

ESG Reporting

1. Our ESG vision / Investment Policy

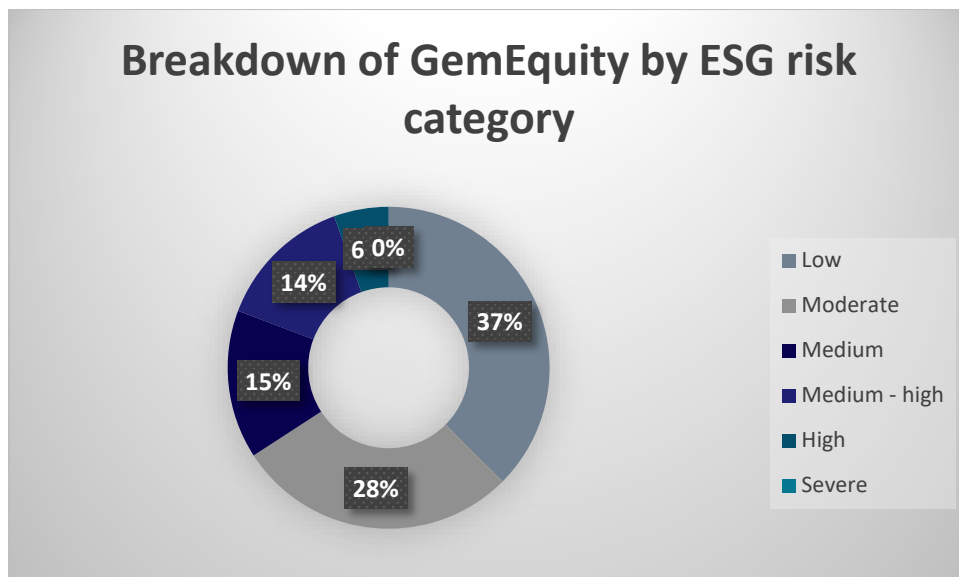
For us, the Environment, Social and Governance approach is first and foremost a Risk approach, to which we are increasingly adding an Impact approach. All with a view to improving the generation of Alpha funds. We implement a policy of normative exclusion, combined with "best-in-class" management expertise, allowing us to select the best rated companies within the sectors of our universe on ESG criteria.

As "stock pickers", we attach great importance to the analysis of corporate governance for over 30 years.

Proximity with companies is part of our DNA. Our analyst team realise more than 300 companies interviews per year. Through shareholder dialogue, we participate in improving the ESG commitment of the companies in which we are shareholders. In this context, we organise company specific ESG interviews.

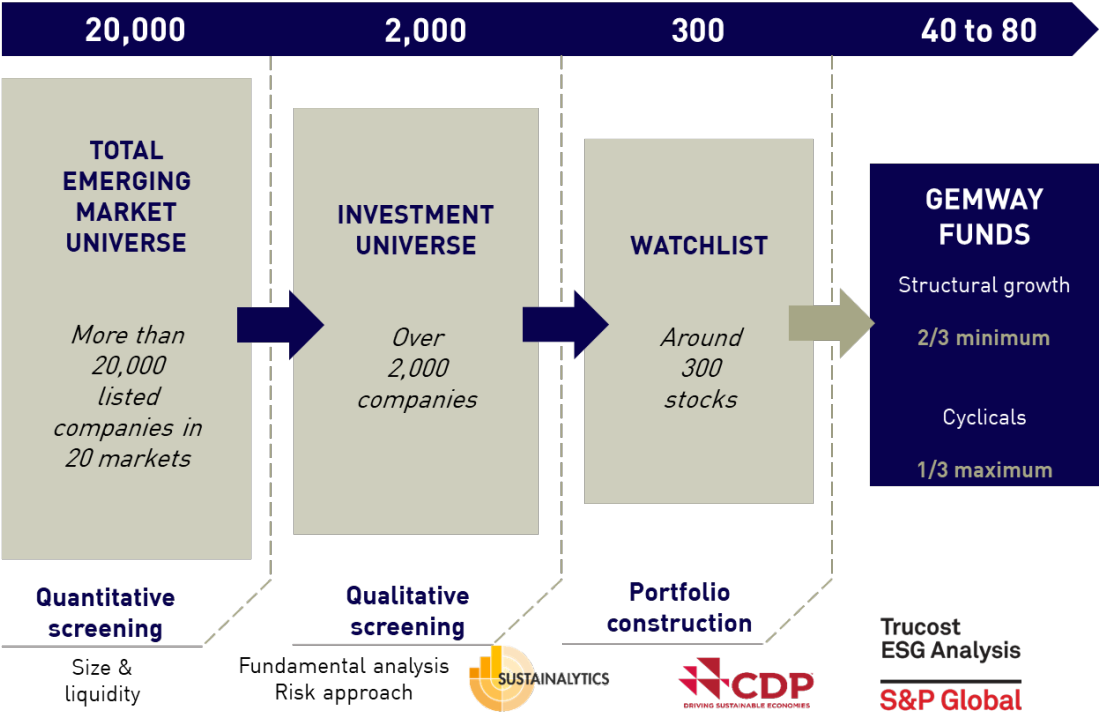
From 2014/2015 Gemway Assets structured a complete ESG investment approach with the definition of an ESG investment policy, the signature of the UN-PRI, the membership of the CDP (ex Carbon Disclosure Project) or the selection of Sustainalytics as a provider of extra-financial data, then of S&P Global Trucost for the calculation of the carbon footprint.

