MONTPENSIER FINANCE

ESG Policy
Article 9 and Article 8 Funds under SFDR regulation

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Preamble

At Montpensier Finance, we have the conviction that environmental criteria's, **social and of governance (ESG) are sustainable performance levers for companies**. Our role as investors is to give priority to companies that have made the conscious decision to positively impact the world in which we live all whilst creating value.

An ESG component is integrated in all management policies of our funds directly managed in securities by Montpensier Finance. In all, **our SRI analysis proprietary method is at the heart of the investment process of our main equity and convertible funds.** It is based on extended exclusion lists and proprietary tools, such as our « Montpensier Impact Assessment » method. This impact analysis method allows us to analyse the impact of companies **in the framework of the Sustainable Development Goals (ODD) of the ONU**.

Investors have a key role to play in addressing the challenges of global warming and contributing to the development of a more social and sustainable economy.

Montpensier Finance has defined 3 levels of application of the elements of its ESG policy, according to the following perimeters:

- ✓ Elements that apply to all the funds managed ;
- ✓ Elements that apply to the labelled funds ;
- ✓ Specific elements that apply to certain funds according to their management policy and, if applicable, the label they have obtained.

1. Context

Environmental, social, and corporate governance functions are drivers for sustainable performance.

- ➢ **ENVIRONMENTAL**

The environment is the main challenge for the 21st century. We attach importance to the environmental impact of companies and their capacity to propose solutions towards preserving and sustaining their environment and protecting against associated risks. CO2 emissions, pollution, waste and sustainable resource management, etc. are the environmental challenges facing companies today.

- ➢ **SOCIAL**

We also attach importance to companies' social responsibility, in terms of their internal impact and also with regard to their service providers. We believe that a company's human and social capital is an important factor and that employment, security and healthcare issues are part of its social responsibilities.

- ➢ **GOVERNANCE**

Corporate governance encompasses management issues and the role of deliberating bodies and shareholders, alongside risk management, financial communication and transparency, etc. The fight against all forms of corruption is also a core challenge of good corporate governance.

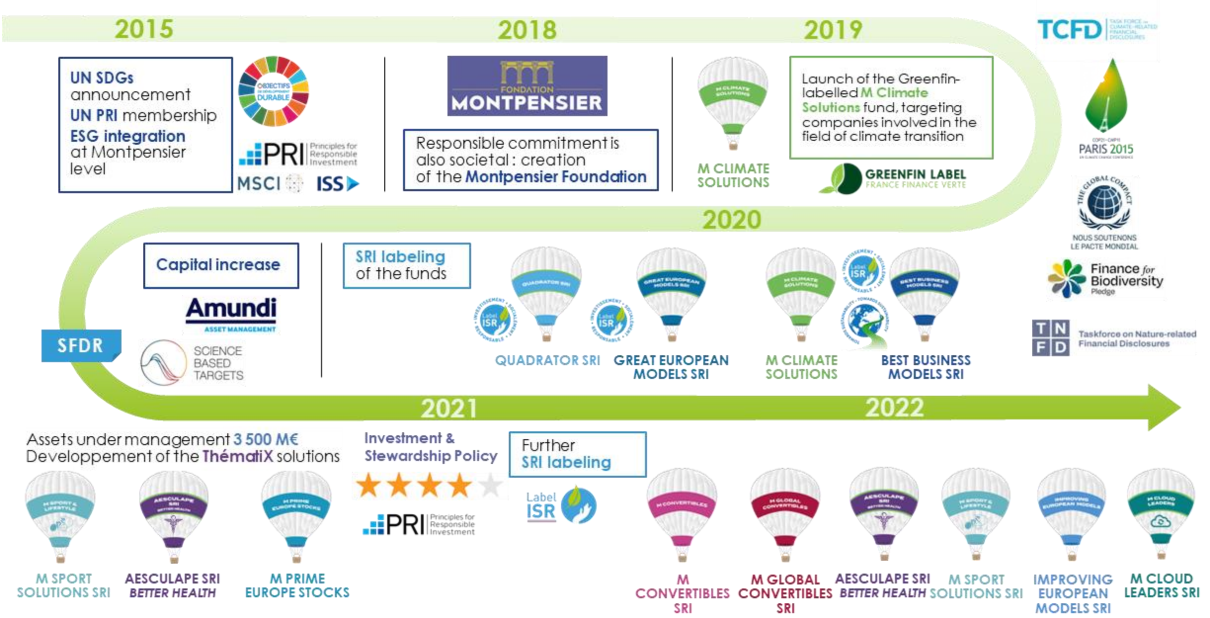
1.1. United Nations PRI

Montpensier Finance joined the PRI scheme on 10 March 2015, and is committed to support and apply the 6 Principles for Responsible Investment:

1. Consider ESG issues in investment analysis and decision-making process.
2. Be active investors and take ESG issues into account in our shareholder policies and practices.
3. Request the entities in which we invest to publish appropriate information on ESG issues.
4. Promote the acceptance and application of principles among asset management stakeholders.

5. Working together to increase our effectiveness in implementing the principles.
6. Report individually on our activities and progress in implementing the principles

In this respect, several measures have been put in place by Montpensier Finance in order to adapt its management processes and to put forward an organisation whose objective is to respect the Principles for Responsible Investment.



1.2. United Nations Global Compact

To complete its approach as an investor, Montpensier Finance also joined the United Nations Global Compact on 12 January 2015, thus marking the desire to integrate these principles into the values that guide the company's strategy and its operational practices.

