, we examine historical data on controversies and award a related financial impact risk score. We also review taxation, a potential source of financial or reputational risk. Responsibility towards stakeholders can also be a source of risk or opportunities, so we analyse companies in light of their relations with suppliers, customers and consumers, as well as non-environmental regulatory risks.

Governance dimension

Governance is key to companies' sustainability. The pillars used to score the governance dimension rating are Board analysis, management analysis and transparency of information. We analyse the governance structure and the separation of responsibilities between Boards and management. In order to assess the quality of the Board we examine its past decisions, the complementarity of its skills base and the diversity of its members. The separation of the role of chairman and chief executive officer, the actual independence of the Board members, respect for the rights of minority shareholders, and the alignment of interests with minority shareholders (indicated, for example, by share ownership in relation to the amount of attendance fees) are among the criteria we adopt. Management is assessed on the basis of its track record, in particular its ability to create long-term financial value. The compensation structure and the alignment of interests are taken into account, for example. Transparency of information is the cornerstone of governance. We assess companies on the transparency of their financial statements and on the quality of their communication.

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technology linked to the environment and (iv) companies with a positive societal impact (circular economy, organic agriculture).

Calculation of the VIDA benchmark index rating

The ESG rating of the VIDA SBF 120 benchmark index is the weighted average of the VIDA ratings. The SBF 120 composition methodology is available from Euronext (www.euronext.com).
The VIDA benchmark index does not take into account ESG criteria in its composition and weighting.

Appendix 2 | Policy applied by the long short fund

Fund concerned	Moneta Long Short
VIDA benchmark index	40% Stoxx Europe 600 + 60% composite credit index

Specific rating criteria

Dimension	Pillar	Criterion
Environment	I. Growth factors	1. Development of "green" products and services 2. Management of the environmental impacts of the use and disposal of products and services
	II. Risk factors	3. Carbon footprint of the activity/product 4. Other environmental issues and risks (water, waste, various pollutants, etc.)
	III. Environmental policy and results	5. Assessment of environmental policy 6. Recent trajectory
Social	IV. Corporate culture	7. Employee shareholding 8. Attractiveness and retention 9. Health and safety
	V. Social responsibility	10. Controversies related to the activities 11. Risks with respect to communities, customers, suppliers and regulations
Governance	VI. Board of directors/Supervisory board	12. Board of directors/Supervisory board
	VII. Management compensation	13. Compensation and alignment of interest
	VIII. Shareholders	14. Respect for shareholder rights
	IX. Audit & internal control	15. Audit & internal control

The rating of the companies in the MLS portfolio and VIDA benchmark is based on the Moneta VIDA rating awarded by the management team's analysts, or failing that, if the investment universe is too broad, on a so-called simplified methodology. This methodology consists in using data from Vigeo Eiris (Moody's ESG Solutions), which we adapt to VIDA's proprietary rating framework (criteria/breakdown, weightings, etc.).

***Environmental* dimension**

The environmental score summarises the rating of three pillars: a company's growth opportunities, risk factors and environmental policy. Growth factors correspond to an assessment of companies' development of "green" products and services. Risk factor analysis focuses on indicators relating to companies' environmental footprint that could affect their outlook; this mainly involves assessing the companies' strategy for minimising the environmental impacts of energy use, managing other atmospheric emissions, analysing the environmental impact of transport, managing waste, protecting water resources and biodiversity and managing the impacts associated with the use and disposal of products and services, and the implementation of this strategy. Lastly, assessing companies' environmental policy involves reviewing this policy and its recent implementation.

***Social/societal* dimension**

The purpose of the social/societal score is to assess the company's culture and analyse its responsibility towards society and its risks with regard to all stakeholders. To assess corporate culture, we examine human resource management and data on attractiveness and retention and health and safety. To measure social responsibility, we use a rating of the materiality of controversies associated with the company's activities. Responsibility towards stakeholders can also be a source of risks or opportunities, so we analyse companies in light of their relations with their suppliers, customers and consumers, but also their promotion of development and contribution to general interest causes.

***Governance* dimension**

Governance is key to companies' sustainability. The pillars used in rating the governance dimension are the analysis of Boards, management and respect for shareholders, as well as an assessment of audit and internal control aspects.

Calculation of the fund's ESG rating

The fund's ESG rating is calculated as follows: 70% VIDA rating of long positions – 30% VIDA rating of short positions + 60% VIDA rating of positions held for cash management purposes. As a reminder, MLS' target net exposure to equities of 40% is achieved by a long exposure of around 70% and a short exposure of around 30%.

Calculation of the VIDA benchmark index rating

The ESG rating of the VIDA benchmark is calculated as follows: 40% VIDA rating of the Stoxx Europe 600 + 60% VIDA rating of a credit composite index. The VIDA benchmark index does not take into account ESG criteria in its composition and weighting.

The composition methodology of the Stoxx Europe 600 is available from the Stoxx website (www.stoxx.com).

The proprietary credit composite index has been defined to reflect the typical structure of the fund's cash management portfolio, and is calculated as follows: 75% non-financial companies + 25% financial companies. The methodology used for both components is:

- an average weighted by issue size;
- the following criteria are used: euro-denominated bonds from Western European countries (excluding Greece) with a maturity of two years or less, an issue size of €100 million or more and an issuer listed on the stock exchange.