At the beginning of 2020, all our equity funds were awarded the SRI label. The entire GemFunds SICAV (GemEquity, GemAsia, GemChina and GemBond) is classified as SFDR Article 8. In line with this approach, we have been formalising ESG reporting since the end of 2017.



2. Filtres / process ESG

A. Our general process – introduction



SUSTAINALYTICS	CDP DRIVING SUSTAINABLE ECONOMIES	Internal research	Controls
Investment Universe rating (for each portfolio)	Trucost ESG Analysis	Governance Management reputation and quality Analysis of the board of directors Insider trading, etc.	Monthly meetings with Risk & Compliance Officer for portfolio monitoring
Elimination of 20% of the lowest rated stocks (by sector)	S&P Global	Vote at general meetings (20 minimum per year)	Semi annual validation of investment universe by Risk & Compliance Officer
Detailed rating of stocks in portfolios + adjustments following company interviews	Carbon footprint	Social initiatives Number of hours of training per employee Board feminization rate	
Monitoring of controversies (0 = 5)	Environmental data		

B. Exclusion Policy

1) Normative

Gemway Assets is committed to respecting the following exclusion list for all its equity funds (GemEquity, GemAsia and GemChina):

- Anti-personnel mines and cluster munitions
- Military equipment and defense solutions
- Production of shale gas and oil or oil sludge
- Genome technology
- Pornographic content *
- Tobacco & cigarette production *
- Direct investment in mining companies involved in coal mining
- Companies involved in human rights abuses (no Sustainalytics level 5 controversy)

Nb: a threshold of less than 5% of consolidated turnover is imposed (directly or through subsidiaries) except for sectors with "*" for which the threshold is set at 0%.

2) Best in class approach

Our best-in-class approach leads us to eliminate the 20% worst rated companies in the universe (by sector).

C) Our internal ESGEM rating system

Our proximity to emerging companies has enabled us to develop our internal rating system based on 20 qualitative and quantitative indicators. We work with Sustainalytics, S&P Global Trucost and CDP as base for extra financial analysis. Their data complements our intern fundamental analysis.

EM: Gemway Assets operates on emerging markets where standards are different from the developed markets. First, the reporting level is lower. It's important to be in contact with companies to obtain informations. In addition, many companies are newly created with a preponderance of founders at the helm. Thus, the independence of the board of directors isn't necessarily a telling indicator. Finally, emerging countries are the world's producers and environmental standards are below occidental standards.