The Global Compact is a movement of companies committed to sustainable development, under the auspice of the UN. It proposes a simple, universal, and voluntary framework that is based on ten principles relating to human rights, international labour standards, environment and fight against corruption.
Launched by Kofi Annan, United Nations General Secretary, in July 2000, the Global Compact is a framework of voluntary commitments by which companies, associations or non-governmental organisations are invited to respect these ten universally accepted principles. Each year, members must attest to their effective implementation of these principles in a "communication on improvement".

Thus, as part of its CSR (Corporate Social Responsibility) approach, Montpensier Finance is committed to support and apply these fundamental principles in the areas of human rights, international labour standards, environmental protection, and fight against corruption. This is an important component of our stock selection.
In fact, during the extra-financial analysis of companies in the investment universe, we check in particular that they adhere to the United Nations Global Compact and respect the inherent principles.

Additionally, Montpensier Finance supports multiple initiatives in favour of Climate and Biodiversity.

➢ Climate Oriented Initiatives

As a responsible investor, Montpensier Finance is committed to Climate action, in particular through its contribution to supporting the objective of zero net greenhouse gas emissions by 2050, in line with global efforts to limit global warming to 1.5°C.
Montpensier Finance is working on setting up a multi-pronged strategy to align itself with these targets.

An exclusion policy on coal and non-conventional hydrocarbons is applied to all open-ended funds complying with Article 8 or Article 9 of the SFDR regulation. Our approach is detailed in our Exclusion Policy and our Coal Policy.

Regarding labelled funds, Montpensier Finance monitors climate indicators and has committed to beat the funds' benchmark index in terms of carbon intensity or footprint of portfolios. Other metrics include the fund's global warming potential and the proportion of companies in the portfolio which have had their decarbonisation targets validated by the Science-Based Targets (SBTi) initiative.
We have also developed proprietary climate-focused rating methodologies, which are integrated into the management and portfolio construction of M Climate Solutions, our fund which is dedicated to the climate transition. As the very theme of the product is climate-related, the proprietary 'Carbon Profile' and 'ITE' (Involvement in the Energy Transition) ratings support our approach in favor of decarbonisation objectives.

We complement our commitment by promoting best practices among our portfolio companies, particularly with regards to the environment. As such, we identify areas for improvement and communicate our expectations to our target companies, in order to promote greater consideration of the challenges of decarbonisation, or better communications on this subject. Our approach is detailed in our Engagement Policy and Engagement Report.

Finally, Montpensier Finance is involved in initiatives and working groups targeting the topic of climate change, in order to fully and proactively contribute to the collaborative debate on the role of asset management companies in achieving global decarbonisation objectives. These commitments are detailed below.

1.3. TCFD, Task Force on Climate-Related Financial Disclosures

Montpensier Finance also believes in the TCFD, Task Force on Climate-Related Financial Disclosures.

The TCFD is a governing body on climate-related financial reporting established by the G20 Financial Stability Board in 2015.

In June 2017, the TCFD has identified climate change as a major systemic risk for investment, as it can alter the performance profile of organisations exposed to climate-related risks.
Climate-related risks and opportunities are generally classified into two categories: transition risks and physical risks. The latter can be subdivided into political, market, technological and reputational risks ("transition" category) and acute and chronic risks ("physical" category).

Climate-related risks pose a potential threat to the long-term resilience of investment portfolios. The TCFD makes recommendations to provide investors with transparency on the climate-related risks and opportunities in their portfolios.

Montpensier Finance publishes a TCFD-compliant report for its main funds, within the framework of article 29 of the law on energy and climate which update article 173 of the law on the energy transition for green growth promulgated on 17 August 2015, as well as the accompanying action plans aimed at enabling France to contribute more effectively to the fight against climate change and the preservation of the environment.

This report is designed to provide investors with transparency on climate-related risks and opportunities in their portfolios, to help them understand their exposure to these risks and opportunities, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

1.4. Science Based Target initiative (SBTi)

Montpensier Finance supports the **Science Based Target initiative (SBTi)**. This initiative encourages companies to commit to and define a concrete trajectory for reducing their greenhouse gas (GHG) emissions, based on science.

This trajectory is based on targets that are considered "science-based", if they are in line with what the most recent climate science deems necessary to achieve the Paris Agreement' goals, i.e., initially to limit global warming to less than 2°C above pre-industrial levels.

SBTi independently assesses and approves company targets according to strict criteria it has defined, which considers the specificities of each sector. Methodology defined by the Science Based target is available on the SBTI website.

We believe that companies have a crucial role to play in climate transition and we strongly encourage them to submit their GHG emission reduction targets to SBTi.

In all, in our funds' impact reports, we measure the share of companies that are taking steps to go "zero carbon" by setting GHG emission reduction targets in line with the Science Based Targets initiative.

1.5. The Paris Agreement

Montpensier Finance also supports the Paris Agreement, adopted in December 2015 as part of COP21, the international climate conference that brings together every year, the member countries of the United Nations group for the Convention on Climate Change (UNFCCC). The Paris Agreement set the objective of keeping global temperature increase "well below" the 2°C mark by 2100, compared to pre-industrial levels, and to continue efforts to limit this increase to 1.5°C.

The key areas needed to tackle climate change adopted in the Agreement are:

- ✓ Long-term temperature objective (Art. 2) - holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursuing efforts to limit the temperature increase to 1.5°C.
- ✓ Global cap on emissions and "climate neutrality" (art. 4) – In order to achieve the long-term temperature goal, reach global peaking of greenhouse gas emissions as soon as possible, considering the level of development of the various signatory countries, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.
- ✓ Mitigation (Art. 4) - Commitment by signatory countries to prepare, communicate and maintain successive nationally determined contributions (NDC) and to pursue domestic mitigation measures to achieve it.
- ✓ Sinks and reservoirs (Art.5) - Encouraging States to take action to conserve and enhance, as appropriate, sinks and reservoirs of greenhouse gases, including forests.
- ✓ Voluntary cooperation/market-based and non-market-based approaches (Art. 6) – Possibility of voluntary cooperation approaches between States to allow for higher ambition in their GHG mitigation and promote sustainable development.
- ✓ Adaptation (Art. 7) - Global goal on adaptation - enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change ensuring an adequate adaptation

response in the context of the temperature goal, including through support for and international cooperation, and implementation of national adaptation plans.

