



INTEGRATION POLICY

THE SUSTAINABLE INVESTMENT APPROACH OF INOCAP GESTION

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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.

As a responsible, independent and transparent management company, INOCAP Gestion seeks to ensure the satisfaction of its clients, through the financial performance of its products but also through extra-financial commitments. By giving a new meaning to investment, the adoption of a responsible approach is part of this qualitative and demanding conception of our business. INOCAP Gestion is thus convinced that a good understanding of ESG issues by companies and their management enriches internal dialogue and creates the conditions for sustainable success.

Our management approach is based on conviction, both in terms of financial and non-financial criteria. It is therefore our in-depth knowledge of companies and the many discussions we have with their teams or with stakeholders in the field that enable us to give meaning to non-financial information and guarantee the consistency of our approach to our investors.

This document describes INOCAP Gestion's investment integration policy.

SUMMARY

- I. The philosophy of our sustainable investment approach: optimize the risk/return ratio of our investments and therefore of our portfolios
- II. Process of our sustainable investment approach
- III. Our results

I. The philosophy of our sustainable investment approach: optimize the risk/return ratio of our investments and therefore of our portfolios

Our Objectives

a) Apply exclusion criteria to all our fund

We have a commitment objective to totally exclude in 4 funds of the QUADRIGE range (QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT France Midcaps, QUADRIGE EUROPE Midcaps, QUADRIGE MULTICAPS Europe) companies present (up to more than 5% of their turnover) in the following sectors: tobacco and controversial weapons (anti-personnel mines, cluster bombs, chemical weapons, biological weapons, depleted uranium weapons, white phosphorus). Furthermore, INOCAP Gestion undertakes to exclude any company deriving a share of its turnover in the coal sector from the first euro. These range of exclusion are taken into account individually for each of the three areas of exclusion (tobacco, controversial weapons and coal) and is therefore not cumulative. This exclusion is made upstream of the constitution of investment portfolios and downstream of INOCAP Gestion and ESG ratings.

For more information, please refer to our exclusion policy, available on our website.

b) On the scope : Rate all of our portfolio positions with a proprietary ESG rating

We rate all of our portfolio positions in the QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT France Midcaps, QUADRIGE EUROPE Midcaps and QUADRIGE MULTICAPS Europe funds by means of a proprietary ESG rating in order to promote greater transparency of companies (90% minimum coverage rate).

- ✓ The main objective of including ESG criteria in the investment policy of our funds is to improve the risk/return trade-off of the selected securities over time and to take into account sustainability factors in the investment decision-making process. Sustainability risk is defined as an environmental, social or governance event or situation that, if it occurs, could have a material adverse effect, actual or potential, on the value of the investment.
- ✓ Our second objective is to encourage greater transparency on the part of companies on the extra-financial elements that we consider to be the most important and to improve their practices. We are particularly attentive to the following reporting elements:
 - Environment: Scope 1 & Scope 2 greenhouse gas emissions in millions of \$
 - Social: the level of employee turnover
 - Governance: independence rate of the Board
 - Human rights : Very severe and severe controversies

These objectives will be progressively integrated and described to investors in a general way in the prospectuses, the DICI, the reporting of the QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT Midcaps, QUADRIGE EUROPE Midcaps, QUADRIGE MULTICAPS Europe funds, and in a detailed way on the website through specific documents (ESG integration policy, exclusion policy) and finally in the commercial presentations.

We are in regular contact with companies on financial and extra-financial issues and we make recommendations to improve reporting and best practices on extra-financial issues.

Exchanges with companies are documented and monitored over time (annual review after the publication of Annual Reports and Sustainable Development Reports).

c) Take ESG ratings into account in our investment decisions and in the management of portfolio weightings

We integrate ESG ratings into our decision making on all portfolio companies, new portfolio entries and the management of their weight. This rating is seen as a synthetic indicator of the level of risk associated with extra-financial issues.

Our engagement and realisations

a) We are a UN PRI signatory

Thus, discussion and dialogue with companies and stakeholders is a key commitment. The promotion of sustainable investment in all its forms is also one of the objectives of INOCAP Gestion.

b) We strive to be exemplary

By not just analyzing others but going further to act positively at our own level, by also having our own sustainable approach assessed by an independent analysis - Vigéo Eiris in 2018 for example awarded us the "advanced" assessment on our approach.

II. Process of our sustainable investment approach

The main steps of stock selection

The selection of stocks goes through a financial filter owned by INOCAP Gestion and then an extra-financial filter owned by INOCAP Gestion. This process is carried out as follows:

Step 1: Analysis of the companies in the investment universe according to the size of the capitalization and the country of domicile (1st filtering: companies that meet the investment strategy indicated in the fund prospectus, particularly in terms of capitalization and domicile).

Step 2: Fundamental analysis of companies (INOCAP Gestion rating): Only companies with an INOCAP Gestion financial rating of 5 or more will be selected.

Step 3: ESG rating according to the INOCAP Gestion proprietary model.

Step 4: Selection of stocks for the construction of the fund portfolio (taking into account the financial and extra-financial filter) with simultaneous application of exclusions (Controversial Weapons and Tobacco) with an individual exclusion threshold of 5% of turnover and from the first euro of turnover in the coal sector.