G: 60% of pie chart → Quality of management; founders' business annexes; regulatory risk; gender parity; transparency of communication with investors

S: 20% of pie chart → Human capital; employee turnover rate; social security coverage rate

E: 20% of pie chart → carbon intensity; recycling rate

Among the financial indicators: return on capital; R&D investment rate; sustainability of cash flows.



D) Concrete case: presentation of our ESG approach with a case study

The ESG analysis of the company is done through 4 filters.

1) Exclusion filter :

- Quantitative (market cap / turnover / liquidity)
- Qualitative :
 - Normative exclusion (vs. sectors)
 - Best in class exclusion (SRI exclusion of the 20% lowest rated by sector, source Sustainalytics for the universe & Gemway Assets internally)

Example: Longi Green

The world's leading manufacturer of solar wafers and modules. \$60bn market capitalisation; \$14bn turnover; \$1bn liquidity daily. Listed on the Shanghai Stock Exchange since 2012. The quality of Longi's ESG reporting is well above the industry average and has improved significantly. The company has adopted the Global Reporting Initiative standards since 2018 and has integrated the United Nations Sustainable Development Goals into its strategic planning has adopted.

2) Fundamental analysis filter

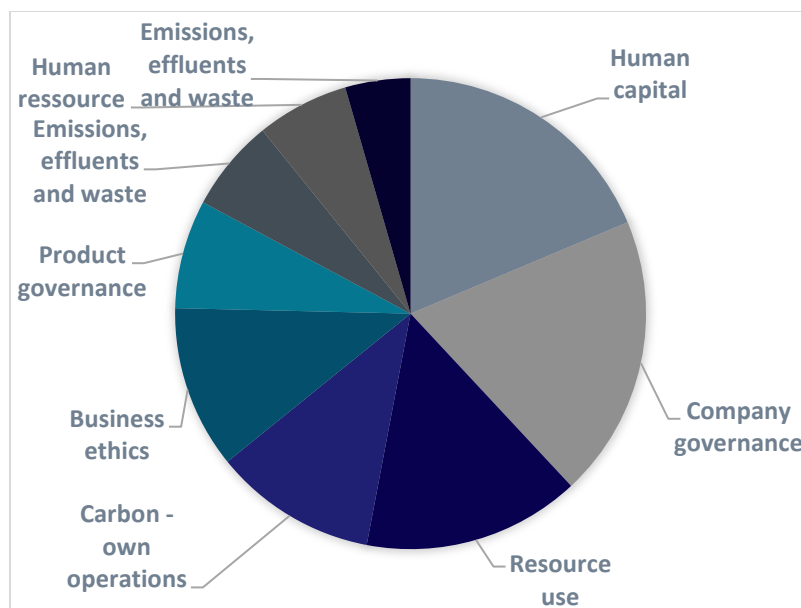
Strong financial ratios :

- Return on equity > 20% for 5 years
- Sustainability of free cash flow
- R&D investment rate > 5%

3) ESG risk analysis filter

It should be remembered that our ESG approach is above all an analysis of ESG risks. Within the framework of LONGI Green, the risks are broken down as follows:

Governance 40% - Environment 30% - Social 30%



At the operational level, the social risk is important because in the semiconductor industry human capital and the know-how of engineers is key. It is important for a company to be able to identify and retain talent. As a leading employer LONGI Green attracts the best talent. Moreover, the industry is rather resource-intensive (water and energy). It should also be remembered that 70% of China's electricity is still generated by coal. Nevertheless, the country's objective is Zero Carbon Emissions by 2060 and LONGI Green is well positioned to contribute to this. Governance risk is well managed. The company operates in a sector that the Chinese government supports, so regulatory risk is considered low.

4) Impact filter: Analysis of the company's initiatives and the impact of its activity in the context of the SDGs

An average score is calculated between the initiatives that the company implements in the framework of the Sustainable Development Goals and the positive or negative impact of its activity on one or several SDGs.

Product impact: As the undisputed leader in the photovoltaic industry, Longi is making a significant contribution to China's carbon neutrality. Also through the effect of scale and continuous investment in new technologies, the company contributes to reducing the cost of solar energy for users and promotes clean energy.

