



## Article 10 (SFDR)

Sustainability-related disclosure for funds referred to in Article 8

**Dorval Managers Smid Cap Euro**

January 2023

## I. Summary

<p>No sustainable investment objective</p>	<p>The Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment. Environmental and social characteristics are promoted via:</p> <ul style="list-style-type: none"> <li>• An ESG rating of at least 90% of the securities held</li> <li>• A selectivity rate of at least 20% from within the investment universe resulting from the application of <b>Dorval Asset Management's</b> Controversy Management and Exclusion policies, a minimum rating on the individual E (Environment), S (Social) and G (Governance) pillars and a minimum combined ESG rating</li> <li>• The adopted approach must also enable a better result to be obtained than the investment universe of the eligible securities on the following two ESG intensity indicators:             <ul style="list-style-type: none"> <li>◦ Share of investments related to the controversial weapons sector (anti-personnel mines, cluster munitions, chemical and biological weapons): percentage of companies with any link to the controversial weapons sector weighted by the weight of the companies within the scope of study.</li> <li>◦ Signatories of the UN Global Compact: the percentage of companies that have signed the UN Global Compact weighted by the weight of the companies within the scope of study.</li> </ul> </li> </ul>
<p>Environmental or social characteristics of the financial product</p>	<p>The environmental characteristics promoted by the Fund primarily concern climate and resource management aspects. The social characteristics promoted concern both the management of human resources (working conditions, training policy, balance and transparency of remuneration, and the promotion of workplace diversity and equality) and the quality of products and services, which is assessed in relation to health and safety.</p>
<p>Investment strategy</p>	<p>At the heart of the investment strategy and management process, the Management Company's Socially Responsible Investment (SRI) Policy defines the environmental and social characteristics promoted by the Fund.</p> <p>As well as excluding companies that do not comply with the internal exclusion policy<sup>1</sup> and/or are extremely controversial<sup>2</sup>, the implementation of <b>Dorval Asset Management's</b> SRI Policy results in a non-financial rating being assigned to all securities in the investment universe. Each security is assessed for the individual E (Environment), S (Social) and G (Governance) pillars and receives a combined ESG rating. The non-financial rating accounts for 30% of each security's overall rating<sup>3</sup>, which determines their eligibility for and maximum weight in the Fund's assets.</p> <p>As such, the requirements of <b>Dorval Asset Management's</b> non-financial policy in relation to the environment (climate issues, biodiversity, water stress etc.), society (human capital, safety, health etc.) and good governance (diversity, fairness, respect for minority shareholders, accounting and tax transparency etc.) help to encourage selection of securities issued by the most virtuous companies<sup>4</sup> according to the environmental and social characteristics promoted by the Fund. These</p>

<sup>1</sup> You can find the Exclusion Policy here: [https://www.dorval-am.com/en\\_FR/investissement-responsable/notre-expertise-esg/](https://www.dorval-am.com/en_FR/investissement-responsable/notre-expertise-esg/)

<sup>2</sup> You can find the Controversy Management Policy here: [https://www.dorval-am.com/en\\_FR/investissement-responsable/notre-expertise-esg/](https://www.dorval-am.com/en_FR/investissement-responsable/notre-expertise-esg/)

<sup>3</sup> The non-financial rating accounts for 30% of each security's overall rating alongside the financial rating (40%), the "Executives" rating (20%) on the quality of the "Managers / Companies" partnership and the "Themes" rating (10%) assigned to securities that fall within the themes deemed beneficial to the Management Company's core scenario.

<sup>4</sup> According to the proprietary methodology of **Dorval Asset Management**