Step 5: Commitment - Company dialogue - Votes at General Meetings - Monitoring of controversies - review of ratings and exclusions

Informations sources

The sources of information are internal and external to the company. Our rating is carried out internally, by the fund's analysts-managers, who carry out the specific ESG rating of the companies according to the INOCAP Gestion method. The rating grid is presented in the paragraph on the evaluation methodology.

The rating of the companies making up the funds and the universe are systematically updated once a year (after the publication of the integrated annual reports or sustainable development report and the holding of the General Meetings). It may be updated during the year if new elements of assessment are brought to light, particularly with regard to controversies or changes in governance.

Our rating is mainly based on the information provided in the companies' reporting (annual report, sustainable development report, integrated report, website) and on the additional information that the companies provide to us (after discussions).

We rely on external service providers to access additional information:

- Brokers / Research providers: Exane, Kepler, Goldman Sachs, etc.
- External voting analysis providers: ISS
- Database providers : Bloomberg, MSCI ESG Research, etc.

We use external data in addition to our traditional rating approach based on elements directly communicated by the company. External data is seen as complementary and allows us to have a finer reading of the extra-financial elements that may have a materiality for the company, particularly with regard to controversies.

External cross-sectional studies also allow us to verify the relevance of our methodology.

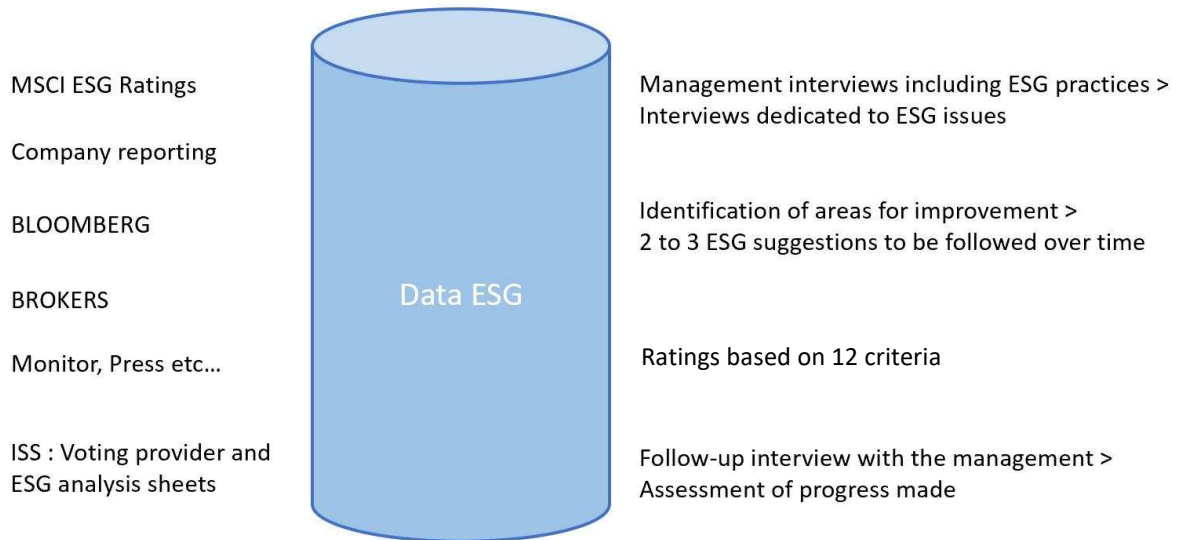
ESG rating criteria and methodology

Each company in the fund and in the investment universe (company with an INOCAP Gestion financial rating of 5 or more) is given an ESG rating as detailed below. This rating is based on 12 criteria with their specific weightings. These 10 criteria constitute extra-financial risk factors that have been chosen for: their materiality, their strong correlation with the financial performance of the companies adjusted for risk, their direct link with the present and future financial performance of our companies and what constitutes their strength (innovation, differentiation, permanent investment). The same rating, consisting of the same criteria with the same weightings, is applied to all companies, regardless of their capitalization size and sector, on 4 funds in the QUADRIGE range: QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT France Midcaps, QUADRIGE EUROPE Midcaps, QUADRIGE MULTICAPS Europe.

Here are the details of INOCAP Gestion's ESG rating:

ESG rating 10/10
1/ Governance (3/10) <ul style="list-style-type: none">- Separation of Chairman and CEO- Independence of Board of Directors/Supervisory Board- Presence of audit committee and independence rate- Share of women of the board of directors / supervisory board
2/ Social (3/10) <ul style="list-style-type: none">- Employee turnover- quantified social objectives- Social Impact Product
3/ Environment (4/10) <ul style="list-style-type: none">- Greenhouse gas emissions (Scope 1+2)- Greenhouse gas emissions (Scope 3)- quantified environmental objectives- Product Environmental Impact

Summary of our ESG integration process



Risk management and consideration of controversies

For all companies in the portfolio and for any new entry, an investment case is drafted and presented to the UCITS management team, which includes ESG ratings. Identified extra-financial risks are discussed in order to be well integrated in the reflection on the entry of the company in the portfolio.

