



**NEITHER BEAR NOR BULL  
BUT CAMELEON**

## **ESG INTEGRATION CHARTER**

(ENVIRONMENTAL – SOCIAL – GOVERNANCE)

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Responsible Investment Management:

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**DORVAL**  
ASSET MANAGEMENT  
FLEXIBILITY WITH CONVICTION



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## I. Dorval Asset Management's approach

Natixis Investment Managers' affiliate Dorval Asset Management is an entrepreneurial portfolio management company, renowned for its flexible strategies and European equities expertise.

The company takes a forward-looking approach to ESG challenges, taking on board the various aspects and applying its own policy on environmental, social and governance issues.

As early as 2004, and later in 2005 when Stéphane Furet created *Dorval Manageurs*, Dorval Asset Management adopted a proprietary "managers" selection process to take on board governance aspects in its investment policy, which is a key dimension of the ESG trio (Environmental, Social, Governance). Our investment managers in charge of the *Manageurs* range firmly believe that a company's value depends first and foremost on the manager-company duo, and their analysis of companies is therefore based on managers' contribution to their companies' growth.

Our ESG strategy took on a fresh dimension in 2016 with the implementation of various work groups, when Jean-François Baralon was Chair of the Board of Directors, while in 2017, the company then met with various financial market participants in order to select service providers that best fit with our ESG philosophy as applied to portfolio management.

In 2018, Dorval Asset Management selected two providers to work on implementing a ratings methodology i.e. ISS (Institutional Shareholder Services) and Vigeo.

An ESG Steering group was set up in 2019, consisting of: Hervé Guez, financial analyst, and Sophie Chauvellier, fund manager, representing Collective Management; Louis Abreu, multi-asset fund selection, representing Wealth Management; Joelle Hennequin, Corporate Secretary, representing Corporate & CSR; and Tristan Fava and Laurent Trules, financial analysts, representing cross-business functions. The aim of this group is to promote ESG criteria at Dorval Asset Management, in both our investment and our practices across the company as a whole.

Our resolute aim is it to affirm our ESG commitment, particularly in terms of energy transition and in this respect, we now work with various service providers, and have adopted a range of systems and staff training initiatives, while also signing pledges such as the United Nations Principles for Responsible Investment (UN PRI) planned for 2019.

## II. Investment management scope

**Dorval Asset Management’s investment processes screen for ESG criteria across most of the assets we manage.**

**We apply an exclusion policy for all our Collective Management:**

- Dorval Convictions
- Dorval Convictions PEA
- Dorval Manageurs
- Dorval Manageurs Europe
- Dorval Manageurs Euro
- Dorval Manageurs Small Cap Euro
- Dorval Manageurs SMID Cap Euro
- Dorval Global Convictions
- Dorval Global Convictions Patrimoine
- Dorval Emerging Market Convictions
- Gestion Proactive Patrimoniale
- Gestion Proactive Dynamique
- Sesame Investissement

This exclusion policy is based primarily on Natixis’ exclusion policies.

Dorval Asset Management also applies its exclusion policy to its management mandates, unless otherwise instructed by clients.

**Dorval Asset Management also applies non-financial criteria in the investment process for all European open-end equity funds it manages.**

**Mutual funds screened for non-financial criteria are as follows:**

- Dorval Convictions
- Dorval Convictions PEA
- Dorval Manageurs
- Dorval Manageurs Europe
- Dorval Manageurs Euro
- Dorval Manageurs Small Cap Euro
- Dorval Manageurs SMID Cap Euro

### III. Investment philosophy and ESG

#### **Investment philosophy**

Dorval Asset Management is a committed long-term investor and we apply our investment philosophy accordingly.

Our ESG policy is based on:

- An exclusion policy;
- An engagement policy/charter;
- Analysis and inclusion of non-financial criteria in our French and European open-end funds;
- A voting policy for shareholder meetings;
- Shareholder dialogue as a way to engage with European companies.

#### **Dialogue, engage and transform**

Our philosophy is built on our deep-rooted values while seeking to take our long-standing principles a step further: at the same time, we also safeguard the specific features of our investment management processes.

Dorval Asset Management has focused on pragmatic and collaborative shareholder dialogue since 2004.

Our fund management philosophy takes on board ESG criteria in three key ways:

- We comply with the exclusion policy across all our investment management i.e. Collective Management and Wealth Management.
- In our European investment management:
  - We factor in non-financial criteria to take responsible investment decisions;
  - We encourage progress by urging companies to improve their ESG practices as we take part in shareholder meetings and engage in regular constructive dialogue with them.

This approach involves optimising the risk/return ratio on our investments by adding new financial and non-financial criteria to our fundamental financial analysis of companies.

Our fund managers assess the following for each of the companies they select:

- Financial showings;
- Management momentum;
- Valuation trends;
- ESG integration.

