



**NEITHER BEAR NOR BULL
BUT CAMELEON**

Dorval Asset Management's policy on the integration of sustainability risks

Document approved on:

March 10, 2021

Asset management company with AMF accreditation GP 93-08 – public limited company with share capital of €303,025 - Paris Trade and Companies Register No. B 391 392 768



DORVAL
ASSET MANAGEMENT
FLEXIBLE PAR CONVICTION



Dorval Asset Management's Socially Responsible Investment policy (SRI) is an integral part of our fiduciary responsibility approach, as our role as a responsible investor holds us to the highest standards with our clients and partners, as well as with the companies that we invest in.

This approach is based on (i) our shareholder engagement policy, (ii) our exclusion policy, (iii) our controversy management policy and (iv) the embedding of Environmental, Social and Governance (ESG) criteria at the very heart of our full range of investment management processes.

Socially responsible investment and the integration of ESG criteria in asset management have become increasingly crucial over the past ten years. Implementation of the Paris Agreement on the climate in 2015 and the United Nations' sustainable development goals for 2030 set the initial framework. In 2019, the European Commission's action plan for financing sustainable growth set out the aims of clarifying fiduciary duty and enhancing transparency on both the risks and opportunities in sustainable investment.

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) defines sustainability risks as **“an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”**.

Dorval Asset Management, a subsidiary of Natixis Investment Managers, is committed to promoting responsible investment and in this document presents its policy for integrating sustainability risks with a view to promoting transparency and supporting a long-term approach to managing its clients' investments.

The aim of this policy is thus to outline how sustainability risks – regardless of their extent, and whether they are actual or potential – are incorporated into our decision-making processes at Dorval Asset Management. It sets out aspects of organization, risk management and governance for these processes as a whole.

This document outlines Dorval Asset Management's policy on the integration of sustainability risks.

Contents

I. INTRODUCTION.....	3
II. RESPONSIBLE INVESTMENT POLICY.....	5
III. INDIVIDUAL AND COLLABORATIVE SHAREHOLDER ENGAGEMENT	6
IV. EXCLUSION AND CONTROVERSY MANAGEMENT POLICIES	7
V. REMUNERATION POLICY.....	7
VI. INTEGRATION OF CLIMATE-RELATED CHALLENGES	8
VII. CONCLUSION	8

I. Introduction

Dorval Asset Management’s Socially Responsible Investment policy (SRI) is an integral part of our fiduciary responsibility approach, as our role as a responsible investor holds us to the highest standards with our clients and partners, as well as with the companies that we invest in. It embodies Dorval Asset Management’s resolute pledges to promote responsible investment across all our operations, in accordance with French and international regulation.

As part of our non-financial analysis, Dorval Asset Management singles out the challenges that could lead to a substantial risk – or opportunity – for the performances of companies in our portfolios’ investment universe. We integrate sustainability risks – as outlined in our ESG documentation – across several levels and by applying a range of programs:

- Our Responsible Investment approach.
- Our individual and collaborative shareholder engagement.
- Our exclusion and controversy management.
- Our remuneration policy.
- Our integration of climate-related matters.

The various documents covering these principles are available in the “Our ESG approach” section of Dorval Asset Management’s website.

Our current approach as well as our commitments in this arena are a further continuation of Dorval Asset Management’s existing practices.

