Dorval Asset Management's Exclusion Policy

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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.

This document outlines Dorval Asset Management's exclusion policy.

Contents

I. Introduction

Dorval Asset Management sets out a sector exclusion policy as part of its broader SRI approach, with the aim of:

- Complying with national and international regulation;
- Aligning with Natixis' commitments;
- Fully supporting the goals and commitments set out in **Dorval Asset Management**'s Responsible Investment strategy.

Dorval Asset Management's sector exclusion policy seeks 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.

At this stage, the exclusion policy shared across all our funds applies to:

- Controversial weapons
- Weapons
- Coal
- Tobacco

In accordance with the requirements of the Greenfin accreditation, the sector exclusion policy is extended for our Dorval European Climate Initiative fund and covers:

- Fossil fuels
- Nuclear
- Storage, incineration and landfill of waste without GHG capture
- Unsustainable timber production

The list of issuers covered by our sector exclusion policy is approved by senior management and the Head of Compliance and Internal Control at **Dorval Asset Management** each year.

The Compliance and Internal Control team then monitors that the company complies with these exclusions.

II. Controversial weapons

1. Background and challenges

Financing for businesses related to arms and controversial weapons is governed by international agreements signed by France. The types of weapons covered by the scope of **Dorval Asset Management**'s controversial weapons exclusion policy are those prohibited by international treaties:

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

The Ottawa treaty (1999) and Oslo convention (2010) 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".

In accordance with its parent company Natixis[1], **Dorval Asset Management** excludes companies involved in the production, use, stockpiling, sale and transfer of anti-personnel

[1] View the Natixis press release: https://www.natixis.com/natixis/fr/politique-sectorielle-rse-secteur-de-la-defense-septembre-2020-en-anglais-rqaz5_107685.html

mines and cluster munitions from all its portfolios, complying with the Ottawa treaty and Oslo convention signed by a number of countries including France.

2. 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. Weapons

1. Background and challenges

With the aim of ensuring committed and responsible capital allocation, **Dorval Asset Management** has decided to exclude sectors that do not comply with its responsible investor policy and therefore systematically excludes any company that derives more than 20% of revenues from the production of conventional or nuclear weapons, weapons systems or parts, or the provision of services and technical support related to weapons from its entire investment range.

2. Issuers involved

Issuers covered are all listed companies that are proven to derive more than 20% of consolidated revenues from weapons (civil, military, conventional and nuclear).

IV. Coal

1. Background and challenges

The energy generation sector is the largest contributor to anthropogenic greenhouse gas (GHG) emissions responsible for global warming[2].

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 emissions[3].

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 endeavors 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.

Dorval Asset Management is highly aware of the importance of today's climate challenges and the active role that financial institutions should play in the energy transition. It therefore

[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

supports and complies with parent company Natixis'[4] 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.

2. Issuers involved

- Utilities – energy services sector

  Issuers covered are those that derive at least 20% of revenues from coal-fired energy generation.

- Mines

  Issuers covered are those that derive at least 20% 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.

V. Tobacco

1. 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 Principles for Responsible Investment (PRI), which **Dorval Asset Management** signed 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 Goals[5], 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 industry[6].

2. Issuers involved

This policy covers companies that manufacture and/or produce tobacco products.

VI. Specific sector exclusions for the Dorval European Climate Initiative fund

1. Fossil fuels

a) Background and challenges

4 View the Natixis press release: https://www.natixis.com/natixis/fr/politique-sectorielle-rse-industrie-du-charbon-octobre-2020-en-anglais-rep_95305.html

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/en/esr-sector-policy-tobacco-industry-may-2018-rep_95634.html

The Intergovernmental Panel on Climate Change (IPCC) warned in 2019 that fossil fuel emissions are the main culprits behind climate change and that they must be halved by 2030 to keep global heating at no more than 1.5°C above pre-industrial levels[7].