Initiatives: In 2020, five of its factories in Yunnan, China, began operating with 100% renewable electricity. In the same year, Longi officially joined the RE100 initiative led by The Climate Group and aims to achieve 100% renewable energy use in its global operations by 2028.

Controversy analysis: We assign negative points to a company's ESG score if it is involved in major controversies. In the case of Longi, the level of controversy is not significant.

For more details: Impact analysis and ODD/SDG initiatives

Impact: Positive contribution through products and services:

- ODDs /SDGs 7 & 9: Longi is a leader in the field of solar products and a significant contributor to sustainable industrialisation worldwide. The company is also a leading innovator in the solar market, continuously developing new technologies along the solar value chain.
- ODD/SDG 17: Longi supplies many solar farm operators in China and around the world, contributing to the sustainable development of the planet.

Initiatives: Positive contribution through initiatives:

- ODD/SDG 1: Longi builds photovoltaic power plants to fight poverty, supplies photovoltaic modules and provides financial assistance to registered households to ensure that they do not fall back into poverty over the next 20 years.
- ODD/SDG 3: Longi reduces or avoids the use of polluting materials and ensures safe waste disposal.
- ODD/SDG 4: Longi donates educational materials, builds model photovoltaic power plants on campuses, and creates scholarships in disadvantaged primary and secondary schools.
- ODD/SDG 5: Longi sets up the Women's Employee Committee and builds breastfeeding rooms. Longi offers equal employment opportunities to female candidates.

- ODD/SDG 7: Longi implements projects to improve energy saving technologies and implements BIPV projects. The proportion of green energy has reached 42%, reducing greenhouse gas emissions by 1.37 million tones.
- ODD/SDG 8: Longi provides its employees with equitable career development paths and reasonable remuneration to protect their rights and legitimate interests.
- ODD/SDG 11: Longi's production bases have all received ISO 14001:2015 environmental management system certification and green factory certification and achieve 100% recycling of packaging materials.
- ODD/SDG 12: zero waste target.
- ODD/SDG 13: Longi joins several global climate initiatives and submits the commitment to the scientific goal of contributing to a zero-emissions world. Its carbon intensity continues to decline.
- ODD/SDG 16: Longi improves its own anti-fraud management and conducts supplier visits to strengthen supplier integrity and anti-corruption communication and implementation.

➔ **Thus, the company obtains an IMPACT bonus with the effect of significantly reducing the environmental risk**

The final score is 21.16/100, a moderate risk.

3. Engagement

Gemway Assets is a portfolio management company whose core business is stock picking. On average, we conduct more than 300 interviews per year with emerging companies.

Our commitment is focused on two main areas: our participation in voting at General Meetings and our communication with companies to improve the transparency of their communication and encourage them to be more aware of ESG issues.

Since 2020 we are also committed to outperforming our benchmarks on two criteria in particular:

- **The environmental criteria:** carbon intensity (WACI) with a coverage rate of at least 90%.
- **A governance criteria:** the percentage of women on the board of directors with a coverage rate of at least 70%.

A. Evolution of the Numbers

We have two commitment criteria: WACI and feminization rate

GEMEQUITY

	Indicator	GemEquity	Benchmark
E	Carbon Footprint C/V (tons CO2/M euros invested)	189	382
	% companies covered	100%	95%
G	Women on the Board	14,7%	11,8%
	% companies covered	100%	62%

GEMASIA

	Indicator	GemAsia	Benchmark
E	Carbon Footprint C/V (tons CO2/M euros invested)	178	334
	<i>% companies covered</i>	100%	94%
S	Women on the Board	14,4%	12,0%
	<i>% companies covered</i>	100%	63%

GEMCHINA

	Indicator	GemChina	Benchmark
E	Carbon Footprint C/V (tons CO2/M euros invested)	126	271
	<i>% companies covered</i>	90%	91%
G	Women on the Board	14,4%	10,7%
	<i>% companies covered</i>	100%	59%

B. Results of other criteria monitored

In addition, we have been monitoring and publishing additional ESG criteria since 2019.

