

EXCLUSION POLICY

Since its creation in 2007, INOCAP Gestion has had a committed approach to its activities. Intervening as close as possible to the entrepreneurs of the real economy, the company is very attentive to the challenges faced by innovative companies.

In order to guarantee clarity and independence to our investors, we communicate transparently on our commitments and results. In order to encourage good corporate practices, we have developed, in complete independence, an ESG approach with a responsible investment policy.

This policy brings together our commitments, whether they are linked to our signature of the United Nations Principles for Responsible Investment (UNPRI) or stem from our extra-financial impact investment strategies.

The present document describes INOCAP Gestion's investment exclusion policy.

The UCIs concerned by this exclusion policy are the following

- QUADRIGE FRANCE Smallcaps,
- QUADRIGE RENDEMENT France Midcaps,
- QUADRIGE EUROPE Midcaps,
- QUADRIGE Multicaps Europe

SUMMARY

- I. Controversial weapons
- II. Tobacco
- III. Coal
- IV. Implementation and monitoring of exclusions
- V. Periodicity of review of exclusion

I. Controversial weapons

Field of exclusion

Excluded from the investments of the UCITS (QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT France Midcaps, QUADRIGE EUROPE Midcaps, QUADRIGE MULTICAPS Europe), upstream of the constitution of the investment portfolio and downstream of the INOCAP Gestion and ESG ratings, are companies operating in one of the following activities, with a limit of 5% of the turnover, validated annually by the reference document :

Anti-personnel mines
Cluster bombs
Chemical weapons
Biological weapons
Depleted uranium munitions
White phosphorus

By operation INOCAP Gestion will include the activities of production, marketing, financing or transportation of these weapons, or any other activity which would constitute an essential service for the development of these activities.

Definitions

- **An anti-personnel mine** is a device designed to explode in the presence, proximity or contact of a person. There are approximately 350 models, which can be classified into two main categories, blast mines and fragmentation mines. They are laid or buried in the ground, or even dropped from the air. They explode under the pressure of a step. They are detonated by pulling on a wire stretched across the axis of travel. Some are projected high up before exploding, thus dispersing their fragments over a large area. Inexpensive weapons (a few dollars each), anti-personnel mines are frequently used in conflicts to dissuade the adversary from using a route or entering an area. Deposited in an often random manner, without a plan allowing for their replacement at the end of the conflict, and generally lacking metallic masses to facilitate their detection, they constitute a major threat to the civilian population, who are most often victims of them long after the end of hostilities.

- **A cluster bomb** is a container filled with explosive mini-bombs, called "submunitions". This container can be a shell, a rocket, a missile... Dropped by plane or by land, it opens in flight and releases the submunitions. A veritable carpet of bombs then falls without precision on large surfaces.

- **A chemical weapon** is a specialized weapon that uses substances designed to inflict injury or death on humans because of their chemical properties or toxicity. According to the Organization for the Prohibition of Chemical Weapons (OPCW), "the term chemical weapon may also be used to refer to any toxic chemical compound, or precursors of such a compound, which is capable of causing death, injury, temporary incapacitation, or sensory irritation by its chemical action. Munitions and associated equipment designed to produce and disperse such chemical weapons, whether loaded or empty, are also themselves considered weapons. A chemical weapon is said to be unitary when its active substance is stored as is before use, unlike a binary weapon, whose active principle must be prepared before use by reacting two or more stable precursors that are generally less toxic. The most dangerous of these are nerve agents, such as sarin and VX, and blister agents, such as lewisite and mustard gas.

- **A biological weapon** is a weapon that uses organisms (pathogens or others) intended to weaken armies or enemy populations by spreading diseases that can be fatal or simply incapacitating. Their potential for harm is such that they have been classified as weapons of mass destruction. Biological weapons include bacteriological and virological weapons.

- **A depleted uranium munition** is a munition that uses depleted uranium, a very dense material, to perforate armour. The high density of uranium makes it a material used in the manufacture of anti-tank shells, notably in the "arrow shells" used in the first Gulf War, the Kosovo War and the first phases of the Iraq War.

- **A white phosphorus** (also known as yellow phosphorus) weapon is a common allotrope of the chemical element phosphorus that has extensive military uses as an incendiary agent, a smoke shielding agent, and as a component of anti-personnel weapons capable of causing varying degrees of burns. Commonly used as a fumigant, it becomes a chemical weapon when used directly for its offensive capabilities. Additional Protocol III to the UN Convention on Certain Conventional Weapons, signed in 1980 and ratified in 1983, prohibits its use.

II. Tobacco

Field of exclusion

Excluded from the investments of the UCITS (QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT France Midcaps, QUADRIGE EUROPE Midcaps, QUADRIGE MULTICAPS Europe) upstream of the constitution of the investment portfolio and downstream of the INOCAP Gestion and ESG ratings, are companies operating in one of the following activities, with a limit of 5% of the turnover, validated annually by the reference document

Cigarettes
Cigars
Cigarillos
Pipe tobacco
Rolling tobacco
Hookahs

By operation, INOCAP Gestion will include the activities of production, marketing, financing or transport of tobacco, or any other activity that would constitute an essential service for the development of these activities.