	requirements are also borne out by the Fund's SRI label and associated audits.
Proportion of investments	The Fund's ESG analysis must cover at least 90% of the portion of the assets made up of securities eligible for our SRI analysis (equity and debt securities issued by private and public issuers). The Fund will have a minimum proportion of 40% of sustainable investments within the meaning of the SFDR.
Monitoring of environmental or social characteristics	The environmental or social characteristics promoted by the Fund are monitored before and after trading and via the Management Company's ongoing monitoring policy. This monitoring is subject to periodic reporting. It is supplemented by an annual audit of the Fund's SRI label.
Methodologies	<b>Dorval Asset Management</b> has developed a proprietary rating methodology that is applied to all securities in the investment universe. This methodology includes up to 200 non-financial indicators that assess the risks and opportunities of each issuer in relation to environmental, social and governance issues. The final rating, which is based on exposure and issue management and uses a bonus/malus system according to absolute or relative levels, dictates which securities are held in the portfolio and their maximum share of the Fund's assets.
Data sources and processing	The proprietary methodology is based on fundamental data from recognised data providers such as MSCI, Ethifinance, ISS and Bloomberg. This data may be supplemented by the Management Company's internal analysis.
Limitations to methodologies and data	The adopted "Best-in-Universe" approach, which favours the best-rated companies from a non-financial point of view irrespective of their industry, may create assumed sectoral biases. Our analysis is based on qualitative and quantitative data published by companies or supplied by the aforementioned external providers, some of which may still be patchy and inconsistent. The data are not systematically checked for quality by the Management Company. Since our methodology assigns a minimum weight of 50% to Governance (the 'G' pillar) in the ESG rating mechanism, certain environmental or social risks/opportunities may be minimised in the resulting combined ESG rating.
Due diligence	Non-financial assessment is reviewed at least twice a year and updated as necessary based on information and/or events relating to the life of the companies held in the portfolio, including exposure to controversy. During each update, the entire investment universe and, indeed, all portfolio securities are automatically reviewed by the monitoring systems put in place.
Engagement policies	<b>Dorval Asset Management's</b> Shareholder Engagement Policy formalises the actions we are committed to taking to improve business practices in the E, S and G domains. As such, the policy sets out the principles that we uphold and, for the portfolio securities, whose actual or sincerely intended implementation we verify, by way of our voting policy. The Shareholder Engagement Policy is based on two main pillars – (i) individual engagement and (ii) collaborative engagement – and is available on our website: <a href="https://www.dorval-am.com/uploads/Shareholder_engagement_policy_30122022_45be62f1eb.pdf">https://www.dorval-am.com/uploads/Shareholder_engagement_policy_30122022_45be62f1eb.pdf</a> . When a portfolio security is affected by controversy, <b>Dorval Asset Management</b> initiates an individual shareholder dialogue with the company concerned, or a collaborative one if concerted action seems likely to be more effective.
Achievement of the sustainable investment objective	The Fund does not have a reference benchmark aligned with environmental and social characteristics.

## II. No sustainable investment objective

The Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment. However, the Fund aims to invest at least 40% of its net assets in sustainable investments<sup>5</sup>.

The principle of no significant harm to the various environmental and social objectives is guaranteed by three main pillars:

- The Fund's ESG analysis must cover at least 90% of the portion of the assets made up of securities eligible for our SRI analysis (equity and debt securities issued by private and public issuers).

The non-financial rating (between 0 and 100, 100 being the best rating) is established on each of the three pillars, E, S and G. Issuers with an environmental or social rating of less than 10 or a governance rating of less than 15 are excluded, as are all issuers with an overall non-financial rating of less than 30.

- Restrictions on the investment universe with a minimum selectivity rate of 20% as required by the SRI label.

The definition of the investment universe of eligible equity securities is based on compliance with the following non-financial key principles:

- Exclusion of companies that violate **Dorval Asset Management's** Exclusion Policy
- Exclusion of companies with controversial practices (including non-compliance with the UN Global Compact principles) in line with **Dorval Asset Management's** Controversy Management Policy
- The exclusion of the lowest rated companies and those with an eliminatory rating on at least one of the pillars, according to the internal methodology developed by **Dorval Asset Management**

When non-financial ratings are awarded to issuers, principal adverse impacts (PAIs) are taken into account at several levels both in the definition of the eligible investment universe and in the construction of the portfolio. They are available in the tool used by the management teams for stock selection. All of the 14 main indicators that may have an adverse impact on sustainability are taken into account in **Dorval Asset Management's** proprietary ESG DRIVERS rating methodology via a bonus/malus system.

- Commitments regarding the non-financial objectives that the Fund aims to outperform

The Fund's investment strategy should lead to outperformance in the following two non-financial indicators:

- **Share of investments related to the controversial weapons sector (anti-personnel mines, cluster munitions, chemical and biological weapons):** percentage of companies with any link to the controversial weapons sector weighted by the weight of the companies within the scope of study.
- **Signatories of the UN Global Compact:** the percentage of companies that have signed the UN Global Compact weighted by the weight of the companies within the scope of study.