GEMEQUITY

	Indicator	GemEquity	Benchmark
E	Carbon intensity - WACI (tons CO2/M euros of revenue)	28	272
	Carbon Footprint C/R (tons CO2/M euros of revenue)	115	608
	<i>% companies covered</i>	100%	95%
S	Training hours per employee	26	34
	<i>% companies covered</i>	71%	45%
G	Board independence	50,2%	46,4%
	<i>% companies covered</i>	100%	87%
Human Rights	% fund under controversies	Categories 4/5: 0%	

GEMASIA

	Indicator	GemAsia	Benchmark
E	Carbon intensity - WACI (tons CO2/M euros of revenue)	28	215
	Carbon Footprint C/R (tons CO2/M euros of revenue)	115	551
	<i>% companies covered</i>	100%	94%
S	Training hours per employee	26,5	31,12
	<i>% companies covered</i>	68%	43%
G	Board independence	50,1%	48,1%
	<i>% companies covered</i>	100%	88%
Human Rights	% fund under controversies	Categories 4/5: 0%	

GEMCHINA

	Indicator	GemChina	Benchmark
E	Carbon intensity - WACI (tons CO2/M euros of revenue)	25	225
	Carbon Footprint C/R (tons CO2/M euros of revenue)	82	526
	<i>% companies covered</i>	90%	91%
S	Training hours per employee	45,6%	39,6%
	<i>% companies covered</i>	100%	83%
G	Board independence	21,2	24,25
	<i>% companies covered</i>	68%	34%
Human Rights	% fund under controversies	Categories 4/5: 0%	

C. Policy and voting results

To clearly demonstrate our commitment to our Voting Policy, Gemway Assets is committed **to voting at least 50% of the AGMs** of companies in which the funds are invested.

Given the rigorous analysis applied to each company in which Gemway Assets funds become shareholders, the quality of governance in these companies is better than in the investment universe. The management company invests in companies that create value for their shareholders.

Consequently, there are few fundamental reasons to disagree with management on the resolutions it seeks to approve at shareholders' meetings. These may include decisions to amend the articles of association, approval of accounts and allocation of profits, appointment and dismissal of corporate bodies, appointment of statutory auditors. Gemway Assets examine with attention all unfavourable decision to the interests of the company or to those of minority shareholders and is particularly vigilant on four points:

1. The feminisation of the Board of Directors and Supervisory Board: Gemway Assets is committed to vote against the nomination of at least one male member of the Board of Directors (or Supervisory Board) whenever the proportion of women on the company's board is below 10%.

2. Issues of shares without preferential subscription rights to existing shareholders.
3. Capital increase in the event of OPA and any other anti-OPA measures.
4. Nomination or renewal of directors, with a detailed analysis of the CVs of proposed directors.

However, Gemway Assets would like to point out that not all issues that are open to voting in Europe are necessarily open to voting at general meetings of shareholders in emerging countries. More than 80% of the proposed resolutions concern the nomination or renewal of directors.

Gemway Assets - 2021		
Voting Statistics - General Meetings		
		%
General Meetings submitted in 2021	121	
Voted meetings	117	96,69%
Resolutions passed	1140	
Meetings passed with at least one dissenting vote	53	45,30%
Number of resolutions voted in abstention	0	0,00%
Number of resolutions voted against	118	10,35%
Voting statistics (calculation based on the company)		
Number of companies having submitted a general meeting	69	
Number of companies for which at least one opposition vote were submitted	46	66,67%
Thematic distribution of opposition votes on GA 2021		
		%
Nominations (Board)	84	71%
So-called regulated agreements	0	0%
Remuneration	12	10%
Capital transactions	17	14%
Shareholder resolutions	0	0%
Related section transactions (insiders)	0	0%
Accounts and audit	0	0%
Various	5	4%
<i>Total</i>	<i>118</i>	<i>100%</i>

D. Examples: 6 concrete cases of shareholder dialogue

In 2021, we realized about 15 interviews focusing exclusively on ESG issues. For this purpose, we use a proprietary questionnaire, adjusted according to the company's activity. Nevertheless, issues such as the respect of gender parity or governance issues remain at the heart of our exchange. We use our proprietary questionnaire and adjust the discussion according to the sector of activity and the current level of transparency.

