



TRANSPARENCY GUIDELINES for the SRI General Public Fund Sector



March 2006

Basic Details

1 Signatories* should be clear about who they are and provide background information on the fund* and the fund manager(s)*.

1a Provide the name of the fund* and the fund manager* to which these guidelines apply.

Name of the fund: Euro Capital Durable
Name of the Manager: Juliette de Montety
Euro Capital Durable is rated "AAA" by Novethic.

1b Provide contact details for further information regarding the fund.

Further information at: www.groupama-am.fr

1c What is the size of the fund, in currency at a specified date?

Encours Euro Capital Durable: €46.77m at 07/03/2006.

1d Where can financial performance history data about the fund be found?

Historical financial performance data are available at: www.groupama-am.fr

1e Provide details of the frequency and means of communicating information to investors as well as the content of such.

Content: performance from the start, yearly performance, calculation of the monthly, quarterly, annual and three-year performance.
History of the market values.
Daily update.

Additional Information

Briefly describe the corporate responsibility policies of the organisation managing or promoting the fund, or indicate where this information can be found.

Information available at: www.groupama-am.fr, under the Sustainable Development / Our Concept / Our Culture / Our Commitment headings.

SRI Investment Criteria

2 Signatories should be clear about their purpose* and investment criteria*.

2a How does the fund define SRI?

Socially Responsible Investment (SRI) means that the analyst/manager takes into account or incorporates Environmental, Social and Governance (ESG) analysis criteria in the traditional financial analysis and in the selection of securities and the building of investment portfolios.

2b What are the fund's socially responsible investment criteria?

Our SRI process favours a sector-based approach both for the basic analysis and the extra-financial ESG analysis of the securities. The investment process is broken down into three stages:

- Summary of prior analyses: different ESG analyses result in the establishment of a rating of the securities from the reference sector and the application of a "Best in Class" selection threshold (selection of a list of SRI values from the eligible SRI sector outside of which the manager cannot invest).
- the top-down approach is formed from the different economic and technical analyses and overall contributions, including the sector-based approach from the AFC (Financial and Credit Analysis) unit (both financial and extra-financial).
- The bottom-up approach, formed from analyses on securities including both the financial and extra-financial dimensions, ends in the selection of shares.

The combination of the three approaches results, within a management committee, in the building of an SRI portfolio.

The selection of shares will only be made in the investment sector restricted to the "Best in class" eligible SRI securities from the MSCI EMU under consideration according to ESG criteria.

2c How are the SRI criteria defined? How frequently and by whom are they reviewed?

The list of sector-based "Best in class" SRI securities will be updated at least quarterly, if not monthly.

In the case of monitoring the SRI performance, we monitor the SRI score monthly for the portfolio. Our tool enables us to simulate the impact of a security or a sector-based allocation on the score.

2d How are investors informed of the changes in criteria?

Any changes in criteria are publicised in the reporting sheet available at: www.groupama-am.fr

Research Process

3 Signatories* should provide information on their research process.

3a Describe your SRI analysis methodology and process.

The aim of the Groupama AM SRI approach is two-fold:

- To provide the management with an instrument for measuring and filtering specialised SRI products such as Euro Capital Durable or specific SRI mandates.
- To provide an instrument to assist in the additional management decision via the integration of ESG themes in the general SRI "mainstream" approach for analysis and management.

With regard to analysis, the aim of Groupama AM is to isolate the "ESG discipline" as little as possible from that of financial analysis. This is why the cross-disciplinary position of the specialist analyst is vital within the AFC unit.

Our ESG analysis approach is the subject of extensive methodological work that incorporates both financial and extra-financial skills: the aim is to enrich the analysis of the fundamentals of companies and sectors by integrating ESG themes, until now poorly or little analysed and integrated as such. It involves extending the notion of risk, identifying, understanding and measuring the exposure of sectors and companies to ESG risks as well as their ability to incorporate them. It also involves identifying opportunities for the company that an understanding of its ESG issues or impacts on its environment in the general sense can provide.

Groupama AM achieves these aims to enrich the basic analysis by two methods:

- ESG scoring by security.
- The integration of certain themes in the studies and/or establishment of "general" recommendations.

3b Does the fund manager use an in-house research team and/or an external research team? Please explain.

The SRI unit is part of the AFC unit and there is bilateral cooperation between the SRI analyst and the sector-based financial analysts.

SRI criteria are taken into account by the ten traditional financial analysts.