However, the non-financial performance of the Fund will be assessed through the publication of additional indicators in the following areas: environmental, social and governance (Fund result versus investment universe result):

<sup>5</sup> Dorval Asset Management's definition of sustainable investment is available on its website at [https://www.dorval-am.com/uploads/Sustainable\\_investment\\_within\\_the\\_meaning\\_of\\_Article\\_2\\_17\\_of\\_the\\_SFDR\\_c8131d5b5f.pdf](https://www.dorval-am.com/uploads/Sustainable_investment_within_the_meaning_of_Article_2_17_of_the_SFDR_c8131d5b5f.pdf)

- **Carbon intensity (tCO<sub>2</sub>e/\$m of turnover):** the quantity in tonnes of Scope 1<sup>6</sup> and 2<sup>7</sup> carbon emissions (direct emissions) per \$1 million of turnover weighted by the weight of the companies within the scope of study. This indicator does not take into account Scope 3<sup>8</sup> (indirect emissions).
- **Carbon emission reduction objectives:** the percentage of companies with a quantitative and explicit objective to reduce their carbon emissions weighted by the weight of the companies within the scope of study.
- **Promotion of diversity:** the percentage of companies that have implemented actions to develop diversity within their workforce weighted by the weight of the companies within the scope of study.
- **Independence rate of the Board of Directors:** the percentage of members of the Board of Directors complying with the MSCI independence criteria weighted by the weight of the companies within the scope of study.
- **Integration of CSR criteria into the remuneration of executives:** the percentage of companies that integrate non-financial criteria into the remuneration of executives weighted by the weight of the companies within the scope of study.
- **ESG rating:** through the non-financial rating defined by the internal methodology developed by **Dorval Asset Management** weighted by the weight of the companies within the scope of study.

These indicators are based on data from our partners MSCI, Ethifinance (GAIA), ISS and Bloomberg and on internal research data.

The investment process takes into account these different indicators in the selection of stocks and the construction of the portfolio. These different indicators are directly integrated into the non-financial rating of companies. This rating represents 30% of the final rating of a stock, directly influencing the selection and weighting of stocks and thus the construction of the portfolio. These criteria also provide the basis for engagement and shareholder dialogue in the companies invested by the Fund.

### III. Environmental or social characteristics of the financial product

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The environmental characteristics promoted by the Fund primarily concern climate and resource management aspects. The social characteristics promoted concern both the management of human resources (working conditions, training policy, balance and transparency of remuneration, and the promotion of workplace diversity and equality) and the quality of products and services, which is assessed in relation to health and safety.

At the same time, **Dorval Asset Management's** Exclusion and Controversy Management policies dictate how the Fund is managed. In relation to environmental and social aspects, this particularly concerns all coal-related activities representing more than 20% of consolidated turnover or tobacco-related activities (5% of consolidated turnover) as well as any controversy arising from environmental or social matters.

Promotion of these characteristics is directly reflected in the non-financial rating of issuers in the Fund's investment universe and in the adopted sustainability indicators.

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<sup>6</sup> Scope 1 emissions are emissions generated directly by the company and its activities

<sup>7</sup> Scope 2 emissions are emissions generated indirectly by the company as a result of its energy consumption

<sup>8</sup> Scope 3 emissions are emissions generated indirectly during the various stages of the product's life cycle (supply, transport, use, end of life etc.)

## IV. Investment strategy

At the heart of the investment strategy and management process, the Management Company's Socially Responsible Investment (SRI) Policy defines the environmental and social characteristics promoted by the Fund.

As well as excluding companies that do not comply with the internal exclusion policy<sup>9</sup> and/or are extremely controversial<sup>10</sup>, the implementation of **Dorval Asset Management's** SRI Policy results in a non-financial rating being assigned to all securities in the investment universe. Each security is assessed for the individual E (Environment), S (Social) and G (Governance) pillars and receives a combined ESG rating. The non-financial rating accounts for 30% of each security's overall rating, which determines their eligibility for and maximum weight in the Fund's assets.

As such, the requirements of **Dorval Asset Management's** non-financial policy in relation to the environment, society and good governance help to encourage selection of securities issued by the most virtuous companies<sup>11</sup> according to the environmental and social characteristics promoted by the Fund. These requirements are also borne out by the Fund's SRI label and associated audits.

In practical terms, the construction and management of the Fund combine a financial and non-financial approach and are based on:

1. An identification of investment themes considered to be promising, i.e. in line with major trends (macro-economic, societal and sustainable development challenges), as well as with the economic situation (valuation of asset classes, market dynamics and sectoral context)
2. A selection of securities within these investment themes, supplemented by securities selected for their own interest; in both cases and a fortiori for the second, the securities held in the portfolio meet the criteria defined by the Management Company, shown below
3. An allocation of these securities in the portfolio, based on a proprietary rating methodology established using these same criteria, also described below

An analysis of the sector and geographical balance, or even the orientation of the "management styles", of the Fund's investments is carried out, although portfolio construction is not supervised. Similarly, due to the lack of sufficient investments that meet these criteria, the managers will be permitted not to fully invest in equities and may thus hold debt securities and/or cash accounting for up to 25% of the net assets.

