

HMG FINANCE

RESPONSIBLE INVESTMENT POLICY

24 JANVIER 2019

HMG FINANCE

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Investment Manager Signatory Declaration

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, HMG Finance commits to the following:

1. To incorporate Environmental, Social and Corporate Governance (ESG) issues into investment analysis and decision-making processes;
2. To be an active owner and to incorporate ESG issues into our ownership policies and practices;
3. To seek appropriate disclosure on ESG issues by the entities in which we invest;
4. To promote acceptance and implementation of the Principles within the investment industry;
5. To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles;
6. To report on our activities and progress towards implementing the Principles.

By signing this letter HMG Finance agrees to pay the annual fee and commits to completing the PRI Reporting Framework on an annual basis.

HMG Finance confirms their current AUM is 0.75 bn USD. This figure was last calculated on the 31st of December 2019.

HMG Finance is classified as an Investment Manager.

Signed:

Name: **Dorothee Hauvette-Raux**

Title (CEO / equivalent): Présidente du Directoire

Date: 24th of January 2020

Investment strategy reminder

HMG Finance follows a value, contrarian, and unique approach to investing. We specialize in mid and small capitalizations, in France and in Emerging and Frontier markets. We consider it part of our fiduciary duty to aim towards being or becoming one of the most knowledgeable French investors on any given company that we scrutinise.

ESG issues and approach

ESG approach

HMG Finance prides itself on doing thorough work on the factors that impact governance issues. We see the governance of a company as being a central pillar of our investment decision. Effective and progressive governance is of paramount importance to companies taking steps regarding environmental and social issues. Good governance is important for the long term benefit of our clients and whenever possible we attend AGMs in person to exercise our voting rights and influence management where necessary. We believe this allows us to uncover key information that could not otherwise be obtained. Our focus at any point in time will therefore concentrate on governance.

Due to the nature of HMG Finance's investments, and the absence of quantitative ESG information on such companies, HMG Finance uses a combination of ESG strategies including investment theme selection and qualitative analysis. Whenever accessible and relevant HMG Finance shall include quantitative data in its ESG approach. In the course of its fiduciary duty HMG Finance welcomes and integrates external help and analysis, one such case being the [NBIM exclusion list](#).

Investment theme selection is done in accordance with the [UNSDGs](#) and the belief that local industries contribute more to the economy in a sequential manner and when certain macro indicators are in place, and, more generally, that Emerging and Frontier markets are a driving force in the global economy.

HMG Finance considers that its fiduciary duty implies undergoing a qualitative analysis of each of its investments. Part of this analysis covers ESG factors and is used mainly to conduct local peer group comparisons. The investment team contributes on a regular basis to the HMG Finance ESG Database by collecting raw information in the course of their usual interactions with a company (including but not limited to AGMs, company websites, reports, meetings).

HMG Finance's ESG Database strives to cover our various investment universes whenever data is accessible (insofar as this inclusion will enhance our understanding of a company). HMG Finance maintains the database on a regular basis, investments' ESG information is updated at least annually.

ESG analysis is integrated in our investment process when doing peer group comparisons and when trying to identify the strengths and weaknesses of a particular investment. Good progress and integration of relevant ESG issues underline the commitment the management of a company has towards long term profitability and responsibility. Identified ESG issues are followed over an appropriate period of time (typically a year for most issues, more if the issue is considered core to the activity) and progress is assessed. If there is no progress or if the progress is negative appropriate measures are taken (initiation of divestment with the aim of liquidating that particular investment).

HMG Finance believes in progress and inclusion. In this aspect we do not condemn underperforming companies on ESG issues as long as there is progress being made. The inclusion of ESG practices remains a work in progress and government policies in this regard remain rare, particularly in Emerging and Frontier Market countries. There is progress to be made and we believe that excluding those that have the most progress to make is not aligned with our objective of inclusive finance and could in some case be considered irresponsible as actors in the financial system.

ESG objectives and issues

By the use of peer group comparison to identify relevant particular ESG issues within companies, HMG Finance aims to maintain a good local standard on the following points:

Environmental

- Have a cautious and responsible approach to environmental management of business operations
- Efficient use of natural resources
- Mitigation / enhancement of product and service impacts on the environment

Social

- International labour and human rights standards, safe and healthy working conditions and responsible labour management
- Fair treatment of customers including consideration of product safety, data protection and responsible marketing practices
- Positive engagement with regulators, communities and other stakeholders impacted by business activities

Corporate Governance

- Compliance with relevant laws and regulation in countries of operation
- High standards of business integrity and work against bribery and corruption
- Management structures with appropriate internal control mechanisms
- Independence of board, as recommended by afep-MEDEF ([Corporate Governance Code of Listed corporation](#)) and MiddleNext ([Code de gouvernement d'entreprise](#))