As this general analysis framework does not uniformly apply to all the business sectors, the SRI analyst in close collaboration with the financial analysts specialised by sector, has studied each business sector and analysed the relevant "material" issues, in social and environmental matters. Analysis of governance is uniform in all the sectors.

Content of the methodology

- Identification of the key themes: the material issues. Issues become material when, not controlled or managed, they potentially have an impact on the smooth operation or the financial income of the company, or, when properly understood, they represent an opportunity for growth in the sector.
- Procedure based on the notion of risks and opportunities

- Three areas under consideration:
 - Quality of corporate governance,
 - Social performance
 - Environmental performance

Assessment of the level of the companies' exposure to these issues (risks/opportunities), the quality of the company's response and the improvement dynamic.

- **Corporate governance,**
Corporate governance is the preferred central link between the financial and extra-financial analyses, it is a natural element in the assessment of the financial durability of a company but also a pre-requisite, which is the basis of the confidence of the analyst/manager.
- **Social performance**
Identifying all of the specifically sector-based social issues.
- **Environmental performance**
Identifying all of the specifically sector-based environmental issues (risks/opportunities) faced by the company and assessment of the quality of the response proposed.

Sector-based analysis sheets, weighting of criteria and securities rating.

The weighting of these criteria is defined in a sector-based way, they result from the analysis and understanding of the sector.

Our analysis produces a final "extra-financial rating", which derives from the weighting of ratings from the three major areas:

- generally, corporate governance will constitute one third of the overall SRI rating, in order to give it the place that it deserves uniformly according to the sectors.
- 66% is thus to be distributed between social and environmental.

3c Is there an external control or verification procedure in place for the research process? Where an Advisory Committee is used, please state its responsibilities.

Within Groupama AM, the "Risk Management", division, independent of the management, carries out a second level control on the list of eligible securities.

3d Does the research process include stakeholder consultation? If yes, please provide details.

The analysts and managers at Groupama Asset Management meet many company directors as part of:

- "one-to-ones" with the management in our offices.
- investor committee meetings.
- the Eurokâ club (see 3e).
- associative organisations for exchanges or review.

Groupama Asset Management is in continuous dialogue with the management of listed companies.

We regularly meet the General Management of the companies who are in the portfolio (or potentially in the portfolio) as part of individual meetings or bringing together a small number of investors.

These meetings serve a number of purposes: they can have a "generalist" aim or be centred on questions of sustainable development. They bring together financial and/or extra-financial analysts, managers and company management (managing directors, financial departments, investor relations or sustainable development departments, etc).

The principle of these meetings is to promote exchange between the General Management of companies and managers and analysts of Groupama AM: an opportunity to discuss the company's past performances and future strategies, in order to increase understanding and hear the viewpoints of the analysts and managers on the sector and the company; to provide managers with information to help them understand the investment strategies (key criteria for assessing the company or the investment decision); and to give its external and committed opinion on the company's strategic, financial or operational options.

3e Do companies have access to their profile or analysis? If yes, how often?

Groupama Asset Management created Eurokâ, a club for institutional investors and large European companies, which meets twice a year on its initiative, for the purpose of:

- understanding the effects of Sustainable Development on the management of the company and on its financial performance.
- creating a regular meeting for reviewing and exchanging information.

Model companies, e.g. Michelin and St Gobain, explain, using concrete examples, their Sustainable Development policy, and the organisation put in place and measurement of the performance.

Groupama Asset Management puts forward its financial analysis and its SRI analysis to the model company.

Our analysts and managers give their viewpoint and assessment of the model companies on their Sustainable Development.

A word from our SICAV Euro Capital Durable manager completes this meeting.

3f How frequently is the research process reviewed?

The research method is not subject to systematic review, but on a case-by-case basis. On the other hand, data from suppliers of external information are updated on receipt.

3g Which research findings are disclosed to the public? How?

The results of the research are sent to investors as part of the Eurokâ club (see 3e).

Evaluation and Implementation

4 Signatories should provide information on how their research is used to build and manage their portfolio*.

4a How are the research results integrated into the investment process, including selection and approval of companies for investment?

Information available at www.groupama-am.fr

4b What internal or external measures are in place to ensure portfolio holdings* comply with SRI investment criteria?

For Euro Capital Durable, the order book function checks, prior to any stock market order, that the security is indeed on the "green list" (eligible sector list). If the security is not on the "green list", the manager and his superior receive a notification.

The "Risk Management" division carries out a second level check on the "green list".

