



**NEITHER BEAR NOR BULL
BUT CAMELEON**

Dorval Asset Management's Exclusion policy

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Asset management company accredited by the French financial markets authority, AMF, under no. GP 93-08 – public limited company with share capital of €303,025 – listed on the Paris Trade and Companies Register No. B 391 392 768



DORVAL
ASSET MANAGEMENT
FLEXIBILITY WITH CONVICTION



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I. Introduction

Sector exclusion policies are one of the key aspects of Dorval Asset Management's ESG strategy. These policies are applied as part of its ESG screening and are aimed at:

- Complying with national and international regulation;
- Complying with Natixis' commitments;
- Meeting Dorval Asset Management's own goals and commitments as part of its broader responsible asset management strategy.

Dorval Asset Management's sector exclusion policies aim to exclude certain issuers from its investment universe on the basis of their business operations, geographical locations, the way they work, their reputation, breach of international standards, etc.

This sector exclusion policy goes hand in hand with our ESG commitment and is designed to exclude companies in the following sectors from our investment range:

- Controversial weapons;
- Coal;
- Tobacco.

The list of issuers covered by our sector policies is approved by Senior Management and the Head of Compliance and Internal Control each year. The Compliance and Internal Control team then ensures that the company complies with these exclusions.

II. Controversial weapons

Background and challenges

Financing for controversial weapons is governed by international agreements signed by France. Our controversial weapons exclusion policy therefore covers arms prohibited by international treaties:

- Anti-personnel mines (APM)
- Cluster munitions (CM)

The Ottawa (1999) and Oslo (2010) Conventions prohibit the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster munitions.

Financing can be viewed as an incentive to produce this type of weapon, and in France, "any informed decision to provide direct or indirect financial support for the production or sale of cluster bombs would be considered as assistance, encouragement or incentive punishable under criminal law".

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Like its parent company Natixis¹, Dorval Asset Management excludes companies involved in the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster munitions from all its portfolios, complying with the Ottawa and Oslo Conventions signed by a number of countries including France.

Issuers involved

All listed and unlisted companies that are proven to:

- Be involved in the use, development, production, sale, distribution, stockpiling and transport of anti-personnel mines and cluster munitions;
- Hold 50% or more of a company involved in the businesses outlined above. Proof of involvement requires that a key proportion of the company's operations be devoted to the production of cluster bombs and/or anti-personnel mines.

III. Coal

Background and challenges

The energy supply sector is the largest contributor to anthropogenic greenhouse gas (GHG) emissions responsible for global warming².

Coal is the most carbon-intensive fuel and accounts for a high proportion of the world energy mix. Although coal-fired power plants account for just 41% of world energy production, they are responsible for more than 70% of the energy sector's GHG emissions³.

Restricting global warming therefore requires a gradual shift in the energy mix, away from fossil fuels and towards less carbon-intensive energy generation sources. Despite technological progress already made, a reduction of thermal coal in the mix is now seen as a vital condition for this transformation.

The abundant supply of inexpensive coal resources is holding back this shift, which public policy on climate change endeavours to drive, in particular through the framework for climate action agreed at COP21. National GHG reduction pledges then made by 196 countries are intended to limit global warming to less than 2°C compared to pre-industrial levels.

The growing awareness of climate change issues amongst most energy sector players has led to a shift in investment towards renewable energies, the decommissioning of the least efficient thermal power plants, and the gradual shift in producers' fuel mix.

¹ View the Natixis press release:

https://www.natixis.com/natixis/upload/docs/application/pdf/2018-06/180627_defense-policy.pdf

² In 2010, the energy generation sector was responsible for 35% of greenhouse gas emissions worldwide (Source: Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5))

³ Source: IPCC, Intergovernmental Panel on Climate Change

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Dorval Asset Management is highly aware of the importance of today's climate challenges and the active role that financial institutions should play in energy transition. It therefore supports and complies with parent company Natixis⁴ goal of restricting support for companies that depend heavily on coal in their businesses to help reduce the share of this fossil fuel in the world energy mix.

Issuers involved

- Utilities – energy services sector

Issuers covered are those that derive 50% of revenues from coal-fired energy generation.

- Mines

Issuers covered are those that derive 50% of revenues from coal mining.

- Mountain-top removal (MTR)

Dorval Asset Management excludes from its investment scope companies whose main business is based on the production, transport and sale of coal extracted using one of the most aggressive techniques – mountain-top removal – primarily in the Appalachian Mountains in the east of the United States.

IV. Tobacco

Background and challenges

Our exclusion policy on tobacco manufacturers aims to better take on board non-financial criteria in our investment decisions, complying with major international standards, such as the United Nations Principles for Responsible Investment (UN PRI), which Dorval Asset Management intends to sign in 2019.

Dorval Asset Management therefore pledges to halt support for the highly controversial tobacco sector, which runs contrary to the United Nations' Sustainable Development Goals⁵, due to its particularly negative social, societal and environmental impacts.

Our policy also fits with our parent company Natixis' stance and its pledge to end financing and investment for the tobacco industry⁶.

⁴ View the Natixis press release:

https://www.natixis.com/natixis/upload/docs/application/pdf/2016-07/160708_coal_policy_en.pdf

⁵ Find out more about the Sustainable Development Goals:

<https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

⁶ View the Natixis press release:

https://www.natixis.com/natixis/upload/docs/application/pdf/2017-12/natixis_pr_-_tobacco_exclusion_12_19_2017.pdf

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V. Identifying issuers covered

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.

VI. Updating the issuer list

We update the list of issuers covered by our policy at least once per year and as often as necessary in the event of a major news event on the issuer. Our update takes on board the various analyses available and the results of engagement efforts with issuers.

The list of issuers covered is approved by Senior Management and the Head of Compliance and Internal Control at Dorval Asset Management.

VII. Scope of application

Investment bans on issuers on our exclusion list apply to all Dorval Asset Management's funds. Any external mutual funds selected by Dorval Asset Management's investment managers are not covered by this exclusion policy.

Dorval Asset Management will inform its clients of dedicated funds and mandates and encourage them to adopt this policy, but will comply with each client's final decision.

Our exclusion policy applies to all the following funds:

- 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

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VIII. Policy communication

All stakeholders are informed of the contents of our policy via various media:

- General information on our sector exclusion policies is available on the Dorval Asset Management website;
- The exclusion list is included in our front-to-back system to systematically alert and avert any investment in a company on our exclusion list.

IX. Monitoring our exclusion lists

Our Compliance and Internal Control team ensures compliance with our exclusion lists, which are also included in our front-to-back systems, allowing for automatic pre-trade checks to systematically avert any investment in securities issued by companies on the lists.

A report on compliance with these exclusion lists is presented during the Risk Committee each quarter.

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