- ✓ Loss and damage (Art. 8) - Averting, minimizing and addressing loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events.
- ✓ Support for finance, technology, and capacity building (Art. 9, 10 and 11) – Obligation of developed countries to support the efforts of developing countries to build a clean and climate-resilient future.
- ✓ Climate change education, training, public awareness, participation, and public access to information (Art. 12) to enhancing under the Agreement.
- ✓ Transparency (Art. 13), implementation and compliance (Art. 15) - Strong transparency and accountability framework to clearly define action and support by States, considering their different capacities.
- ✓ Global stocktake (Art. 14) – A "global stocktake", to be held in 2023 and every five years thereafter, to assess the collective progress towards achieving the Agreement's objectives.

1.6. Climate Action 100+

Launched in 2017 at the One Planet Summit and considered like one of the most relevant initiatives to address climate change, Climate Action 100+ has a five-year mission to engage the world's largest emitters of greenhouse gases to make a practical transition to cleaner energy and thus meet targets set by the Paris Agreement.
At a worldwide scale, 166 companies are responsible for more than 80% of industrial greenhouse gas emissions.

In fact, the +700 investor members of the initiative, representing total assets of more than USD 68 trillion, have joined forces to ask these 166 companies to improve their climate change governance, reduce their greenhouse gas emissions and strengthen their climate-related financial disclosures.
Montpensier Finance joined the Climate Action 100+ initiative in December 2021.

➢ Initiatives fostering biodiversity

1.7. TNFD, Taskforce on Nature-Related Disclosures

Montpensier Finance also supports the TNFD, the Taskforce on Nature-Related Financial Disclosures. The TNFD is an international working group focusing data communications and transparency regarding investment risks for nature and biodiversity.
Since 2021, the working group is oriented towards implementing a common framework to allow financial institutions and companies alike to assess, monitor, and communicate on investment risks linked to biodiversity loss. The TNFD collaborates with the TCFD, a similar initiative dedicated to climate, to draw from its processes and governance.
Montpensier Finance joined the TNFD in October 2022.

1.8. Finance for Biodiversity Pledge

The Finance for Biodiversity Pledge is a project launched in the context of the COP15 in 2022, which aims to mobilise financial activities towards the restoration of biodiversity and ecosystems.
Montpensier Finance joined the Finance for Biodiversity Pledge in November 2022.

In July 2023, Montpensier Finance signed and publicly endorsed the “Global Financial Institutions Statement to Governments of Deep Seabed Mining”, coordinated by the Finance for Biodiversity Foundation, which we joined in November 2022. We took part in the initiative along with 36 financial institutions, representing over €3.3 trillion in combined assets.
The collaborative initiative calls on governments to protect the oceans and not to proceed with deep sea mining until the environmental, social and economic risks have been fully considered and alternatives to deep sea minerals have been explored.
Our participation to this collaborative initiative is embedded in our broader commitment to furthering impactful environmental practices and raising awareness on the challenges currently faced.

2. Integration of ESG in management methods

ESG evaluation is an integral part of the investment methods implemented by Montpensier Finance.

Montpensier Finance has defined a 3 levels application of the elements of its ESG policy, according to the following perimeters:

- ✓ Elements that apply to all managed funds;
- ✓ Elements that apply to labelled funds;
- ✓ Specific elements that apply to certain funds depending on their investment policy and, where applicable, the label they have obtained.

2.1. Exclusion Policy and Coal Policy

Montpensier Finance has developed a proprietary methodology for SRI analysis.

As part of the implementation of its ESG approach, Montpensier Finance has set up an exclusion policy which is established on several levels, depending on the scope of application of the exclusions, for different investment philosophies:

- ✓ General exclusions that apply to all managed funds;
- ✓ Exclusions that apply to labelled funds;
- ✓ Specific exclusions that apply to certain funds depending on their management policy and, where applicable, the label they have obtained.

➢ Regulatory and normative exclusions

Under the Oslo Convention and the Ottawa Treaty, funds are prohibited from investing in securities identified as being involved in the production of weapons mentioned in the following conventions:

- ✓ **The Anti-Personnel Mine Ban Treaty** (Ottawa Treaty), and ;
- ✓ **The Convention on Cluster Munitions** (Oslo Convention).

Montpensier Finance has also established a "Restrictions and Sanctions" list, which brings together the lists taken into consideration to determine high risks in terms of money laundering or terrorist financing (country risk, national and international sanctions).

➢ Exclusions from controversial activities

Certain activities that are controversial on moral or ethical grounds are also excluded from the investment universe of labelled funds. Exposure to these activities is most often measured as a percentage of annual turnover. It generally includes the production or sales of products or services related to the identified activities.

Some of these controversial activities also belong to the normative exclusions:

- ✓ **Non-conventional weapons** (chemical and biological weapons, depleted uranium weapons);

In all, Montpensier Finance excludes from the investment universe of labelled funds stocks that are not aligned with certain global standards and conventions, notably the principles of the United Nations Global Compact (UNGC), the conventions of the International Labour Organisation (ILO) and the United Nations Guiding Principles on Business and Human Rights (UNGPBHR).