The ESG ratings as well as the financial ratings of INOCAP Gestion have been integrated into all the portfolio management tools in order to promote a synthetic view of the portfolio from these two angles and thus manage the overall risk of the portfolio.

1) INOCAP Gestion's collective management teams study controversies on an ongoing basis when analyzing companies.

2) The management team is aware of the most severe controversies and is responsible for identifying them as soon as they are identified. This is done through media monitoring, or through alerts communicated by external analyses, or through a monthly extraction of the MSCI database on the portfolio allowing us to identify if there has been a new controversy identified as very severe by MSCI ESG Rating or not. Finally, we extract for each company in the portfolio, when possible, the MSCI ESG sheet where the controversies are indicated and explained.

Controversies are studied prior to an initial investment and also during the life of the investment (follow-up or cases of occurrence). In the event of severe or very severe past controversies on a stock likely to be included in the portfolio, the Controversy Management Committee is mobilized and must conclude whether or not to invest after evaluating the members.

The severe and very severe controversies identified are treated according to their impact and on the basis of four criteria: severity of the impact, scale of the impact, frequency and the company's reaction. These controversies, considered significant, may call into question the exit or entry of the position in a portfolio.

Thus, for the UCIs (QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT France Midcaps, QUADRIGE EUROPE Midcaps, QUADRIGE MULTICAPS Europe), a controversy will be monitored in committee and will give rise to an evaluation of the status of the controversy ranging from 1 to 5. This rating may concern a controversy related to all the pillars.

3) INOCAP Gestion seeks by the best means to establish a dialogue with the company concerned, so that the latter may have a right of reply on a significant controversy. The company can deny and the analysis takes place on the public elements available, the company can reject the controversy by explaining why it is not a major and serious issue by providing supporting elements. Finally, the company can also confirm the controversy and, if necessary, announce the commitments and decisions taken to deal with the controversy and its consequences. In this way, the assessment can be held more quickly and with a prospective dimension.

In the context of SRI-labeled funds: if the controversy deemed severe or very severe occurs when the issuer is already present in a portfolio, the committee meets as soon as possible to analyze whether the security should remain in or be removed from the portfolio (a six-month period that may exceptionally be extended in the event of a liquidity problem - see transparency code).

4) Each severe and very severe controversy case will have to go before the controversy committee, which will make a decision on the status of the controversy.

Status 1: Controversy rejected by management with justification-> Maintain or invest in value

Status 2 : Controversy proven without so much severity or action by the company -> Maintain or invest in the value -- Penalty of 0.25 points per controversy in the controversy area.

Status 3 : Controversy proven and serious -> No investment or divestment of the value

We only penalise companies in the portfolio and not those in the investment universe.
As soon as a company is no longer in the portfolio, the penalty is cancelled.

In order to preserve the independence of the Committee's study with regard to the controversy ratings given by MSCI ESG Research, the Committee analyses the validity of the controversy ratings provided with the manager in charge of monitoring the stock. The latter may compare the agency's rating with its own internal research. The committee's decisions will be taken in the interest of our investors and in line with the commitments made by INOCAP Gestion.

Another issue is the appearance of a scandal in a portfolio company or in a stock likely to be included in it, which must be dealt with. However, depending on the coverage of MSCI ESG Research, INOCAP Gestion has two options:

1/The company is covered by MSCI, so we will first have to meet upstream while the scandal is being transcribed into a controversy in MSCI to decide whether or not to invest and then remobilize a controversy management committee and decide whether or not to invest in the stock.

2/The company is not covered by MSCI, then the ESG analyst will gather as much information as possible and share it with each of the stakeholders present at the controversy management committee to finally decide whether or not to invest in the stock.

III. Our results

INOCAP Gestion aims to achieve operational excellence on its internal policy as well as on its investments.

On internal policy, INOCAP Gestion was rated by Vigéo Eiris in April 2018. The results of the assessment (which can be consulted on our website) are a score of 63, which corresponds to an advanced performance (on a scale that includes four levels: weak, limited, robust, advanced).

On the investment policy, all investments of the 4 funds of the QUADRIGE range (QUADRIGE FRANCE Smallcaps, QUADRIGE RENDEMENT France Midcaps, QUADRIGE EUROPE Midcaps, QUADRIGE MULTICAPS Europe) are subject to an internal rating and these funds take into account the ESG rating of the companies in the construction of the portfolio.

In terms of the results of our ESG investment policy, we note an improvement in the rating of our funds by the main financial/extra-financial rating agencies for mutual funds. An annual summary document allows us to understand the scope of this improvement at the level of INOCAP Gestion.

For any question relating to the elements mentioned above, please contact your commercial correspondents, INOCAP Gestions will be happy to bring you all the complementary elements of information. This document does not constitute a commercial incentive and INOCAP Gestion cannot be held responsible for any investment decision made on the basis of these elements. The data are reviewed annually for this policy, the last version being dated 18/03/2021. Before making an investment decision, you must read the DICI and the prospectus of the UCITS managed by INOCAP Gestion, available on the website of the management company.