Rating of securities combines three analyses, each based on a set of criteria:

- A financial analysis
- A non-financial analysis
- An analysis of the "managers/companies" partnership

Each analysis is reviewed at least annually and is updated as necessary based on information and/or events relating to the life of the companies held in the portfolio.

The combined rating resulting from these three analyses is used to select securities and determine their maximum weight in the Fund's portfolio.

### ■ The financial analysis

In financial terms, the managers focus their investments on securities whose market price does not, in their view, reflect the growth prospects and true value of the company. As a result, the securities selection methodology is based on a qualitative and quantitative analysis of

<sup>9</sup> You can find the Exclusion Policy here: [https://www.dorval-am.com/en\\_FR/investissement-responsable/notre-expertise-esg/](https://www.dorval-am.com/en_FR/investissement-responsable/notre-expertise-esg/)

<sup>10</sup> You can find the Controversy Management Policy here: [https://www.dorval-am.com/en\\_FR/investissement-responsable/notre-expertise-esg/](https://www.dorval-am.com/en_FR/investissement-responsable/notre-expertise-esg/)

<sup>11</sup> According to the proprietary methodology of **Dorval Asset Management**



past and prospective financial elements, based on the estimates of the management teams using the “GARP” (“growth at reasonable price”) approach.

The main criteria taken into account in the financial analysis are (examples):

- Earnings growth
- “Price Earnings to Growth”, i.e. the PER of the equity security in relation to expected earnings growth
- The enterprise value in relation to its earnings before interest and taxes (EBIT) and/or its earnings before interest, taxes, depreciation and amortisation (EBITDA)

On the basis of these criteria, a financial rating is assigned to each security, which allows their relative appreciation within the portfolio. This rating is one of the components of the final rating of each security held by the Fund.

#### ▪ The non-financial analysis

Environmental, social and governance (ESG) criteria are directly integrated into the Fund's management process through an ESG rating for each security in the investment universe. The ESG rating provides the definition of the eligible investment universe and also serves as a second component of the overall rating of securities in the construction/management phase of the portfolio.

To carry out these two steps, management teams and financial and non-financial analysts establish an ESG rating for each security. The ESG rating assigned to each issuer takes into account the challenges that appear to be most significant for the Management Company from among more than 30 ESG challenges, based on a set of qualitative and quantitative indicators. Each challenge is reviewed according to the particularities of the sector, geography and size of capitalisation. The main challenges at stake are (non-exhaustive):

- Environmental challenges:
  - Carbon emissions
  - Waste treatment
  - Water stress
  - Biodiversity and land management
  - Opportunities in green technologies and renewable energies
- Social challenges:
  - Work management
  - Employee safety management
  - Human capital management
  - Protection of personal data
  - Product quality
- Governance challenges:
  - Compliance with the basic principles of corporate governance (quality of the Board of Directors – diversity, independence, skills, representation –, alignment of interests with shareholders, capital structure, respect for minority shareholders, quality of financial reporting and accounting)
  - Anti-corruption efforts

The adopted approach is “Best-In-Universe”, which consists in favouring companies with the best ratings from a non-financial point of view, irrespective of their industry. Since sectors that are generally considered to be the most virtuous will be more represented, this approach may create assumed sectoral biases.

Our methodology is partly based on basic data from external data providers<sup>12</sup>. The data are not systematically checked for quality by the Management Company. Our methodology places Governance at the heart of ESG analysis, and can therefore minimise certain environmental or social risks/opportunities. The “Governance” pillar represents a minimum of 50% of the ESG score, which is derived from the proprietary SRI methodology of **Dorval Asset Management**.

The non-financial rating analysis rate is a minimum of 90% in terms of capitalisation of the net assets of the collective investment, excluding cash held on an ancillary basis.

<sup>12</sup> Detailed information on the data providers used is available in the Dorval Asset Management transparency code available at the following address: [https://www.dorval-am.com/en\\_FR/investissement-responsable/notre-expertise-esg/#ESG-documentation](https://www.dorval-am.com/en_FR/investissement-responsable/notre-expertise-esg/#ESG-documentation)

The definition of the investment universe of eligible equity securities is based on compliance with the following non-financial key principles:

- Exclusion of companies that violate **Dorval Asset Management's** Exclusion Policy<sup>13</sup>
- Exclusion of companies with controversial practices (including non-compliance with the UN Global Compact principles) in line with **Dorval Asset Management's** Controversy Management Policy<sup>14</sup>
- The exclusion of 20% of the investment universe is guaranteed by the exclusion of the lowest rated companies and those with an eliminatory rating on at least one of the pillars, according to the internal methodology developed by **Dorval Asset Management**

The non-financial rating (between 0 and 100, 100 being the best rating) is established on each of the three pillars, E (environmental challenges), S (social challenges) and G (governance challenges). Issuers with an environmental or social rating of less than 10 or a governance rating of less than 30 are excluded, as are all issuers with an overall non-financial rating of less than 40.