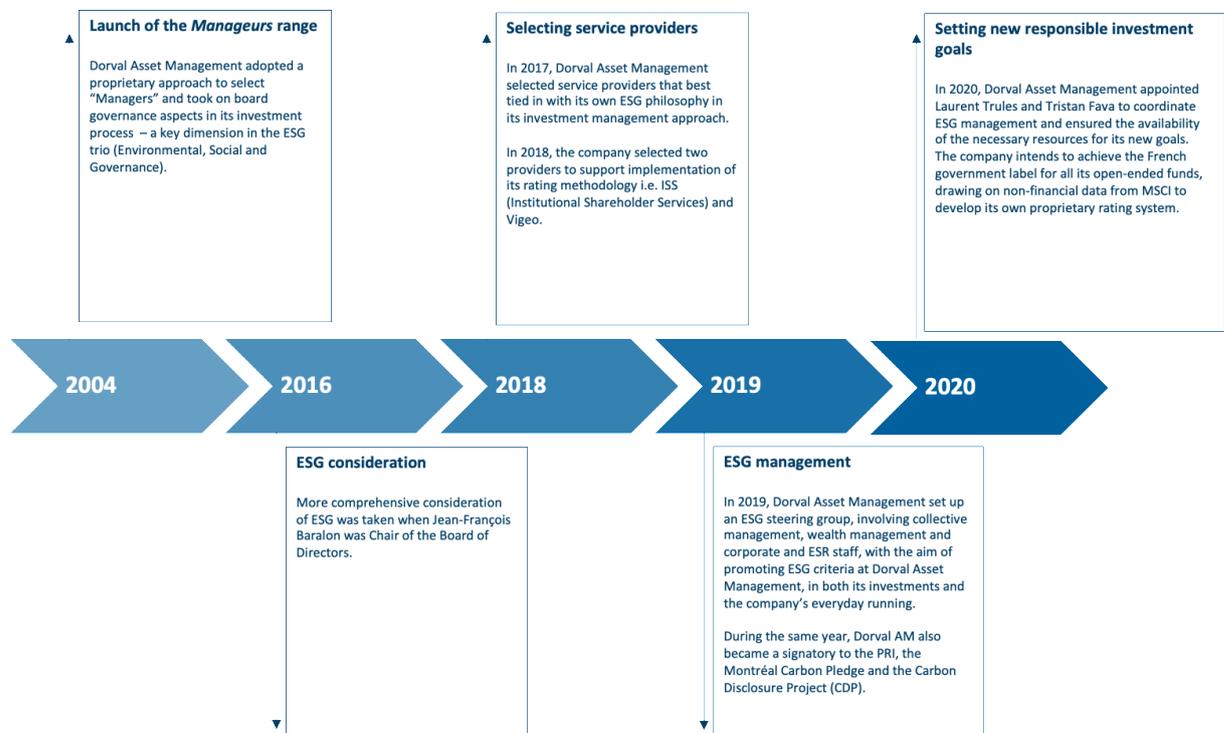
Since 2004 and later in 2005 when Stéphane Furet created the Dorval Manageurs fund, Dorval Asset Management has adopted a “managers” selection process to take on board governance aspects in its investment policy, one of the key dimensions of the ESG trio (Environmental, Social, Governance). Our investment managers in charge of the Manageurs range firmly believe that a company’s value depends on the manager-company duo, and their analysis of companies is therefore partly based on managers’ contribution to their companies’ growth. This detailed and

Dorval Asset Management's policy on the integration of sustainability risks

in-depth analysis draws on regular discussions with management at the companies Dorval Asset Management invests in, with 700 contacts per year.

In 2016, when Jean-François Baralon was Chair of the Board of Directors, the company embarked on more comprehensive consideration of ESG aspects.

Up until 2019, Dorval Asset Management used input from providers Vigeo and ISS for its non-financial research, then in 2020, the company developed its own non-financial rating methodology **Drivers**¹ drawing on a new partnership with MSCI, replacing Vigeo for external ESG research.



In 2020, Dorval Asset Management further enhanced its responsible investment role with clients, partners and the companies it invests in, and this fresh commitment involved a program to achieve accreditations for all open-ended funds with the French state-awarded SRI label. Dorval Asset Management also takes part in influential sustainable finance market bodies.

¹ **Drivers**: Dorval Responsible InVestment, EnviRonmental and Sustainable

II. Responsible Investment Policy

Sustainability risks are deemed to be relevant for Dorval Asset Management's portfolios, and they are integrated into investment decisions particularly extensively as our investment processes carry SRI accreditations (open-ended funds vs. wealth management and funds of funds). In our open-ended funds, integration is also dictated by the type of management processes implemented and in particular the principles for stock-picking for our portfolios (distinction between international Global Convictions range, which is based on baskets of stocks, and the Manageurs and Convictions ranges, which take a stock-picking approach).

However, our proprietary "Drivers" non-financial scoring methodology – built on information from our partner MSCI as well as internal research data – covers all management processes across our three ranges at Dorval Asset Management.

Our ESG methodology is outlined in our [Responsible Investment policy](#), and is applied to derive a rating for issuers in our investment universe for each open-ended fund. Our analysis is based on the following principles:

- We assess ESG challenges and allocate an in-house weighting after screening for sector-specific, geographical and market cap considerations;
- We assign an ESG rating for each issuer based on its exposure to the challenges set out, and the way they are managed by the company.

Dorval Asset Management's products deemed to (i) promote environmental or social characteristics, or a combination of those characteristics (as defined in article 8 of Regulation (EU) 2019/2088) or (ii) with sustainable investment as its objective (as defined in article 9 of Regulation (EU) 2019/2088) are designed to focus on financial instruments with the best ESG scores in order to curb the potential negative impact of sustainability risks on the products' returns.

The challenges selected for ESG assessments are determined by applying the materiality principle and help focus on factors that can have a significant risk for the company's performance and alter its medium-long term valuation. Our stringent rating process assigns an ESG intensity assessment for each stock in our investment universe, which provides direct input for our portfolio construction.

Dorval Asset Management has adopted an organizational set-up that is geared to involving all 26 staff members in its SRI program and ensuring that sustainability risks are integrated into the investment process. Three inhouse committees organize this approach, which is coordinated by Tristan Fava and Laurent Trules, financial analysts and responsible investment coordinators:

- **The strategic committee** meets once per year: it is tasked with determining the policy and supervising the roll-out of Dorval Asset Management's SRI strategy.
- **The ESG committee** meets on a quarterly basis and operates under the oversight of the strategic committee. It approves incorporation of ESG criteria into management processes, monitoring of the engagement policy, and management and monitoring of controversies and exclusions.