Montpensier Finance has also put in place specific limits for certain funds, notably the:

- ✓ **Best Business Models SRI**, which holds the SRI label, supported by the Ministry of Finance, and the Belgian label Towards Sustainability, developed at the initiative of Febelfin;
- ✓ **Great European Models SRI**, **Quadrator SRI**, **Aesculape SRI**, **M Sport Solutions SRI**, **Improving European Models SRI**, **M Convertibles SRI**, **M Global Convertibles SRI, M Cloud Leaders SRI and M Climate Solutions** that holds the **ISR label** ;
- ✓ **M Climate Solutions**, which holds the **Greenfin label**, created by the Ministry of Ecological Transition and Solidarity, and the Belgian label **Towards Sustainability.**

The exclusion policy implemented by Montpensier Finance is available on our website.

- https://www.montpensier.com/sites/default/files/public/documents/exclusion_policy.pdf

Coal Strategy

Montpensier Finance pays particular attention to the environment. We focus on the environmental impact of companies, their ability to propose solutions to the issues of preservation and sustainability of their environment, and to protect themselves from related risks.

Concerns such as carbon emissions, pollution, waste treatment and sustainable use of resources are of paramount importance to companies. At the heart of our environmental considerations, in line with the collective commitment made by the financial professions on 2 July 2019 at the Ministry of the Economy and Finance, Montpensier Finance has adopted a "coal strategy". This strategy aims to reduce the exposure of investments to coal in order to contribute to the objective set by the national carbon neutrality strategy: stop financing the coal sector.

Montpensier Finance's coal policy is available on our website.

- https://www.montpensier.com/sites/default/files/public/documents/politique_charbon.pdf

2.2. Proprietary methodologies for labelled funds

Montpensier Finance has developed a proprietary SRI analysis methodology based on a dual approach:

- ✓ An analysis of corporate governance using the proprietary « **MGF - Montpensier Governance Flag** » method, which focuses on good corporate governance practices;

- ✓ An analysis of the impact of companies on environment and society through the proprietary method « **MIA - Montpensier Impact Assessment** », which relies on the **17 UN SDGs**, grouped according to their membership in **ecological transition** or **solidarity transition**.

Our proprietary SRI analysis method, recognized for the **Best Business Models SRI**, is now at the heart of the investment process for our main SRI-labelled equity funds.

Montpensier Finance has also developed a Best-in-Class variant of the Montpensier Impact Assessment (MIA) method, notably for funds invested in **convertible bonds,** and for the **Improving European Model SRI** fund, which uses the following approach;

- ✓ An analysis of the contribution of companies to environmental and social transitions via the proprietary « **MIC- Montpensier Industry Contributor** » method, which is based on the 17 UN Sustainable Development Goals using a best-in-Class approach. This analysis makes it possible to establish the positioning of companies on environmental and social aspects, taking into account their sector of activity and the progress of companies. Once again, these exclusions are methodical, relative and evolve over time.

For **M Climate Solutions**, Montpensier Finance has developed a specific method based on a convergence between an approach based on the fundamentals of companies and coherence with identified climate issues, in strict compliance with the requirements of the Greenfin label:

- ✓ **Transition vectors and eligibility of values**
  Montpensier Finance has developed two proprietary ratings: an absolute thematic rating, the **ITE rating** (Involvement in Energy Transition rating); and a **Carbon Profile rating** which takes into account a double component of history and management and carbon typology.
  The **proprietary ITE** and **Carbone profile** ratings developed by Montpensier Finance, combined with a qualitative analysis of the companies' activities, enable the teams to qualify the companies with regard to their involvement in the energy and ecological transition, and to categorise their activities within the three transition vectors defined by Montpensier Finance and, as a result, the eligibility of the securities for the eight categories of activities falling within the scope of the "eco-activities".

- ✓ **"Green Share Intensity"**
  According to the "Green Share Intensity" in the turnover, securities are classified in Type I, Type II, and Type III.
  Thresholds for the allocation of the portfolio between the different typologies of securities are defined. The percentage of the issuers' turnover realised in "eco-activities" determines the "Green Share intensity" in the issuers' turnover.

The SRI analysis teams, the managers and the Operations Department rely on MSCI ESG Research to implement Montpensier Finance's ESG approach.

2.3. Consideration of climate and biodiversity risks

Montpensier Finance supports several climate initiatives, including the Paris Agreement which was adopted in December 2015 at the COP21.

In the same way as the fight against climate change, we are aware that biodiversity is also one of the main challenges of tomorrow.
The degradation of the latter, characterised by its extent and sustained rate, calls into question the survival of living species and, ultimately, our own.

This is why we take biodiversity into account in out qualitative extra financial analysis of companies, using our proprietary methods (Montpensier Impact Assessment – MIA and Montpensier Industry Contributor – MIC).
To complete this approach, we rely on our shareholder engagement to improve the practices of the companies that we consider to be the most exposed.

2.4. Consideration of Principal Adverse Impacts (PAI) in management processes

We consider the 14 Principal Adverse Impacts (PAI) in our sectoral and normative exclusions policy, for funds directly invested in securities. These PAI are also taken into account in our qualitative analysis conducted to determine which investments are deemed sustainable by the Management Company, in our analysis of good governance practices (through our Montpensier Governance Flag – MGF method), as well as our proprietary qualitative analysis of companies' contribution to environmental and social transitions (Montpensier Impact Assessment - MIA and Montpensier Industry Contributor - MIC), and/or in our analysis of eco-activities which determines the contribution to one or more of the UN Sustainable Development Goals (SDGs). The performance and the coverage of these indicators in the analysis vary depending on the sector, industry and region in which each company operates. Below is a nonexhaustive list of the principal adverse impacts that can be taken into account in our extra-financial analysis.