The selection of public issuers is based on internal methodology developed by **Dorval Asset Management** for sovereign issues<sup>15</sup>. Countries in the lowest ranking quintile are excluded from the initial investment universe.

The 10% of assets (excluding cash) that may not be subject to SRI analysis correspond, on the one hand, to UCIs managed by entities other than **Dorval Asset Management** and for which there may be a disparity in the ESG/ISR approaches assumed and, on the other hand, to transitorily unrated securities. The Fund may indeed invest in issuers that could, on a temporary basis, not be rated, in particular in the context of an IPO.

#### ▪ Analysis of the “managers/companies” partnership

Lastly, the selection of securities in the portfolio is based on an analysis of the qualitative and quantitative criteria relating to the manager, the management team and the governance bodies. The Management Company has defined four main manager profiles: “the successors”, “the fly-ins”, “the builders”, and “the heirs”:

- **“Successors”**: these executives started their career in the company they manage today. In most cases, they have more than 10 years’ experience in the company in a management position in an international context
- **“Fly-ins”**: they were given authority during a crisis; these managers are the heads of a pool of companies in turnaround situations
- **“Builders”**: genuine niche developers, they have the ability to identify one or several long-term growth opportunities
- **“Heirs”**: they have a family link with the Builder and take on the operational management of the company. They often start out with a poor image which is not always justified and are often assisted in their initiatives by an experienced manager

The assessment method for executives is based on the analysis of their professional experience, their managerial profile and through regular direct contact. The managers assess the executives using five criteria that measure their intrinsic qualities as well as their ability to deliver a growth surplus over time. The criteria are based on two concepts: qualities of a “developer” and qualities of a “manager”.

<sup>13</sup> Dorval Asset Management’s Exclusion Policy can be found at: [https://www.dorval-am.com/en\\_FR/investissement-responsable/notre-expertise-esg/#ESG-documentation](https://www.dorval-am.com/en_FR/investissement-responsable/notre-expertise-esg/#ESG-documentation)

<sup>14</sup> Dorval Asset Management’s Controversy Management Policy can be found at: [https://www.dorval-am.com/en\\_FR/investissement-responsable/notre-expertise-esg/#ESG-documentation](https://www.dorval-am.com/en_FR/investissement-responsable/notre-expertise-esg/#ESG-documentation)

<sup>15</sup> See section “VI. Taking on board ESG dimensions” of Dorval Asset Management’s SRI policy ([https://www.dorval-am.com/en\\_FR/investissement-responsable/notre-expertise-esg/#ESG-documentation](https://www.dorval-am.com/en_FR/investissement-responsable/notre-expertise-esg/#ESG-documentation))



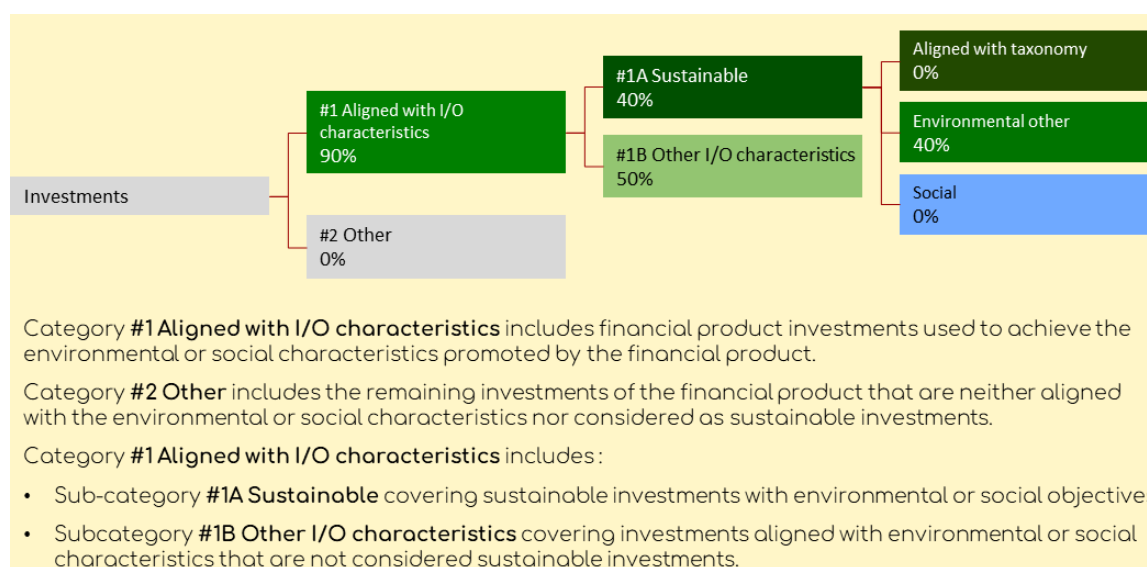
The list of assessment criteria for the “developer” and “manager” types is show below:

Qualities of a “Developer”	Qualities of a “Manager”
Business skills/experience and contact network/knowledge of the competitive environment	Charisma/ability to gain support from others/track record
	Ability to deliver/margin culture
Control of growth	Participation in the capital/convergence of interests

The “Executives” rating is the third component of the final rating of each security held by the Fund.

## V. Proportion of investments

As part of the Fund's investment process, a minimum of 90% of the Fund's net assets will be invested in issuers aligned with the promoted environmental and social characteristics. The Fund also aims to invest at least 40% of its net assets in sustainable investments.



## VI. Monitoring of environmental or social characteristics

Compliance with environmental, social and sustainable investment characteristics is monitored as follows:

- Firstly: pre-trade checks  
Managers verify the environmental, social and sustainable investment nature of the existing portfolio securities when a new security is added, by integrating the data into the management tools.
- Secondly: post-trade checks  
Compliance with the various minimum investment thresholds in the portfolios is monitored after trading via a daily “DRIVERS Check” report analysed by **Dorval Asset Management's** Middle Office. The Compliance, Internal Control and Risk Department receives a copy of this report and intervenes in the escalation procedure in the event of any non-compliance with the minimum thresholds. These checks are logged daily.
- Thirdly: reporting on the application of the ESG strategy

Via different periodic regulatory documents (EET and annual report), **Dorval Asset Management** discloses the sustainable investment percentage of each fund to all our stakeholders.

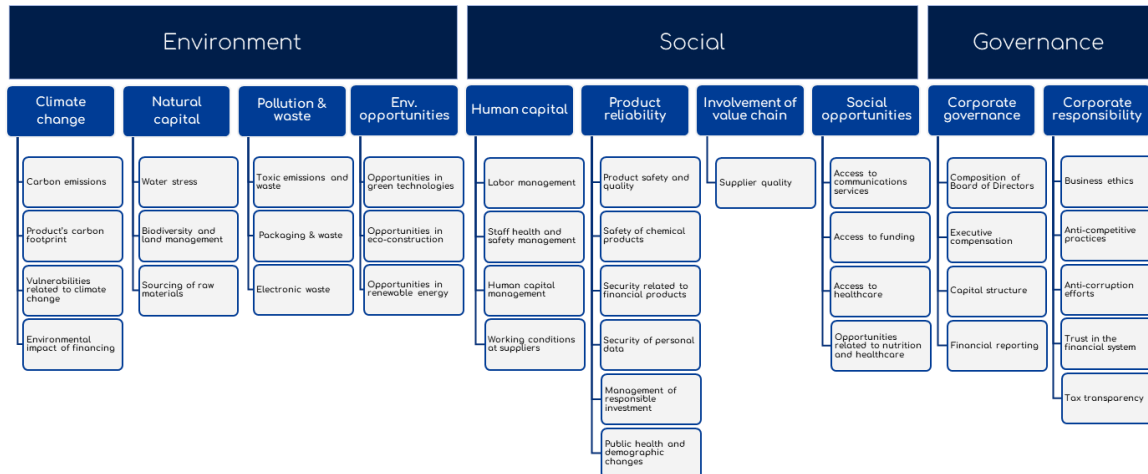
- Fourthly: ongoing monitoring  
Compliance with the minimum investment thresholds defined above is monitored by the Compliance, Internal Control and Risk Department as part of its annual ongoing monitoring plan.
- Fifthly: quarterly ESG Committee meetings  
The checks relating to **Dorval Asset Management’s** SRI/ESG policy are reviewed during the quarterly ESG Committee meetings.

## VII. Methodologies

Based on information from our partners MSCI, ISS, Ethifinance (GAIA), Bloomberg and internal research data, our proprietary ESG methodology, “Drivers”, rates the issuers within each fund’s investment universe. Issuer ratings are reviewed at least twice a year and are updated as necessary based on information and/or events relating to the life of the companies held in the portfolio.