Keeping fossil fuels in the ground is an appropriate response to this challenge: with a view to this, the goal set in the Paris Agreement of keeping heating potential at under 2°C out to 2100 requires that more than 80% of reserves remain in the ground[8].

b) Issuers involved

- Dorval European Climate Initiative therefore excludes companies that derive more than 5% of revenues from the entire fossil fuel value chain:
    - Exploring, extracting, refining and producing products derived from solid, liquid and gas fossil fuels,
    - Providing and using solid, liquid and gas fossil fuels as fuel, producing energy in the form of electricity and/or heat, heating and cooling using these fuels,
    - Transporting, distributing and storing fossil fuels.
- Companies that produce equipment and services, transport equipment and services, or distribute equipment and services and that derive 33% or more of their sales with clients in strictly excluded sectors (as defined above).

2. Nuclear

a) Background and challenges

Nuclear energy has long been welcomed as the response to climate change, given that it does not lead to any direct carbon dioxide emissions. However, it carries a number of risks related to the management of nuclear waste and potential accidents due to human error or natural disasters.

b) Issuers involved

Dorval European Climate Initiative therefore excludes:

- Companies that derive more than 5% of their revenues from the entire nuclear industry. This includes uranium extraction, concentration, refining, conversion and enrichment, the production of nuclear fuel assemblies, the construction and operation of nuclear reactors, the processing of spent nuclear fuel, nuclear decommissioning and the management of radioactive waste,
- Companies that derive more than 33% of sales from the nuclear industry,
- Companies that distribute, transport and produce equipment and services that derive more than 33% of their revenues with clients in the nuclear sector.

3. Storage, incineration and landfill of waste without GHG capture

a) Background and challenges

In 2018, 24% of municipal waste produced in Europe was processed by putting it into landfill and incinerating without energy recovery[9]. Incineration is one of the most frequently used ways of managing waste, but it is a source of pollution as a result of toxic residue emissions.

European environmental requirements have toughened to address criticism of pollution resulting from these incineration facilities, with the application of the European Green Deal in 2020, which makes waste reduction and recovery one of the key priorities in the ecological transition.

b) Issuers involved

[7] Source: IPCC, Intergovernmental Panel on Climate Change
[8] Source: McGlade, C. and Ekins, P., The geographical distribution of fossil fuels unused when limiting global warming to 2°C
[9] Source: Eurostat, Municipal waste by waste management operations

Dorval European Climate Initiative excludes all companies that derive more than 33% of their revenues from the following activities:

- Storage and landfill centers without GHG capture,
- Incineration without energy recovery

4. Unsustainable timber production

a) Background and challenges

The world population is growing and is set to reach close to 10 billion by 2050 according to the UN[10], leading to an increasing need for resources with the ensuing pressure on agriculture, forestry and other land use (AFOLU).

With this in mind, sustainable forest management is crucial. Forests and forest land in particular offer the second carbon sink in Europe and help reduce greenhouse gas emissions and achieve the goals set out in the Paris Agreement.

b) Issuers involved

Dorval European Climate Initiative excludes all companies that derive more than 33% of revenues from the following activities:

- Timber production, unless it is managed sustainably,
- Agriculture on peatlands.

VII. Identifying issuers covered

Dorval Asset Management leverages its teams' expertise to single out issuers covered. The company draws on various data sources, particularly from Natixis and MSCI[11] (non-financial data provider). It also relies on exclusion lists of the main pension funds and sovereign funds worldwide renowned for their extensive exclusion approach.

VIII. Updating the issuer list

We update the list of issuers covered by our policy at least once per year and as often as necessary when a major news event occurs 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**.

IX. Scope of application

Investment bans on issuers in the controversial weapons, weapons, coal and tobacco sectors apply to all funds at **Dorval Asset Management**.

The Dorval European Climate Initiative also excludes issuers involved in the fossil fuels, nuclear, waste storage, incineration and landfill without GHG capture sectors, as well as unsustainable timber production, in addition to the exclusions that 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.

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[10] Source: United Nations, The population
[11] Morgan Stanley Capital International (MSCI)

X. Policy communication

All stakeholders are informed of the contents of our policy via general information on our sector exclusion policy on the **Dorval Asset Management** website.

XI. Monitoring our exclusion lists

Our Compliance and Internal Control team monitors 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, and the exclusion list is also discussed during ESG Committee meetings.