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Greenhouse gas emissions	1. GHG emissions 2. Carbon footprint 3. GHG intensity of investee companies 4. Exposure to companies active in the fossil fuel sector 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas
Water	8. Emissions to water
Waste	9. Hazardous waste and radioactive waste ratio

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises 12. Unadjusted gender pay gap 13. Board gender diversity 14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)

2.5. « Sustainable investments », in the sense of article 2(17) of Regulation (EU) 2019/2088 of the European Parliament and of the Council (SFDR)

2.5.1. Methodology for identifying sustainable investments

Our methodology for identifying sustainable investments is based on a qualitative approach of the following:

- Evaluation of the **contribution to a sustainability objective** through:

  The assessment of contribution to a sustainability objective is based on the UN Sustainable Development Goals (SDGs), we appreciate regarding:

  - Securities analysis through our proprietary methodology "Montpensier Impact Assessment (MIA)" which is based on the 17 Sustainable Development Goals (SDGs) of the UN and allows to identify and analyze the impact of companies on the environment and society.

    We measure a positive or negative impact for each transition type, and then a total impact score is obtained using the aggregated impact by transition type. The overall impact score is the MIA impact.

    We consider that companies with a positive or neutral MIA impact contribute positively to a sustainability goal.

  - And/or by the analysis of eco-activities which determines the contribution to one or more of the UN Sustainable Development Goals (SDGs).

Thus, we assess companies' Green Share – i.e. the percentage of revenues generated by activities that contribute positively to climate transition (8 "eco-activities" as defined by Label Greenfin). These 8 eco-activities are classified into 3 major vectors: 1/ Responsible Energy, 2/ Natural Capital Preservation, and 3/ Efficient Transport.

We consider that companies identified as Type I or II, according to Greenfin label definition contribute positively to a sustainability goal.

- Assessment of the " **do no significant harm" (DNSH) criterion**, which is based on:

  - Our SRI Analysis Step 1: the exclusion of companies involved in controversial activities: weapons manufacturing, coal mining, tobacco, adult entertainment, gambling, GMOs and palm oil.

  - Step 2, i.e., the exclusion of companies rated "CCC" or "Red Controversy Vigilance" by MSCI ESG Research;

  - Taking into account the PAIs in a qualitative approach in the securities SRI analysis.

  In addition, stocks with a negative ecological or solidarity MIA impact; or a negative impact on pillars E or S are also assessed as not complying with the DNSH criterion.

- **Compliance with the principles of good corporate governance**, which is based on our proprietary method "Montpensier Governance Flag (MGF)" whose objective is to assess the alignment of interests between managers, shareholders and more generally all stakeholders. It is based on a list of sub-criteria that allows us to determine 3 MGF statuses: "Pass", "Watchlist" or "Fail".

  We consider that the companies identified as "Fail" have a negative contribution because they do not respect the principles of good corporate governance; we exclude them.

→ A stock is considered a "sustainable investment" if it meets the three previous conditions.
Thus, if a stock has at least one positive contribution, it is considered a "sustainable investment" provided that it respects the principles of good corporate governance and DNSH.

The calculation of a portfolio's exposure to sustainable investing considers the company in the portfolio to be sustainable in its entirety once it has been assessed as Sustainable.

2.5.2. Breakdown of sustainable investments into investments with an environmental objective and investments with a social objective

We have classified the SDGs according to their ecological or social contribution.

TRANSITIONS	THEMES SDG		
Green Transition	Environment	SDG 13	Climate action
		SDG 14	Live below water
		SDG 15	Life on land
	Resources	SDG 6	Clean water and sanitation
		SDG 7	Affordable and clean energy
		SDG 12	Responsible consumption and production
Solidarity Transition	Inclusion	SDG 4	Quality education
		SDG 5	Gender equility
		SDG 8	Decent work and economic growth
		SDG 9	Industry, innovation ans infrastructure
		SDG 10	Ireduced inaqualities
		SDG 11	Sustainable cities and ommunities
	Basic Needs	SDG 1	No Poverty
		SDG 2	Zero hunger
		SDG 3	Good health and well-being
		SDG 16	Peace, justice and strong institutions

Note that a company may be involved in several SDGs. This is a qualitative attribution carried out during our analysis, at the end of which we select a main SDG for each company. This main SDG drives the company's Environmental or Social classification.

This main SDG enables us to determine the breakdown of the portfolio into sustainable investments with an environmental objective and sustainable investments with a social objective.

2.6. Indicators calculated for all directly managed funds

Three MSCI ESG analysis components are integrated into the tools:

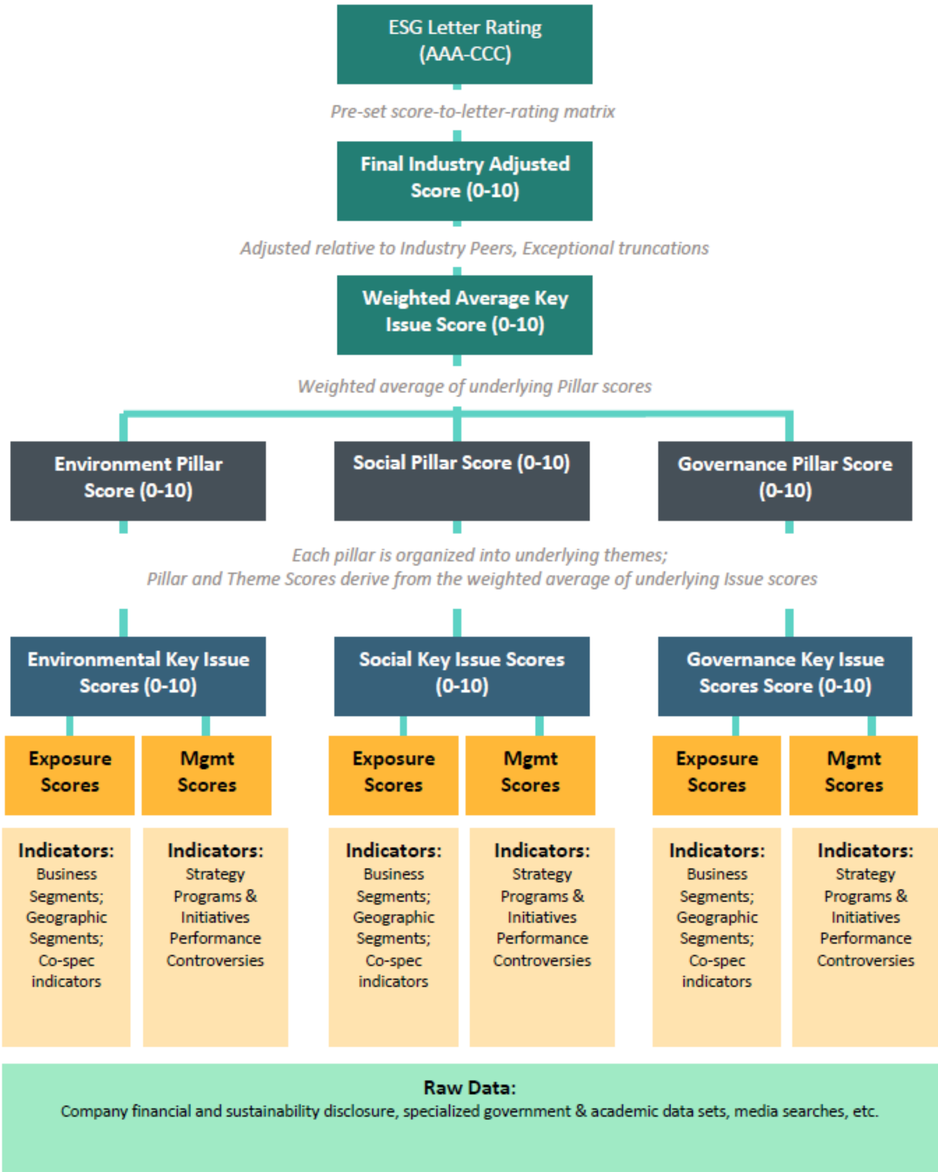
Within this framework, Montpensier Finance has set up various indicators, with the objective of seeking an overall balance within the funds.
Montpensier Finance calculates the ratings of its portfolios on a weekly basis based of the elements available via MSCI ESG Research, amended if necessary in the light of ad hoc analyses carried out by the ESG steering team.

For all directly invested funds, the Operations Department monitors ESG indicators on a weekly basis.

➢ MSCI ESG Ratings

The stocks are analysed by MSCI according to three main axes: Environmental, Social and Governance, with a best-in-class approach consisting of rating companies from an extra-financial point of view within their sector and their socio-geographical environment.

Impacts are analysed in terms of contribution and time horizon.



The resulting rating scale is in a range from CCC to AAA (a higher rating means a higher score):

Letter Rating	Final Industry-Adjusted Company Score
AAA	8.6* - 10.0
AA	7.1 – 8.6
A	5.7 – 7.1
BBB	4.3 – 5.7
BB	2.9 – 4.3
B	1.4 – 2.9
CCC	0.0 – 1.4

**Appearance of overlap in the score ranges is due to rounding error. The 0 to 10 scale is divided into 7 equal parts, each corresponding to a letter rating.*

ESG Ratings alert thresholds

ESG Ratings alert thresholds are applied by Montpensier to each portfolio. These types of alert thresholds are in place:

- ✓ Average rating for each portfolio.
- ✓ Cumulative percentage of the fund's rated assets with a rating <=B
- ✓ Cumulative percentage of the fund's rated assets with a rating <=BB ie, BB, B and CCC

In the event of an alert threshold breach, or in the case of non-rated securities, the following factors are assessed:

- Component accounting for the low rating.
- MSCI research published on the stock triggering the threshold breach.
- Sector analysis provided by MSCI.
- Information published by the company.
- Other published elements, peer group, etc. that could complete this analysis.

Where appropriate, an ad-hoc analysis may lead to an in-house rating being ascribed to non-rated securities, or a review of securities' ratings, if considered justified.

All old or new securities triggering a threshold breach may be subject to measures up to and including the disposal of all or part of the holding concerned, as a function of market conditions.

In addition to the ESG Ratings alert thresholds, within the Environment pillar, portfolio managers pay particular attention to the carbon rating of companies and to the overall portfolio balance.

Monitoring of controversies

MSCI ESG Controversies rating scale is based on controversy flag colours ranging from Red to Green.

Companies are ranked according to the severity of controversies incurred, if any.

		Ongoing	Partially Concluded	Concluded
Very Severe	Direct	0	1	2
Very Severe	Indirect	1	2	3
Severe	Direct	1	2	3
Severe	Indirect	2	3	4
Moderate	Direct	4	5	6
Moderate	Indirect	5	6	7
Minor	Direct	6	7	8
Minor	Indirect	7	8	9

The following MSCI criteria are used in this context:

Montpensier Finance monitors certain causes of controversies in particular:

- ✓ Companies identified as participating in child labour;
- ✓ Companies identified as failing to respect human rights;
- ✓ Companies identified as being involved in a deteriorating environmental performance;
- ✓ Companies identified as being involved in corruption controversies.