They are based on the following principles:

- Internal **identification and weighting** of ESG issues after taking into account sectoral, geographical and capitalisation specifics
- **ESG rating** of each issuer based on its exposure to the identified issues and management thereof



To do this, the management teams and financial and non-financial analysts take into account more than 30 ESG issues based on a set of qualitative and quantitative indicators and focus particularly on 12 of them.

This materiality grid of ESG issues is based on MSCI, the work of the Sustainability Accounting Standards Board (SASB) and the Management Company’s own micro- and macroeconomic analysis and knowledge.

The issues chosen for ESG assessment are identified on the principle of materiality, meaning that the elements selected are those that may significantly affect the company’s performance and adjust its value over the medium-to-long term.

- **Governance challenges:**
  - Compliance with the basic principles of corporate governance (quality of the Board of Directors – diversity, independence, skills, representation –, alignment of interests with shareholders, capital structure, respect for minority shareholders, quality of financial reporting and accounting)
  - Anti-corruption efforts
- **Environmental challenges:**
  - Carbon emissions
  - Waste treatment
  - Water stress
  - Biodiversity and land management
  - Opportunities in green technologies and renewable energies
- **Social challenges:**
  - Work management
  - Employee safety management
  - Human capital management
  - Protection of personal data
  - Product quality

For each issue, **Dorval Asset Management** awards a score for the company's exposure to the risk and/or opportunity in question (Exposure Score) and a score for the way in which this exposure is managed (Management Score). For stocks where MSCI tracking is used, the Exposure Score and the Management Score are established by MSCI. For stocks from the Ethifinance universe (GAIA), the Exposure Score and the Management Score are established by **Dorval Asset Management** based on the fundamental information provided by Ethifinance.

In the event that the company is not covered by MSCI or Ethifinance, the Management Company creates a questionnaire taking into account the sector materiality grid for comparison with the MSCI analysis. There are five questions on average per identified key issue (of which there are an average of between nine and 15 depending on the sector), which automatically generates a score for each issue plus and overall ESG score for the companies in question. To answer this questionnaire, management teams rely on companies' CSR reports, dialogue with executives, notes from financial analysts and the press. **Dorval Asset Management's** proximity-based approach to its relationships with companies plays a major role in how these companies are rated. With around 400–500 meetings every year, the management teams have gradually built up sound knowledge of the companies, meaning they can perform in-depth analysis in line with our methodology.

**Dorval Asset Management** also relies on various gross indicators provided by MSCI, Ethifinance, Bloomberg and ISS to establish ratings.

The "Governance" pillar represents a minimum of 50% of the ESG score, which is derived from the proprietary SRI methodology of **Dorval Asset Management**. Our rigorous rating process measures the ESG intensity of each stock in the investment universe. ESG intensity is directly taken into account when constructing portfolios and assessing price targets.

## VIII. Data sources and processing

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**Dorval Asset Management's** proprietary non-financial rating methodology uses information from our partners MSCI, ISS, GAIA and Bloomberg as well as internal research data. The Management Company uses this fundamental information<sup>16</sup> from the data providers to establish issuers' non-financial ratings. Our partners send us this information using official

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<sup>16</sup> To establish its own non-financial rating, Dorval Asset Management relies not on data providers' synthetic ratings but on the fundamental, quantitative or qualitative information they provide.

issuer communications; only projected data (e.g. temperature trajectory forecasts) are estimated.

## IX. Limitations to methodologies and data

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Data from external providers is not systematically checked for quality by the Management Company. Equally, some material issues may not be assessed if there is insufficient information. In such a case, ESG ratings are awarded for issues for which the Management Company does have data. The missing data does not affect the rating of the issuer, which may therefore lead to a bias. Lastly, since our methodology assigns a minimum weight of 50% to Governance (the 'G' pillar) in the ESG rating mechanism, certain environmental or social risks/opportunities may be minimised in the resulting combined ESG rating.

## X. Due diligence

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Non-financial assessment is reviewed at least twice a year and updated as necessary based on information and/or events relating to the life of the companies held in the portfolio.

In addition, principal adverse impacts (PAIs) are taken into account at several levels both in the definition of the eligible investment universe and in the construction of the portfolio. They are also available in the tool used by the management teams for stock selection. All of the 14 main indicators that may have an adverse impact on sustainability are taken into account in **Dorval Asset Management's** proprietary "ESG DRIVERS" rating methodology via a bonus/malus system.