- **Weekly portfolio management** meetings ensure that our responsible investment strategy is incorporated into our operations, and passes on to the ESG committee any issues that require a collegial decision.

III. Individual and collaborative shareholder engagement

Dorval Asset Management's SRI strategy is also built on its [shareholder engagement policy](#), which embodies our determination to support companies' efforts to improve their E, S and G dimensions. This policy is based on two main areas:

▪ Individual engagement

Dorval Asset Management engages regularly with the management bodies at companies held in its European funds in the Manageurs and Convictions ranges, as regards their integration of ESG criteria.

In addition to Dorval Asset Management's regular dialogue with companies, it also fully plays its role as a shareholder to support (or oppose) resolutions that comply with (or run contrary to) its voting policy. This proprietary policy is a crucial component of our [shareholder engagement policy](#) and reflects Dorval Asset Management's expectations from companies that we invest in as regards sustainability risk integration: it is based on various fundamental principles:

- Independence of the board of directors.
- Diversity of the board of directors.
- High attendance for the board of directors.
- Independence of key board committees.
- Audit committee's competencies.
- Appointment and compensation for statutory auditors.

Sound company management that creates value over the long term must take on board environmental and social risks and challenges. With this in mind, Dorval Asset Management encourages companies to provide clear and regular reporting on these aspects, and will systematically support resolutions to report the incorporation of environmental, social and governance matters in a company's strategic and financial communications.

▪ Collaborative engagement

In addition to its individual engagement efforts, Dorval Asset Management also works in conjunction with major French and international financial market stakeholders and acts to promote sustainable finance alongside other shareholders in companies in our portfolios.

Dorval Asset Management got involved in several bodies in 2019, such as the PRI (Principles for Responsible Investment), the Montréal Carbon Pledge, and the CDP. In 2020, our teams also extended their collaborative engagement by joining market-wide initiatives such as the FIR (French Forum for Responsible Investment), the ICGN, the TCFD, the IIGCC, Climate Action 100+ and the French Asset Management Association's (AFG) plenary conferences.

IV. Exclusion and controversy management policies

Dorval Asset Management has also set out an [exclusion policy](#) as part of our SRI approach, with the aim of excluding 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 exclusion policy contributes to the integration of sustainability risks. Our exclusion policy is based on two main aspects:

▪ **Standards-based exclusion:**

Exclusion of companies that do not comply with the 10 principles in the United Nations Global Compact and exclusion of sovereign issuers under international sanctions.

▪ **Sector-based exclusion:**

- Controversial weapons: exclusion of anti-personnel mines and cluster munitions as well as companies that provide direct or indirect financial support for this business.
- Weapons: exclusion of listed companies that derive a significant portion of revenues from the weapons sector (civil, military, conventional and nuclear).
- Coal: exclusion of companies that generate a significant portion of revenues from coal production or coal-fired energy generation, as well as companies whose main business relies on so-called mountaintop removal extraction methods.
- Tobacco: exclusion of companies that manufacture and/or produce tobacco products.

In keeping with our Responsible Investment strategy, Dorval Asset Management also ensures stringent management of controversies, drawing on data from MSCI and other external sources (media, brokers, etc.). This [controversy management policy](#) enables the company to avoid – as far as possible – companies that fail to comply with the principles set out in our [Responsible Investment policy](#) and thus mitigate the idiosyncratic risk for the funds it manages.

At December 31, 2020, more than 90% of total assets managed by Dorval Asset Management were covered by both the [exclusion policy](#) and [controversy management policy](#).

V. Remuneration policy

Following application of Regulation (EU) 2019/2088, we have reviewed our remuneration policy to further promote a strong and effective risk management policy as regards sustainability risks. This update is designed to ensure that our remuneration practices do not encourage excessive risk-taking as regards sustainability and that they are consistent with risk-adjusted performances.

Consequently, for a majority of staff and in particular for all portfolio management staff at Dorval Asset Management, specific sustainability risk criteria are included when assessing their performance.

VI. Integration of climate-related challenges

Dorval Asset Management is also committed to the fight against climate change and with this in mind it incorporates the various challenges related to carbon emissions, waste management, water stress, biodiversity, land management and opportunities in green technologies and renewable energy into its ESG analysis.

Dorval Asset Management is a signatory to the PRI, which recently incorporated recommendations from the TCFD (Task Force on Climate-related Financial Disclosures) on annual reports. Dorval Asset Management issues an annual climate impact assessment for all its open-ended funds, geared to assessing both physical risks and transition risks resulting from climate change, and thereby managing alignment of our portfolios with the Paris Agreement. Environmental data are also included in our ESG monthly fund reports.

VII. Conclusion

As a responsible investor, Dorval Asset Management identifies all risks that can have a substantial negative impact on the financial returns for its investments. These sustainability risks are taken on board via a proprietary integration process right across the management chain for funds managed by Dorval Asset Management.