

Gemway Assets

ESG Responsible Investment Policy

October 2019

Convictions and Principles

Convictions

Gemway Assets believes that taking into account ESG (Environmental, Social and Governance) criteria when analyzing a company fundamental contributes to a comprehensive risk analysis of the company business model.

Gemway Assets believes that a company that manages these issues in a proactive manner tends to generate risk-adjusted long-term performance.

Gemway Assets believes in an approach, which emphasizes shareholder commitment by engaging in dialogue with corporate executives on responsible investment issues.

Gemway Assets believes it is important for companies to disclose ESG information as it forms the basis of any company analysis, comparison and valuation related decisions.

Principles

Gemway Assets encourages companies to

- operate with respect for rights and freedoms enshrined in law and prohibit discrimination;
- respect the rights of workers and take the necessary measures to ensure a safe and healthy working environment;
- take necessary measures in order to protect the environment where the companies operate;
- respect communities in which they operate and develop.

Gemway Assets expects its portfolio companies to adopt the above-mentioned behaviors. Gemway Assets takes into account governance principles and policies implemented by companies. Gemway Assets supports measures that allow minority shareholders to exercise their rights.

Integration and impact of ESG criteria

Integration of ESG criteria

Gemway Assets uses ESG rating from Sustainalytics to monitor its portfolio on a monthly basis and to ensure its portfolio companies comply with the standard of good practice.

Should a new investment bring down a portfolio aggregate (in terms of ESG score) to lower than authorized limit, the investment team can only do so by selling a position with equivalent or lower ESG rating, of similar proportion.

The fund managers and analysts at Gemway Assets should comply with this policy, by integrating ESG criteria in their analysis and investment-decision making process and establish a dialogue with company management on ESG issues whenever is necessary.

Both Head of Investment and Compliance Officer are responsible to ensure that all necessary mechanisms for a proper implementation of the decisions have been put in place. They also verify that principles adopted for responsible investments are integrated in the portfolio management.

ESG impacts

A signatory of PRI (Principle for Responsible Investment), Gemway Assets manages two responsible investment funds invested in emerging countries (GemEquity and GemAsia). Gemway Assets mainly invests in sectors and companies exposed to the rising purchasing power of emerging population (technology, consumption, health, financial services...)

The choice is mainly made on comprehensible business models with limited exposure to public subsidies.

In terms of ESG impacts, Gemway Assets measures the impact or the exposure to environmental, social or governance risks and checks the relevance of its choices on a regular basis:

- A limited exposure to carbon risk;
- A strong social impact on employability;
- A corporate governance policy that inspires confidence to a foreign shareholder;

As such, Gemway Assets commits to measure at least every year and report to its customers (cf Investor / Investment ESG information) :

- the carbon intensity of its investments (Source : Trucost);
- the training of portfolio companies employees (in hours of training per employee trained per year)(Source : Gemway Assets);
- potential controversies (Source : Sustainalytics).

Shareholder commitment

Commitment

In June 2015, Gemway Assets signed the Principles of Responsible Investment (PRI), an international reporting framework supported by the United Nations to encourage the incorporation of environment, social and corporate governance issues (1750 signatories).

Gemway Assets signed the Carbon Disclosure Project (CDP) in 2015 with the aim of encouraging companies to adopt good practices to manage their environmental impacts.

Voting policy

Voting rights are necessarily exercised when Gemway Assets holds more than 1% of the capital or voting rights of a company through the UCITS it manages.

Starting in 2018, Gemway Assets commits to vote for at least 10 portfolio companies. The selection is based on the respective weight of these companies' stocks in the portfolio and the potential impact of our vote on the management subject to their transparency and attentiveness.

One should realize how much a minority foreign shareholder can do in terms of corporate governance impact. It may be unrealistic, in our situation, to believe to be able to change companies' governance. However, further to voting, it is our responsibility to check on one hand that the company is trustworthy and on the other, that it has made available all necessary information to shareholders. It is also our responsibility to report to our clients any concrete case of

controversy. This gives a better idea of companies' real commitment to governance and demonstrates our follow up.

Appendix – Methodology

Integration of ESG criteria into company analysis process

ESG criteria integration in Gemway investment process allow us to have a more complete view of a company's business risks.