Our questionnaire

GENERAL

- Do you have a CSR board and who are the members? How big is the ESG department?
- What are your CSR goals and how the management is compensated in that regards?
- Have you identified key ESG risks within your company and how have you been communicating within the company?
- Do you monitor your supply chain and if so, how?

- Do you measure the impact of your products and services? Do you monitor it?

GOVERNANCE

- Management turnover rate
- Regulation risk
- Founder's other assets ?
- **Management compensation:**
- **Board:** do you have an independence level target? How are the board committees organised? What is their role?

HUMAN RESOURCES

- Do you have a parity and non-discrimination hiring policy? If so what is the % of employees are female?
- Wage difference female vs male?
- What is the % of employees being paid minimum wage? What is the average wage and how it fares vs the industry?
- % of labor being outsourced?
- Training policy? If so how many hours a year?
- What is the staff turnover?
- How do you develop staff loyalty? Any profit sharing structure?
- What is your policy regarding human rights?
- What is your internal promotion policy?

ENVIRONMENT

- Do you respond to CDP annual questionnaires on climate change, water usage and supply chain? If no, why?
- Do you provide detailed environmental information?
- What is the impact of your products and services?
- Do you calculate Scope 3
- What are energy sources do you use to generate electricity? Do you have a self-sufficiency target?


Proya Cosmetics:




Its market capitalization is \$5.5 billion. It's a type of company where Gemway Assets, a committed medium-sized investor, can play an active role. In 2020, the Chinese company significantly improved its ESG disclosure by publishing a sophisticated sustainability report in Chinese and English. This is a major step forward for a company listed on a mainland Chinese stock exchange. The company stands out for its gender parity ratios, with 47% of the company's middle and senior managers being women. In addition, because of its exposure to animal testing, Proya is constantly investing in alternative testing methods. In 2020, only less than

10% of its products were tested on animals. In terms of packaging, the company began reducing the use of non-recyclable materials in 2011. In 2021, we had several discussions with the company, based on Gemway's own questionnaire and ESG analysis method. During the investigation, we discovered that a key environmental metric, "Scope 1 and 2 GHG emissions", was reported in the wrong volume unit. Proya has promised to correct this error in its next sustainability report. We have also taken the matter further and reported to ESG rating platforms such as Trucost so that this point of erroneous data can be corrected to better reflect the fact that Proya's emissions have in fact improved year on year. In addition, in our comments to Proya, we suggested that the company develop a medium to long term ESG strategy and consider working with a third-party agency with expertise in areas such as carbon calculators and ESG reporting, which was greatly appreciated by management. We are pleased to see that our efforts are having an impact on our portfolio company's ESG performance, and we look forward to seeing further improvements from Proya in the future.

Ozon:

 The Russian e-commerce platform Ozon has many ESG benefits. Firstly, because of its business model, the company connects small local businesses with customers across the country's 11 time zones, including its remote regions. In 2021, the platform has reached \$2.5 billion in revenue. By the way, the board is headed by a woman, a rare occurrence in the emerging world. However, as a young public company (IPO in 2020), ESG information was limited, with only a few paragraphs available on its official website. To push Ozon further in its sustainability efforts, we communicated with management in 2021 through detailed email exchanges and an ESG-focused meeting with management and its newly hired ESG specialist. Our efforts were successful, as we not only collected data related to environmental protection, such as the adoption of electric vehicles and recyclable packaging materials, but also encouraged the company to expand its range of ESG initiatives and communicate them through a clear publication. In December, we were pleased to learn that Ozon released a draft version of its ESG report - "Sustainability at a glance", outlining its framework and timeline as we had strongly recommended in our ESG call.