At the same time and in line with its Responsible Investment strategy, **Dorval Asset Management** has set up a strict policy for managing controversies. Controversies affecting portfolio securities are analysed thoroughly and proactively at weekly management meetings. Once the management team has evaluated the controversy, it liaises with the Compliance, Internal Control and Risk Department and the stock may be excluded from all portfolios where it is present within a period of between 24 hours and 10 days. This policy enables **Dorval Asset Management** to remain as far away as possible from companies that do not comply with the principles of its Responsible Investment Policy, thereby mitigating the idiosyncratic risk borne by its funds.

When all this data (non-financial assessment, principal adverse impacts and controversies) is updated, it is effectively a reset (using a "cancel and replace" approach) of all reference material. Consequently, the entire investment universe (including portfolio securities) is immediately and automatically reviewed by the control systems put in place<sup>17</sup> to validate the "sustainable investment" nature of issuers, including compliance with commitments relating to promotion of the portfolio's environmental and social characteristics.

## XI. Engagement policies

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Since 2004, **Dorval Asset Management** has favoured an approach based on shareholder dialogue through pragmatic, collaborative procedures facilitated by our shareholding – which **Dorval Asset Management's** voting policy supports – and by our regular meetings with companies.

Within our "DRIVERS" rating methodology, the management company places particular emphasis on the following governance challenges:

- Governance challenges:

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<sup>17</sup> See VI. Monitoring of environmental or social characteristics

- Compliance with the basic principles of corporate governance (quality of the Board of Directors – diversity, independence, skills, representation –, alignment of interests with shareholders, capital structure, respect for minority shareholders, quality of financial reporting and accounting)
- Anti-corruption and business ethics

**Dorval Asset Management's** SRI strategy is also structured around a Shareholder Engagement Policy, which reflects our desire to implement actions aimed at improving corporate practices in the E, S and G areas. This policy is based on two main pillars:

▪ **Individual engagement**

**Dorval Asset Management** has regular discussions with the management of the companies held in the Fund concerning their inclusion of ESG criteria.

In parallel with this regular dialogue, **Dorval Asset Management** undertakes its role as a shareholder to support (or oppose) resolutions in line (or in contradiction) with its voting policy. This proprietary policy is a key element of our Shareholder Engagement Policy and reflects **Dorval Asset Management's** expectation that the companies in which we invest take into account sustainability risks. It is characterised by a number of core principles:

- Independence of the Board of Directors
- Diversity of the Board of Directors
- High attendance rate on the Board of Directors
- Independence of key Board committees
- Powers of the Audit Committee
- The appointment and remuneration of the statutory auditors

Taking into account environmental and social risks and challenges is an integral part of good corporate management that can create value in the long term. **Dorval Asset Management** therefore encourages companies to improve their practices in that regard and to document them clearly and regularly. **Dorval Asset Management** will systematically support resolutions in favour of the publication of information concerning the consideration of environmental, social and governance issues in the company's strategic and financial communications.

On behalf of the funds it manages (shareholders of the company in question) and having responsibility towards the unitholders of those funds, **Dorval Asset Management** thus considers dialogue with the company's management bodies as the starting point for its individual engagement policy. The environmental, social and governance indicators set out above and reported in the Fund's non-financial and climate reports reflect **Dorval Asset Management's** SRI philosophy and the main non-financial expectations that we hope to see in the companies in which we invest. In this sense, these indicators provide a basis for year-round discussion and shareholder dialogue with those companies and allow us to launch targeted campaigns on a specific non-financial "theme".

▪ **Collaborative engagement**

In addition to its individual engagement, **Dorval Asset Management** is committed to working with major players in the French and international financial markets and advocating sustainable finance alongside other shareholders of the companies in its portfolio.

▪ **Controversy management**

When a portfolio security is affected by controversy, **Dorval Asset Management** initiates a shareholder dialogue with the company concerned.

- Direct shareholder dialogue for controversy management

If **Dorval Asset Management** has direct influence (knowledge of management and/or a significant weighting of the security in one or more managed UCIs) over a stock, the teams rely on individual shareholder engagement to impart their opinion and what they expect or want to be done.

Since 2020, this action has been taken only twice, both for the same company. **Dorval Asset Management** issued a press release both times upon entering direct dialogue with the company's management.

- Shareholder dialogue through collaborative engagement



If concerted action seems likely to be more effective, **Dorval Asset Management** works with other financial actors to bring about changes in practices that may have caused a controversy. This was particularly the case for the 2022 retirement homes scandal.

**XII. Where an index is designated as a reference benchmark to attain the environmental or social characteristics promoted by the financial product, 'Designated reference benchmark'.**

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The Fund does not have a reference benchmark aligned with environmental and social characteristics.