An alert threshold is set up by Montpensier Finance:

- ✓ Securities with ESG Ratings that are subject to Red controversies on the monitored themes, and whose ESG ratings are < BB;
- ✓ Non-ESG rated stocks with Red controversies on the monitored themes.

As a complement, Montpensier Finance has established for all its managed funds, an internal monitoring of portfolio companies, and conducts an in-house surveillance of controversies to which these may be exposed.

The **identification** of controversies is implemented through various sources, so as to ensure relevant coverage:
- Weekly monitoring of new controversies with the Bloomberg “News” function ;
- Daily news monitoring (brokers, research etc.) ;
- Following of new controversies through the MSCI ESG Controversies function: identification of topics mainly linked to the funds’ ESG objectives.

Montpensier Finance also chose to pay close attention to certain topics of controversy, and as such, has selected them as selectivity criteria for investment universes:
- Companies identified as participating in child labour;
- Companies identified as failing to respect human rights;
- Companies identified as being involved in a deteriorating environmental performance;
- Companies identified as being involved in corruption controversies.

Controversy **monitoring** is conducted internally through elements provided by MSCI ESG Controversies, which may be complemented by in-house research. An analysis of various criteria is achieved:
- The structural or non-structural nature of the controversy (direct or indirect);
- Measures put in place by the company to remedy the controversy;
- Repeated controversies regarding a similar topic;
- Status of the controversy (ongoing, currently being resolved, or concluded);
- MSCI research note and overall ESG profile of the security being assessed;
- Other additional publications relevant to the analysis.

This monitoring allows Montpensier Finance to define categories according to 3 levels, updated at minima monthly and on an ad-hoc basis.

- **Level 1**: Controversies assessed as serious, structural and/or repeated with a direct company involvement and no response or improvement noted.
    - In the event of a degradation of the case (new controversy on a similar topic or deterioration of the overall ESG profile), the analysis conducted by the ESG team can lead to the sale of all or part of the position concerned, depending on market conditions and in the best interest of fund holders.

- **Level 2**: Controversies found to have a direct or significant indirect impact on the company's activities and/or its environment. The company may have responded well and/or implemented remediation measures.
    - Specific case of the accumulation of controversies, which can increase the level of seriousness of the controversy in our internal analysis.

- **Level 3:** Controversies deemed to be one-off and/or isolated, with potentially indirect involvement of the company and with little impact on its activities and environment, having very little influence on the company's ESG profile.

A **monitoring** is implemented by Montpensier Finance when both of the following criteria are identified:
- Companies subject to one or several Level 1 controversies;
- Companies with a deteriorating ESG profile.

In the event of a significant deterioration in the ESG profile of these companies or new controversies which are too severe and risky for the company, the ESG analysis team relies on an escalation procedure. The analysis of the overall ESG profile of the stock and the controversy is updated. Fund managers are kept informed of the subject and its progress at portfolio committee meetings. An engagement case may also be initiated to start a dialogue with the company concerned.

This analysis and access to new information may lead to a reassessment of the level of controversy, if this seems justified. In addition, the monitoring of these values can lead to a strengthening of the dialogue and the formalisation of expectations for the coming years, in order to monitor the company's progress in dealing with this controversy.

The case will also be reviewed during the portfolio committee of each of the funds concerned, or by an ad-hoc committee if necessary, and a regular monitoring will be conducted at the quarterly SRI committees. Records of decisions taken are formalised in the ESG Risk Monitoring Excel file.

If the engagement fails, if there is a significant deterioration during the monitoring period or if there are new, serious controversies on the same subject, the ESG analysis of the Company may be reviewed and, in some cases, may lead to changes in portfolio management. Measures taken may include the disposal of all or part of the holding concerned, within a maximum of 6 to 9 months following the decision, depending on nature of controversy and as a function of market conditions.

These measures may be reviewed if positive actions are observed, for example:

- Positive response from the company with concrete changes implemented to improve its practices;
- Improvement in the company's practices and overall ESG profile;
    - Compensation and redress for affected individuals or communities;
- Reduced risks, particularly through the introduction of new certifications or dedicated measures...

Monitoring of certain activities

Montpensier Finance relies on MSCI Business Involvement Screening (BIS) to monitor certain business activities.

The MSCI BIS filter is binary. Available criteria allow the BIS universe to be scanned to identify securities involved in certain business activities (controversial weapons, etc).
It allows to exclude certain prohibited activities.

These exclusions come before the specific exclusions set up for labelled funds.

3. Shareholder Engagement Policy

Montpensier Finance's shareholder engagement policy is broken down into a Voting Policy and a Commitment Policy.

3.1. Voting Policy

The exercise of voting rights is an important part of the dialogue with issuers. It encourages the dissemination of best practices in governance and professional ethics.

Montpensier Finance considers the exercise of voting rights to be an integral part of the investment management process and should be carried out in the best interest of its clients.

Montpensier Finance's voting policy aims to promote the long-term enhancement of the value of its UCITS/AIF investments, by encouraging best governance practices and promoting professional ethics.

In exercising voting rights attached to the securities the UCIs hold, portfolio managers may refer to the principles regarding corporate governance recommendations published by ISS Governance in its Sustainability policy.
The ISS scope covers all the companies held in the portfolios of the funds managed by Montpensier Finance.

Compliance regulations require portfolio managers to carry out their functions independently, particularly with regard to issuers, and in the sole interest of unit/shareholders.
Portfolio managers are particularly sensitive to resolutions that could harm shareholders' interests.

The full voting policy is available on Montpensier Finance website:
- https://www.montpensier.com/sites/default/files/public/documents/voting_policy.pdf

The latest report regarding the exercise of voting rights is available on our website:
- https://www.montpensier.com/sites/default/files/public/documents/exercice-droits-de-vote_rapport.pdf

The specific reports on the exercise of voting rights of each labelled equity funds are available on the dedicated pages of each of these funds on the Montpensier Finance website, including:
- https://www.montpensier.com/fr-FR/fonds/best-business-models-sri
- https://www.montpensier.com/fr-FR/fonds/m-climate-solutions
- https://www.montpensier.com/fr-FR/fonds/great-european-models-sri
- https://www.montpensier.com/fr-FR/fonds/quadrator-sri
- https://www.montpensier.com/fr-FR/fonds/improving-european-models-sri
- https://www.montpensier.com/fr-FR/fonds/m-sport-solutions-sri
- https://www.montpensier.com/fr-FR/fonds/aesculape-sri

3.2. Engagement Policy

Montpensier Finance wants to increase the scope of its commitment to the companies in which the funds are invested. With this in mind, Montpensier Finance has decided to participate in the pooled engagement actions implemented by ISS as part of its ISS ESG program. Since 2024, Montpensier Finance has been a member of the FIR - Forum pour l'Investissement Responsable (Forum for Responsible Investment), in order to strengthen its participation in collective commitment initiatives.

The set of companies which the fund managers are meant to focus their engagement on are either poorly ESG-rated, or deemed susceptible of being exposed to ESG-related controversies. The fund managers shall encourage these companies to improve their practices on environmental, social, and corporate governance issues, all of which are factors of sustainable growth.

Fund managers, assisted by the SRI analysts, will establish a positive and constructive mid-to-long-term relationship with companies held in the portfolio.

This dialogue is multi-faceted:

- Company contacts;
- Communication of the fund managers' voting intentions to the company prior to the General Meeting.

In addition to direct engagement initiatives, we usually conduct directly with Small and Medium Companies, Montpensier Finance also participate in pooled engagement actions implemented by ISS as part of its ISS ESG program especially for larger companies.

This dialogue is conducted with the aim of:

- Encouraging companies to set up an ESG commitment;
- Encourage companies to better communicate their ESG practices.

The full engagement policy in available on Montpensier Finance website:

- https://www.montpensier.com/sites/default/files/public/documents/engagement_policy.pdf

The latest engagement report is available on our website:

- https://www.montpensier.com/sites/default/files/public/documents/engagement_rapport.pdf

4. Controls and Governance

4.1. Inspections

Controls are implemented at various stages of order processing and portfolio monitoring:

- **Daily**

✓ Pre-trade controls via the Alto Investment Compliance engine integrated into the PMS ("Alto") and the EMS ("Order Booking") blocking upstream any order that would cause the limit to be exceeded, in particular any buy order for a security excluded from the investment universe, and triggering an ad-hoc validation/rejection procedure;
✓ Post-trade controls thanks to the Alto Investment Compliance tool, which summarises any pre- and post-trade breaches, which are analysed daily by the Operations Department.

- **Weekly**

For directly-invested funds, operations department monitor ESG indicators sur on a weekly basis (portfolios ESG ratings, exclusion of controversial weapons, controversies flags, carbon intensity, etc.).

The results are relayed to the portfolio managers, the SRI analysts, the risk controller and the internal control.

- **Monthly:**

The Risk Committee carries out a monthly review of the ESG ratings screening matrix for directly-invested funds.

- **Quarterly:**

As part of the permanent internal control plan, Internal Control team carries out quarterly controls to monitor ESG ratings (weekly reports, monitoring of controversies, etc.) and ratios.

- **Half-yearly:**

As part of the permanent internal control plan, Internal Control team carries out half-year controls to monitor the compliance of labelled funds with requirements of the labels.

- **Periodic:**

In the context of the periodic controls plan, Internal Control carries out controls in order to check along with sustainable finance implementation, and compliance of labelled funds with the standards of the label they hold.

In addition, labelled funds are subject to an annual audit by the certifying body, as required by regulations.

4.2. Governance

SRI analysts carry independently the ESG analysis, following SRI proprietary methods, developed by Montpensier Finance.

Portfolio managers and analysts, including SRI analysts, are involved in ESG analysis. When analysing the investment case, they identify and discuss on the risks and ESG opportunities of each company studied.

For quantitative aspects, portfolio managers and SRI analysts rely on the Operations and Methods Department.

The ESG analysis team as well as fund managers and the Operations Department rely on MSCI ESG Research to implement the Montpensier Finance's ESG approach.

ESG analysis teams may depart from these external figures in certain cases, in order to ensure the reliability of data.
In the event of missing, obsolete or erroneous information from data providers, data may be supplemented, modified or updated by the SRI analysis team from other sources. Figures published by the company itself concerned take precedence for the analysis of the security concerned.
In situations where specific ESG indicators are not available from external data providers or from Company publications, SRI analysts may also complete their analysis through a Company engagement in order to initiate a dialogue to promote communications and transparency.

If SRI analysts or portfolio managers identify a potential conflict of interest, they should consult the RCCI to ensure that the interests of the funds' unitholders are paramount.

Generally speaking, SRI analysts or fund managers may take the advice of the RCCI.

In addition, Montpensier Finance has established an SRI Committee, made up of the member of Executive Management in charge of SRI supervision, the ESG team, and the Operations and Internal Control Departments. The committee meets quarterly, and as often as necessary.

The SRI Committee examines documents relating to the inclusion of sustainable finance criteria in portfolio management (ESG rating files, SRI selectivity, eco-activity scoring, ESG risk mapping of securities held in portfolios, monitoring of SRI/climate analysis updates, etc.).
More generally, it is also a forum for exchanging information on changes in sustainable finance policies, procedures and products in the light of changes in the regulatory environment, doctrine and label standards.