PingAn:

 PingAn is China's largest insurance company with a market capitalisation of \$150bn. Since 2019, PingAn has been disclosing its ESG information twice a year, more frequently than Chinese regulators require. In our discussions focused on ESG in 2021, we saw how seriously the company takes the issue: the preparation for the interview, the number of managers present.

The percentage of women employees is 48% and is expected to increase. In terms of green financing practices, PingAn aims to reach \$63bn in green investments and \$40bn in green insurance by 2025. We are confident that as the first Chinese insurer with such ESG awareness, PingAn will continue to make a significant contribution to building a sustainable Chinese economy.

Sberbank:



As Russia's largest bank (\$63bn market capitalisation), Sberbank's ESG communication and strategic planning has improved significantly in recent years. At Gemway, we have followed the bank's ESG development every step

of the way, from analysing its ever-improving ESG reports, to organising meetings with management, to participating in its ESG-focused in-depth virtual conferences. The bank has always been a role model in terms of gender equality, with 30% of management positions held by women, which is much better than its Russian counterparts. From announcing the approval of its first ESG policy by the board of directors to allocating additional funds to finance ESG projects (waste treatment infrastructure for example) on preferential terms using both Russian green finance guidelines and a screening framework developed by the bank itself, our results suggest that the bank's efforts to address ESG risks have clearly accelerated in the past year.

In 2020, its green lending for utility upgrades exceeded \$152 billion. In 2021, the bank aims to reach \$2.5 billion in green lending. In addition, the bank's improved responsiveness to ESG data and meeting requests also demonstrates its increased commitment to ESG. In 2021, we communicated with Sberbank through many email exchanges and 4 hours of virtual meetings throughout the year to gather in-depth ESG information from the company and share our views on where the company can still improve in terms of ESG planning and execution. Overall, we look forward to seeing Sberbank's pioneering ESG initiatives in the future, as it leads the Russian financial services sector into a brighter and more sustainable future.

Magazine Luiza:



Luiza Magazine is one of the leading online shopping platforms coupled with a chain of shops in Brazil. The company was founded in 1957 by a Brazilian couple in Franca. Today, with the third generation of the family at the helm, the company has surpassed 2,000 shops and a turnover of \$6.7bn. Luiza Trajano, the president, has been very active in promoting women's empowerment through non-profit commitments. Today, 38% of the board members are women and the company has promised to move towards gender parity. To improve inclusion, Magazine Luiza's ambition is to digitize retail in Brazil. Through its omnichannel approach, the company currently connects 25M customers and 100 000 sellers. In 2021, the company has registered 10 000 sellers each month on its online marketplace. On the environmental front, 30% of the energy consumed by the shops already comes from renewable energy. Overall, through our ESG-focused discussions, we discovered that for decades Luiza Magazine has been a pioneer in various ESG initiatives such as gender equality and social inclusion. However, the level of reporting on these issues was poor. We strongly encouraged them to improve their reporting next year. We were pleased to hear that the company is placing increasing emphasis on ESG reporting. As a result, the company has recently engaged several ESG consulting firms to develop more ambitious ESG targets.

Raycus:



Raycus is China's leading manufacturer of laser cutting machines, with a market capitalization of \$3.8bn. Although developed regions such as Europe and North America have long emphasized the sustainability of their operations, ESG is still a rather distant concept for many Chinese A-share industrial companies such as Raycus. Throughout last year, we held several meetings with Raycus to receive first-hand information on their financial performance and business activities. At each meeting we took the opportunity to emphasize the importance of ESG to Gemway as a responsible investor and to express our desire to see the company publish ESG information. Unfortunately, the response was always negative, as ESG was not considered a priority for the company. However, towards the end of 2021, our repeated communications and requests began to bear fruit. At our last meeting with Raycus, management finally changed their attitude and shared with us useful information such as product

design and material improvements to reduce energy consumption. In addition, they asked us for advice on ESG reporting and promised that, either with internal efforts or with the advice of a third-party consulting firm, the company will begin preparing an ESG report. We are pleased to see that our continued efforts and commitment are paying off. The companies in our portfolios are becoming increasingly aware of ESG issues.