4c What is the policy and procedure for divestments* on SRI grounds?

When a security's rating falls or it exits the reference sector, it is excluded during the quarter.

4d Are investors informed about divestments on SRI grounds? If yes, how frequently and by what means?

A certain amount of information is already available on the reporting sheet under the "Manager's comments" heading, at www.groupama-am.fr
This sheet is updated monthly and is currently in the process of amendment in order to provide investors with information so they can track the investments/divestments related to the SR criteria.

4e Does the fund manager inform companies of portfolio exclusions* or divestments due to non-compliance with its SRI policy and criteria?

There is no longer any exclusion criteria in the Euro Capital Durable.

Additional: How are research results integrated into the investment process, particularly for the selection and approval of companies in which to invest?

The company is analysed overall, with the three levels of analysis being closely linked. The SRI score is weighted with the corporate governance rating, the environmental rating and the social rating.

Engagement Approach

5 Signatories should explain their approach to engagement if the fund has such a policy.

5a What are the aims of the engagement policy?

Groupama Am views its "engagement" as a responsibility to exchange with companies; using its shareholder power to have an influence on operational, functional or strategic questions, and this while retaining a long-term development perspective as far as possible.

Thus, our "engagement" approach mainly revolves around four exchange methods:

✓ **continuous dialogue with the management of listed companies. (cf. 3d).**

✓ **exercising our voting rights for engagement.**

For several years now, Groupama AM has systematically provided information on all its French and increasingly European shares at its General Meeting. Groupama AM has distinguished itself from the practices in place by each year rejecting over 25% of the resolutions put forward at the General Meeting.

We draw your attention to the French – and continental Europe in general – particularity, which consists of submitting a wide range of issues to the shareholders' vote (by law or tradition) – which differs from Anglo-Saxon practices. Most of the resolutions put to the vote directly relate to corporate governance or human resources issues.

The vote is, for Groupama AM, a powerful tool for the expression of shareholder principles conveyed by Groupama AM. The vote is, with all things being equal elsewhere, a means of engagement that is much stronger in France than in Anglo-Saxon countries. It is the result of a range of subjects and a number of resolutions much more limited in Anglo-Saxon countries.

✓ **the Eurokâ club!**

In addition to the meetings that are organised by analysts and the SRI analyst, the Eurokâ! club periodically enables us to enter into privileged dialogue between Groupama AM and the companies and have constructive exchanges.

This club brings together institutional investors and companies in order to consider ESG issues regarding the social responsibility of the companies and their incorporation by institutional investors. The purpose of the Eurokâ club is:

- to understand the issue of the social responsibility of companies from the socially responsible investment and sustainable development angle,
- to hold a regular meeting for the review and exchange of privileged information (think tank).

This club also enables model companies to compare their Sustainable Development views and policy with the financial and extra-financial analyses of Groupama AM produced on these same companies.

- ✓ **engagement in multi-disciplinary organisations for considerations and exchanges relating to SRI and sustainable development themes:** between market players (in order to clearly express the expectations of investors and increase their suggestions with regard to companies, in particular); with companies, unions, associations and other stakeholders (in order to have a greater understanding of the issues that each has to manage, and together seek a better response to the economic and ESG issues faced by the companies):

UNEP FI ¹ AMWG	- Chairmanship of the "Asset Management Working Group"
UNEP FI PRI	- Strengthening of the partnership with the UN on the SRI theme and participation in the "Principle for Responsible Investment" task force.
ORSE	- Active participation in working groups for the ORSE (French network for researching and promoting corporate social responsibility): - Club Finance, SRI Group Regulations (and hearing for pension funds), Extra-financial Rating and Certification
AFG	- Groupama AM is a member of the SRI commission
SFAF	- Participation of the AFC Manager of Groupama AM in the SRI seminar of SFAF
FIR/EUROSIF	- Forum for Socially Responsible Investment: Partner in 2003 then Member in 2004. Active participation in the "Methodology, on air transport" working group
Expert meetings (via broker conferences and seminars)	- IFP, Novethic, SFAF, TBLI, etc - Senate Climate days, etc - Governmental conferences (The essentials on investment in Morocco: integration of SRI for a developing country)

¹ UNEP FI: United Nations Environment Programme Finance Initiative: the aim of this United Nations programme is to consider the role of finance in Sustainable Development.

5b How does the fund prioritise which companies it will engage with?