## IV. Steering and Organisation

### ESG steering

Dorval Asset Management takes a forward-looking approach to ESG challenges, taking on board the various aspects and applying its own policy on environmental, social and governance issues. This led to the creation of an ESG Steering group in 2019, consisting of: Hervé Guez, financial analyst, and Sophie Chauvellier, fund manager, representing Collective Management; Louis Abreu, multi-asset fund selection, representing Wealth Management; Joelle Hennequin, Corporate Secretary, representing Corporate & ESR; and Tristan Fava and Laurent Trules, financial analysts, representing cross-business functions. The aim of this group is to promote ESG criteria here at Dorval Asset Management, in both our investment and our practices across the company as a whole.

### High team ESG awareness

The entire investment management team, product specialists, marketing and compliance staff are taking a training program with the PRI Academy in 2019, thereby rounding out our ESG commitment across the entire company.

### Resources for entire investment management department with data from investment managers

- The entire investment management team complies with an exclusion list that is updated and approved by Senior Management and the Head of Compliance and Internal Control at least once a year and when there are changes in the list of issuers covered.
- Non-financial analysis is centralised in the *Managers* database, a Dorval Asset Management proprietary database that is accessible to the entire investment management team.
- Our service provider Vigeo<sup>1</sup> alerts the team on any controversies and litigation at the companies in question.

<sup>1</sup> Vigeo is an international social and environmental ratings agency, which specialises in qualitative corporate analysis based on social and environmental criteria

- Our service provider ISS<sup>2</sup> provides the investment management team with a system to monitor and examine our positions on recommendations at shareholder meetings.
- Fund managers can also take a company profile – including our ESG rating – to each company meeting, so they can raise areas for ESG improvement with the issuer.

## Themes and Stocks Committee

The Chief Investment Officer and the entire European fund management team meet during the Themes and Stocks Committee, with the aim of:

- Defining and discussing the main leading themes, consistent with our macroeconomic approach;
- Presenting and discussing investments already in the portfolio or under assessment: this includes discussions on non-financial environmental, social and governance criteria.

## ESG Committee

Dorval Asset Management holds an ESG Committee meeting twice a year.

The committee is attended by Dorval Asset Management's CEO, its CIO, investment management teams (Collective Management and Wealth Management) and at least one representative from the Marketing and Compliance teams.

These committee meetings are led by the ESG Steering group.

The aim of the committee meetings is to:

- Present corporate changes and achievements at Dorval Asset Management;
- Discuss ESG issues in our investment management;
- Provide an update on initiatives under way and identify fresh projects.

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<sup>2</sup> *Institutional Shareholder Services Inc. (ISS) is the leading provider of corporate governance and investment management (RI) solutions worldwide  
See ESG research providers*

## V. Methodology

### 1- Exclusion screening

Dorval Asset Management leverages the group’s teams’ expertise to single out issuers covered by this exclusion policy. The group may call in external service providers in order to share expertise and gain additional information to companies’ official communications.

### 2- Manager screening

At Dorval Asset Management, our ESG criteria often go beyond mere E (Environmental), S (Social) and G (Governance) aspects, and for each company, they include the track record on innovation, transparency, involvement in share ownership, management’s internal motivation, and all stakeholders in the company i.e. staff, shareholders, etc.

We believe that companies’ ESG performances must be assessed alongside all financial selection criteria already considered and so we analyse companies as follows:

Our portfolio managers assess company executives using nine criteria that measure their intrinsic qualities, as well as their ability to deliver a growth surplus over time. These criteria are based on two concepts: “developer” and “manager”. The developer and manager categories each account for 40% of the overall rating (vs. 50% previously), while ESG is a separate category and now accounts for the remaining 20% of the overall score.

We also assess any potential controversial events on a case-by-case basis, and analyse the extent of their impact on the companies in question.

Non-financial risks and premia round out the overall score for the companies we analyse. Our manager assessment, which we conduct dynamically and in a forward-looking way, is factored into our investment decisions, alongside economic criteria (theme, position in cycle) and financial aspects (earnings prospects, risk, rerating potential).

Qualities of the Developer	Qualities of the Manager
Business skills/experience and contact network	Charisma/ability to convince and gain support from others
Knowledge of the competitive environment	Ability to deliver/margin culture
Strategic foresight/ability to adapt, innovation capabilities	Respect for financial commitments/transparency
Control of external growth	Participation in capital/convergence of interests
Environmental, social and governance (ESG) criteria	

However, at this stage there is no broad-based consensus on ESG ratings. There is often a slant in terms of market capitalisation, and the difference in rating between large- and small-caps can very often be attributed to the disparity in financial and human resources. Dorval Asset Management may therefore ask service providers to initiate coverage on specific small- or mid-caps in our portfolio.

## VI. ESG research providers

We decided to seek the services of external independent ESG research service providers that are market leaders in their areas: this decision fits with our company set-up, with 25 staff at end-2018.

- Vigeo for environmental and social criteria
- ISS to analyse shareholder meeting votes, governance criteria and carbon reports.

## VII. Reporting

Dorval Asset Management assesses the carbon footprint for the funds in its scope on a yearly basis and provides this information on its website: <https://www.dorval-am.com/>

Each year, Dorval Asset Management also publishes a report on:

- the way it has applied its voting policy;
- its compensation policy;
- its claims processing policy and processing complaints from clients;
- its policy to manage conflicts of interests;
- its policy for best selecting intermediaries.

This ESG charter will be approved and updated where required each year.