Definitions

- **The cigarette** is a paper cylinder a few centimeters long, filled with a combustible material, most often tobacco leaves and processed, as well as additives. It can be hand-rolled or industrially mass-produced.

- The cigarette differs from the cigar in its size, which is usually made of tobacco leaves only. It may have a filter at one end.

- It is used to light a cigarette and inhale the smoke from its contents as it is consumed. A cigarette may not contain tobacco at all, or it may contain other plant products, including other mind-altering agents such as cannabis or cloves (kreteks).

- Cigarette smoke contains many toxic substances, at least sixty of which are recognized as carcinogens (tar, arsenic, methanol, ammonia or lead).

The World Health Organization estimated in 2012 that smoking caused the death of about five million adults over 30 years of age worldwide in 2004 (and 600,000 deaths from passive smoking), and that this number is expected to exceed eight million per year over the next twenty years.

Cigarettes have also been implicated in starting fires. For these reasons, tobacco legislation has become increasingly restrictive in developed countries, with regard to sales, places of consumption and merchandising.

III. Coal

Field of exclusion

Are excluded from the investments of the UCITS (QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT France Midcaps, QUADRIGE EUROPE Midcaps, QUADRIGE MULTICAPS Europe) upstream of the constitution of the investment portfolio and downstream of the INOCAP Gestion and ESG ratings, the companies operating in one of the following activities, and this from the first euro of turnover realized and validated annually by the reference document. By operation, INOCAP Gestion will include the activities of production and extraction, processing, marketing, financing or transportation of coal, or any other activity that would constitute an essential service for the development of these activities.

Definitions

- Coal is a combustible sedimentary rock, rich in carbon, formed from the partial degradation of the organic matter of plants. Extracted from mines, it is used as a fuel. Coal reserves are more than 1000 Gt, which represents nearly 120 years of consumption. The second largest source of energy in the world behind oil and the largest source of electricity, it covers 26.9% of the world's energy needs in 2018. More than 70% of global consumption in 2019 is concentrated in three countries: China 51.7%, India 11.8% and the United States 7.2%.

-Coal preparation refers to the processing of ore to ensure consistent quality of coal and to make it more suitable for specific end uses. This treatment depends on the properties of the coal and its intended use. Sometimes complex, polluting and water-consuming processes are required.

-Transport is usually by conveyor belt or truck, then by ship (coal barge) to the coal port terminals before leaving by train or truck to the place of storage and or consumption.

-The health and global warming impact of this energy has been established. A report published in June 2016 by WWF and three other NGOs with the support of the European Union estimates the impact of air pollution caused by coal-fired power plants in the European Union at 22,900 premature deaths in 2013, often killing beyond the borders of the European Union due to the pollution induced in neighboring countries. Regarding the climate, coal is unfortunately more and more used by developing or fast growing countries to diversify their energy mix. However, since the end of the 19th century, science has studied the contribution of coal to climate change and for more than 40 years has settled this debate by making it an important contributor to CO2 emissions.

IV. Implementation and monitoring of exclusions

INOCAP Gestion monitors exclusions internally through reference documents and the various publications and reports of the companies in which it invests. Every month, we extract the different portfolios in a monitoring document in order to identify the new stocks to be analyzed. Each time a new stock is added to the portfolio, we check that the threshold of 5% of sales in the tobacco and controversial weapons sectors is not exceeded. In addition, we exclude any company that derives a part of its turnover from the coal sector from the first euro. These exclusion thresholds are taken into account individually for each of the three exclusion areas (tobacco, controversial weapons and coal) and are therefore not cumulative. Furthermore, in the event that a stock we hold in our portfolio exceeds these thresholds, we will be forced to sell this position over a 6-month period. In the case of an illiquid stock, we must write a note to explain the exit timeframe if we are tempted to exceed the 6-month timeframe specified above.

The ESG analyst is responsible for verifying the exclusions for each of the Funds' portfolio stocks in the overall rating document. The management team is informed of the various exclusions identified.

Exchanges with managers through individual meetings or site visits also allow us to deepen our analysis of company fundamentals.

V. Periodicity of review of exclusion

The evaluation of sales figures is studied and reviewed under two different time frames:

- For each entry of a value in the portfolio, the exclusion thresholds are checked,
- At least once a year, the exclusions are checked on all the positions in the portfolio.

Bibliography

<http://www.businessinsider.fr/us/americans-gun-control-beliefs-las-vegas-shooting-polls-surveys-2017-10>

http://www.liberation.fr/planete/2017/04/28/les-depenses-militaires-continuent-d-augmenter-dans-le-monde_1565674

https://en.wikipedia.org/wiki/Lists_of_weapons

<https://www.icrc.org/en/war-and-law/weapons>

<http://www.clusterconvention.org/the-convention/operative-commitments/>

<https://fr.wikipedia.org/wiki/Cigarette>