We make it a priority to meet the management of companies in the portfolio (or potentially in the portfolio). Generally, we try to meet managers of major companies in our portfolios at least once a year.

5c Who undertakes engagement on behalf of the fund?

The managers and financial analysts of Groupama AM.

5d What methods of engagement are used?

The engagement activity and dialogue of Groupama AM operates on several levels.

- ✓ **at the level of companies, through the number:**
 - of contacts made with the management of companies to enter into dialogue, understand and validate their strategic engagement for sustainable development and their strategy for corporate social responsibility.
 - of exchanges and considerations based on the materiality of their sector-based issues/risks of their activities but also, the relevance of the indicators for measuring the performance of their corporate social responsibility.

The dialogue is particularly constructive on the theme of corporate governance and particularly in the area of resolutions presented to the general meetings of shareholders.

Quite often companies ask managers to give their opinion beforehand on such or such resolution that will be put forward to the next general meeting of shareholders. We have an example of a company that proposed a resolution for an increase in capital, the dimension of which was too vague and wide and where the notion of whether or not to have a related voting right was subtly included. We asked for the resolutions to be presented clearly and we have apparently been listened to with other players.
- ✓ **at the level of institutional investors**

Groupama AM is in continuous dialogue with institutional investors and currently this dialogue provokes a growing interest in the ESG and SRI initiative with a request for additional information and explanations.
- ✓ **at the financial group and community level, through the number:**
 - of participations in reviews participating in promoting and developing socially responsible investment on the international level within different associations in which Groupama AM actively participates.
 - of invitations to participate in conferences/debates on SRI, corporate social responsibility and sustainable development.
 - of voting rights exercised at the companies' general meetings.

5e How is the effectiveness of engagement activity monitored/addressed?

Not applicable to our form of engagement.

5f What further steps, if any, are taken if engagement is considered unsuccessful?

Not applicable to our form of engagement.

5g How, and how frequently, are engagement activities communicated to investors and other stakeholders?

Not applicable to our form of engagement.

Voting Policy

6 Signatories should clarify their policies on voting*.

6a Does the fund have a voting policy? If so, what is it?

The Voting Policy is available at: www.groupama-am.fr

6b Does the fund disclose its voting practices and reasoning for decisions? If so, where can this information be found?

The SICAV annual report gives an overall account of the exercising of voting rights. The votes on the different resolutions comply with voting policy unless otherwise stated.

6c Does the fund sponsor/co-sponsor shareholder resolutions?

SICAV Euro Capital Durable holds a line of shares in the SICAV for shareholder engagement from Fi-Trust.

Periodical Activities

7 Signatories should periodically disclose information about their activities, at least on an annual basis.

7a List the fund holdings* at a specified date within the past six months.

The Euro Capital Durable portfolio is available on first request at the Groupama Asset Management Development Department (Sales Office, tel. 01 44 56 76 76).

7b What engagement activity was undertaken on behalf of the fund during the past year? Please specify.

No, none.

7c What voting actions occurred that were related to the SRI fund criteria? Please specify.

No resolution of this type in the General Meetings for which Euro Capital Durable exercised its voting rights.

Additional

- What divestments occurred in the past year related to the SRI fund criteria? Please give details.

Yes, two securities were divested from the portfolio during the past year.

- What were the amount of donations and the percentage of management fees that the fund gave to charities this past year?

There is no donation policy in the SICAV Euro Capital Durable.

Definition of terms

Definition of the key terms used in the guidelines	
Term	Definition
Divestments	Company shares that are sold from the fund portfolio.
Engagement	A long-term process of dialogue with companies which seeks to influence company behaviour in relation to their social, ethical and environmental practices.
Exclusion	The exclusion of sectors or companies from a fund if involved in certain activities based on specific SRI fund criteria (e.g. no tobacco or animal testing).
Fund	A legal entity, the purpose of which is solely to build a portfolio of investments. This also includes compartments and sub-funds.
Fund Manager	The entity responsible for the fund's overall management.
Fund Purpose	The spirit and overall focus of the fund, but not the investment criteria employed.
Holdings	Equities and/or bonds of companies that collectively comprise the fund portfolio.
Portfolio	A collection of investments managed by the fund manager.
Signatories	Funds and/or fund managers that commit to disclose SRI information in line with Guidelines.
SRI Investment Criteria	The principles or standards of judgement used to determine what the fund can and cannot invest in from a social, ethical or environmental perspective.
Voting Policy	Policy of a fund to exercise its voting rights as investors to influence company behaviour.