Gemway Assets thinks that ESG criteria are just as important as traditional financial factors in the due diligence analysis of a company. The investment team built up its own ESG view based on specialized research and insights gathered through meetings with corporate management.

ESG analysis

Gemway Assets use the methodology of Sustainalytics, a global leader in ESG & Corporate Governance since 2015: each covered company is valued with over one hundred of ESG criteria. After which a rating is attributed to the environmental, one to the social, and one to the governance.

The same evaluation criteria is applied to all the company and their contribution within each category (E, S or G) remains the same. Only the weighting of the 3 ratings E, S and G varies subject to the underlying industry when calculate the overall score.

Companies are then ranked in quintiles according to their overall score in comparison to other covered companies (both from developed and emerging countries). To each quintile of the ranking resulted from this analysis, one ranking from 1 to 5 is attributed. 1 corresponds to an ESG leader, 2 to a company positioned higher than its industry average, 3 is at the average, 4 is at lower than the average of peer group and 5 to a delay in ESG.

The fund management team review each of the ESG notes. An adjustment may be made on an exceptional basis after a thorough analysis by Gemway Assets Investment Committee and a written explanation is given in the company file. The fund management team may decide for example change the weight of

different criteria for a given sector which may lead to a change in the global rating.

Controversy

Analysis

Gemway Assets also pays attention to analysis of incidents which have caused controversies. A controversy is an incident which could negatively impact the company over the time / in the future on its sustainability. In the broader sense, a controversy is a violation of a policy, a norm, or a process. Gemway Assets believes these incidents reflect a realist picture of a company's ESG performance and business practices.

The types of controversies differ from one industry to another. For example, construction companies are more exposed to employee safety controversies, while software companies are more likely to be affected by privacy controversies. Some industries have higher exposure to high-level controversies. For instance, the mining and oil industries as well as financial services and pharmaceutical industries are more at risk of severe controversies.

Categories from this analysis range from 1 to 5 (with 1 being the least serious and 5 the worst). The fund management team reviews these controversies one by one in detail and retains the worst score for the most serious incident. An adjustment to this rating can be made exceptionally following a thorough analysis by the management committee of Gemway Assets. A written explanation is recorded in the company file.

Establishment of global rating

For each company, Gemway Assets establishes an overall score corresponding to weighted average of the ESG score (which counts for 2/3) and the category of the worst controversy (with a 1/3 weighting).

Sustainalytics

The Gemway Assets management team relies on the extra-financial analysis of Sustainalytics. Sustainalytics is the global leader in responsible analytics with more than 140 analysts assigned to twelve research offices.

Sustainalytics has the best coverage among all research organizations in the field of responsible investing for emerging market companies: with 95.3% of the emerging index covered with in-depth ESG analysis, 99.8% emerging companies (MSCI EM) covered in terms of controversy analysis. Among the analysts, 57 have more than five years of experience and 37 have more than ten years of experience. They often have field experience from related industries. In order to guarantee an independent opinion, Sustainalytics does not belong to any large account and / or media group. More information on their methods and capabilities is available on their website (www.sustainalytics.com).

Carbon footprint

GemEquity carbon print (Scope 1) is calculated twice a year by Trucost.

Trucost is a world leader on carbon footprint with more than 50 specialized analysts.

Trucost covers 100% of GemEquity portfolio and 100% of MSCI EM benchmark.

Other sources of ESG data

When a company is not covered by Sustainalytics, and/or in order to broaden the vision, Gemway Assets investment team regularly exchange with other providers of extra-financial analysis. Some brokers have done a remarkable job in the recent past to establish their ESG research capabilities.

Interactions with management team

Gemway investment team members are required to discuss ESG issues at company meetings and encourage them to improve their practice when necessary.

Exclusion

Gemway Assets distinguishes ESG factors integration in investment decisions from any type of ethical or religious investment that aims to exclude certain industries or companies for ethical / religious reasons only.

Gemway Assets will exclude certain corporate securities from its portfolio only in exceptional circumstances, such as when products of a company are prohibited either by applicable law [in France] or by international conventions such as anti-personnel mines. To decide on an exclusion, the management team will review the file and assess the impacts and costs associated with such an exclusion.

Signatory of:

