



**NEITHER BEAR NOR BULL  
BUT CAMELEON**

## **Dorval Asset Management's SRI policy**

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**DORVAL**  
ASSET MANAGEMENT  
FLEXIBLE PAR CONVICTION



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## I. Our philosophy: bringing value to your values

- Making investment choices requires in-depth analysis of and extensive insight into the economic context and the financial markets to take the right direction and stay on track.

Dorval Asset Management's approach combines macroeconomic analysis, microeconomic assessment, considerations of valuations and market momentum. Our macroeconomists consistently monitor the latest events as they analyze the economic cycle and set the foundations for our asset allocation, singling out investment themes tailored to the environment. They support portfolio managers-analysts as they seek out



**Jean-François Baralon**  
Chief Executive Officer

**Stéphane Furet**  
Deputy Chief Executive  
Officer in charge of equity  
portfolio management

**Louis Bert**  
Deputy Chief Executive  
Officer in charge of flexible  
portfolio management

strong-performing companies, while this entire process is then rounded out by an analysis of sector trends in tandem with consideration of valuations and technical analysis, thus determining our convictions to build our stock-picking process and develop our portfolio construction.

**Solid and ongoing investment processes based on our conviction-driven, active portfolio management approach.**

- Making investment choices also means looking to the world of the future and supporting the development of meaningful, responsible and sustainable solutions.

Our conviction-led approach involves investing in the real economy – not stock-market indices – as we support and back companies as they grow, while ensuring that all stakeholders can play their part, particularly staff and suppliers. In so doing, Dorval Asset Management takes on board social challenges and sustainable development issues right across every stage in the management process.

**Dorval Asset Management is a responsible investor, as we hold ourselves to the highest standards with both our clients and the companies we invest in as part of our broader fiduciary duty, making your investment meaningful.**

- Investing with confidence with Dorval Asset Management at your side

Dorval Asset Management is a subsidiary of Natixis Investment Managers, and houses a 26-strong team of investment management professionals: we offer our clients the expertise and flexibility of an entrepreneurial-driven business, combined with the solid grounding of a leading global name.

Our product and service range has also been designed with a wealth preservation focus in mind:

- Our *Dorval Convictions* range skillfully steers exposure to risky assets;
- The *Dorval Manageurs* range offers full and clear exposure to French and European equities;
- Our environmental impact equity approach offers the *Dorval European Climate Initiative* fund, which makes green intensity and decarbonization the cornerstones of its management process, addressing growing investor demand and commitment, as they seek out a targeted approach on specific themes, such as climate change;
- Our international equities range with the *Dorval Global Convictions* range addresses today's dwindling bond yields;
- Lastly, a team of five experts devoted to wealth management and private banking supports our clients and meets their requirements.



Dorval Asset Management is also accredited as a **Great Place to Work and Best Workplace For Women in 2021**, as we place corporate social responsibility at the very heart of our business, all in the best interests of our clients.

## II. Our vision: building the world of the future

In light of today's negative interest rates and with inflation seemingly taking an upturn, taking a wealth preservation approach means drawing on different solutions to complement traditional general account and sovereign bond investments. Our role is to support investors in investing in the real economy by reducing the proportion of sovereign bonds in their asset allocation, yet the paradigm change in financial investment stretches far beyond this aspect: just like the direct and indirect effects of the Covid-19 crisis and beyond the health crisis in itself, the sea change in our society is overturning the world we know and turning our sights to the future.

**The financial industry and investment management more specifically have a key role to play in shaping and designing the world of tomorrow.**

Here at Dorval Asset Management, we pursue an authentic, sincere, engaged and credible approach to support this change, with the full backing of all our staff and in line with Natixis Investment Managers' pledges in this arena.

## Dorval Asset Management's SRI approach has been set out to support our responsibility as an investor in the real economy

The asset management industry has a crucial role to play in shaping the world of the future, so **Dorval Asset Management** applies a committed and responsible investment policy built on a proprietary model across all our open-ended funds' investment processes.



### Our philosophy

Investing means looking to the world of the future and supporting the development of meaningful, responsible and sustainable solutions.



### Our approach

We assess ESG opportunities and risks at each step in the investment process and incorporate them directly into our portfolio construction and stock-picking processes.



### A proprietary model

We assign an ESG score to each issuer based on its exposure to and management of ESG factors previously assessed by sector/geography/type of business, with a particular focus on governance (50% min.).



### Integration across all our open-ended funds

We roll out our approach across all the open-ended funds in our range – all of which carry the French government SRI accreditation – and both comply with and enhance each investment management process' specific aspects.



### SRI/ESR consistency

Our responsible investment approach naturally extends to our own organization and our day-to-day relationships with our stakeholders.

## III. Faithful to its roots, Dorval AM takes a more powerful approach

Dorval Asset Management was set up in 1993 and is a renowned investment manager in the fields of flexible strategies and European equities.

Dorval Asset Management's approach combines macroeconomic analysis, microeconomic assessment, considerations of valuations and market momentum. Our macroeconomists consistently monitor the latest events as they analyze the economic cycle and set the foundations for our asset allocation, singling out investment themes tailored to the environment. They support portfolio managers-analysts as they seek out strong-performing companies, while this entire process is then rounded out by an analysis of sector trends in tandem with consideration of valuations and technical analysis, thus determining our convictions to build our stock-picking process and develop our portfolio construction.

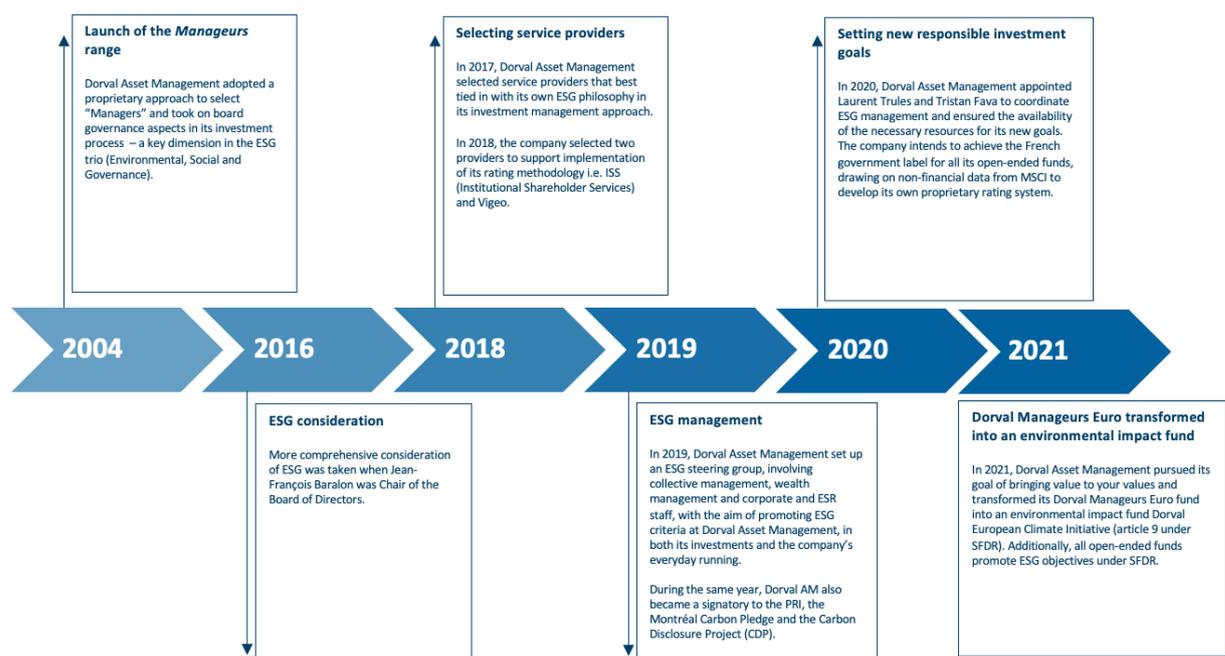
Founders Stéphane Furet and Louis Bert built Dorval Asset Management with an entrepreneurial business culture, a strong human dimension and close cooperation with the companies we invest in.

As early as 2004, and later in 2005 when Stéphane Furet created *Dorval Managers*, 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 *Managers* range firmly believe that a company's value depends first and foremost on the manager-company duo, and their analysis of companies is therefore partly based on managers' contribution to their companies' growth. This detailed and in-depth analysis draws on regular discussions with management at the companies Dorval Asset Management invests in, with 700 contacts per year<sup>1</sup>.

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**<sup>2</sup> 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. This fresh commitment involved the achievement of 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 (cf. point VII below).

In 2021, Dorval Asset Management pursued its commitment to bringing value to your values:

<sup>1</sup> Approximately 500 in 2021 due to the Covid pandemic and a decreased number of possible meetings  
<sup>2</sup> **Drivers:** Dorval Responsible InVestment, EnviRonmental and Sustainable

- All the company's open-ended funds are classified Article 8 under European Sustainable Finance Disclosure Regulation (SFDR).
- The Dorval Managers Euro fund was transformed into the environmental impact Dorval European Climate Initiative fund, classified Article 9 under SFDR and awarded the French government Greenfin certification.

## IV. Our organizational set-up

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

- **The strategic committee** meets once per year, and is tasked with determining the policy and supervising the roll-out of Dorval Asset Management's SRI strategy. This committee includes at least one representative each from Senior Management, General Secretariat, the Compliance, Internal Control and Risk department, the Marketing director and the responsible investment coordinators.
- **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. The committee comprises Senior Management, portfolio management teams, General Secretariat, the Compliance, Internal Control and Risk department and the responsible investment coordinators.
- **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.

## A committed and entrepreneurial-driven asset manager, combined with the solid grounding of a leading investment management name



We offer our clients the expertise and flexibility of an entrepreneurial-driven business, combined with the solid grounding of a leading global name.



Our company boasts a human scale, with a 26-strong team of investment management professionals with dovetailing areas of asset management expertise.



Our engagement is embodied in our core business as we promote responsible investment management and is reflected more broadly speaking in our ESR policy.



Dorval Asset Management's SRI policy applies to all our open-ended funds.

Our research team – portfolio managers and analysts – comprises ten staff as at December 31, 2021. As part of our broader responsible investment policy, analysts/portfolio managers are in charge of financial and non-financial analysis, with 20-30% of their time spent on non-financial aspects, equating to 3 FTE<sup>3</sup>. A student on work-study placement, or an intern, also works exclusively on these aspects.

We ensure initiatives to raise staff awareness on responsible investment. Since 2019, 20 staff in roles deemed as priority in this arena have taken more than 580 hours of training on these challenges.

With this goal in mind, the entire portfolio management team, product specialists, marketing staff and the Compliance and Internal Control manager took a training course with the PRI Academy in 2019 to further enhance our ESG culture here at Dorval Asset Management. This certification is renowned as the international gold standard for ESG training, as it focuses on the identification and implementation of ESG factors into investment decision making. The training course explores

<sup>3</sup> FTE: Full-time equivalent

the key principles of responsible investment, uses real-life case studies to illustrate the materiality of ESG issues in business, introduces strategies for identifying and managing new approaches to ESG risk, and identifies methods for integrating sustainability data into financial modelling. This certification is designed to train all staff in environmental, social and governance challenges, and their effects on traditional analysis and the portfolio management process. Via this program, our staff here at Dorval Asset Management have been able to enhance their insight into various areas, such as developing an engagement plan, identifying different possible approaches to ESG analysis, and non-financial reporting tools.

In 2020, our portfolio management teams here at Dorval Asset Management took part in a course to achieve the CESGA or Certified Environmental Social and Governance Analyst accreditation, awarded by the French Financial Analysts' Association (*Société Française des Analystes Financiers*, or SFAF). This organization has been the key financial analysis body in France since 1967, and now offers European diplomas in ESG analysis. This European certificate is geared to offering extensive training on incorporating ESG factors into the portfolio management process, selecting key ESG challenges depending on sectors' specific aspects, accurately using companies' ESG reports, and the various ESG strategies.

Overall 1,000 hours of training have been taken by our collective management team, multi-management staff and our CEO to achieve this certificate. All portfolio management teams hold the certificate from the PRI Academy or the CESGA or both.

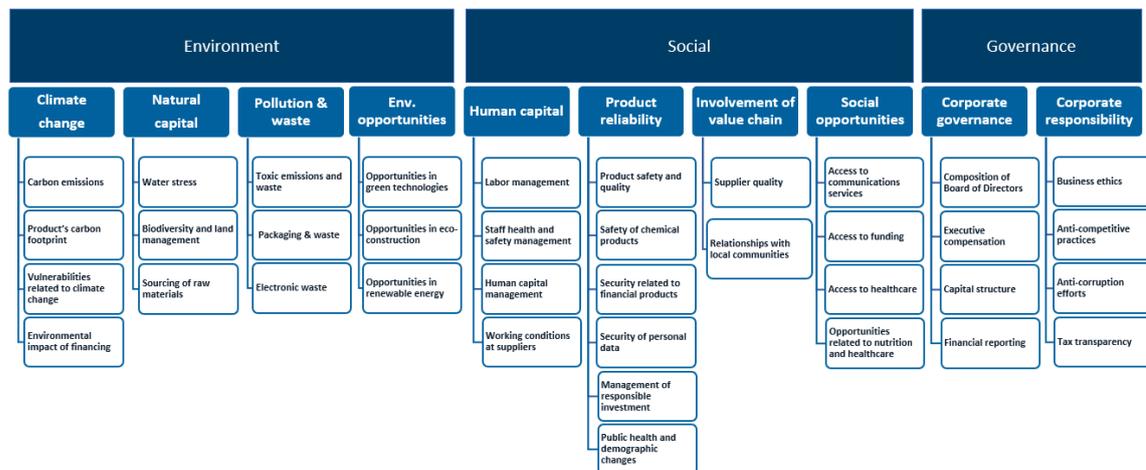
## V. Our ESG analysis methodology

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Our proprietary ESG methodology draws on input from our partners MSCI and ISS, as well as in-house research information to develop issuer ratings across each fund's investment universe. We review issuers' ratings at least on a yearly basis and update them on an ongoing basis depending on information and/or events on the companies in our portfolios.

Our approach 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.



As part of this process, our portfolio management teams and our financial and non-financial analysts screen for 37 ESG challenges based on a range of qualitative and quantitative indicators, with a particular focus on 12 of these aspects.

Our ESG challenge materiality grid draws on input from MSCI, work by the Sustainability Accounting Standards Board (SASB) and our inhouse microeconomic and macroeconomic analysis and insight.

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 impact its medium-long term valuation.

- Governance challenges:
  - Compliance with the basic principles of corporate governance i.e. quality of board of directors – diversity, independence, skills, representation –, alignment of interests with shareholders, capital structure, consideration for minority shareholders, quality of financial reporting and accounting;
  - Anti-corruption efforts.
  
- Environmental considerations:
  - Carbon emissions;
  - Waste management;
  - Water stress;
  - Biodiversity and land management;
  - Opportunities in green technologies and renewable energies.
  
- Social aspects:
  - Labor management;
  - Staff health and safety management;
  - Human capital management;
  - Personal data protection;
  - Product quality.

Dorval Asset Management draws on primary data from MSCI to derive ratings for these challenges. MSCI allocates a company exposure score to the risk and/or opportunity in question for each of the key challenges, as well as a management score to reflect how well management addresses this exposure. Dorval Asset Management also relies on various gross indicators provided by MSCI and ISS to establish its rating.

Where the company is not covered by MSCI, we develop a questionnaire, taking on board the sector materiality grid to offer a comparable approach to the MSCI analysis. On average, five questions for each key challenged identified (9 to 15 on average depending on the sector) systematically enable us to define a score for each of the challenges considered and subsequently derive an overall ESG rating for these companies.

Our portfolio management teams use companies' ESR reports, discussions with management, reports from financial analysts and the press to fill in this questionnaire. Dorval Asset Management's close communication with companies plays a key role in this corporate scoring process. Each year the portfolio management teams hold around 500 meetings with companies, and have thus developed a strong insight into their businesses over the years, putting them in a strong position to conduct in-depth analysis in accordance with our methodology.

Our stringent rating process assigns an ESG score to each stock in our investment universe, which provides direct input for our portfolio construction and the development of our share price objectives.

Dorval Asset Management has developed a scoring system for sovereign issuers to cover the requirements of its sovereign bond portfolio management based on the composition of the Bloomberg Barclays Multiverse Sovereign (I04047US Index). This rating system enables us to integrate ESG challenges faced by the sovereign issuers we could potentially add to our portfolios. In practical terms, this mitigates risk related to the conditions of the worst sovereign issuers in terms of sustainable development.

We focus on certain indicators that we deem crucial to this transition when allocating an ESG score to a public issuer. Dorval Asset Management develops an ESG rating for sovereign bond issuers that may be added to our portfolios with a view to excluding at least 20% with the worst ESG ratings in the initial investment universe. This rating is reviewed on an annual basis, and also puts governance at the very center of ESG analysis. We analyze countries on the basis of a number of indicators from several different sources i.e. the World Bank, the United Nations and the OECD:

- Carbon emissions hinge largely on energy efficiency initiatives and policies rolled out by governments in the countries under assessment. Dorval Asset Management has therefore naturally taken the annual per capita CO<sub>2</sub> emission figure along with the 5-year change in per capita CO<sub>2</sub> emissions (measured in tons per capita) as **environmental indicators**. These indicators account for 20% of the country's ESG score.

- **Social indicators** used are the annual Human Development Index (HDI) and the 5-year change in this index, as well as annual Research & Development spending (as a % of GDP<sup>4</sup>). Dorval Asset Management uses these indicators to assess a government's ability to meet the population's needs – as measured by life expectancy, education and standard of living – as well as innovation potential.  
Indicators in the Social dimension account for 30% of the country's ESG score.
  
- Dorval Asset Management pays particular attention to the governance aspect, and the five **governance indicators selected account for 50% of the country's ESG score**:
  - Anti-corruption efforts: this reflects the degree to which public power is used for private purposes by assessing the extent of serious corruption, as well as the power of the elite and private interests over the State,
  - Efficiency of public authorities: this reflects the quality of public services, the civil service and their degree of independence from political pressure as well as the ease with which new policies are implemented,
  - Quality of regulation: this reflects the government's ability to develop and implement new policies/regulation promoting the private sector,
  - Rule of law: this reflects civil society agents' trust in the rules that govern society, particularly right to property, application of contracts, as well as trust in the police and the country's courts,
  - Participation and empowerment: this reflects the possibility for citizens to choose their government, as well as respect for freedom of expression, freedom to meet and freedom of the press.

Based on the indicators selected and the list of countries under embargo or international sanctions, we draft a final country ranking, enabling us to narrow down our investable sovereign universe to take on board ESG dimensions.

## VI. Taking on board ESG dimensions

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The financial industry and investment management more specifically have a key role to play in shaping and designing the world of tomorrow.

Here at Dorval Asset Management, we actively and openly support this change at our level, in line with Natixis Investment Managers' pledges in this arena.

Dorval Asset Management takes a long-term investment approach, and we firmly believe that we have a pivotal role to play in directing investment to build a more responsible and sustainable economy. We engage with real economy stakeholders to encourage them to adapt their environmental, social and governance practices to support this transition, acting as a responsible investor as we pledge to meet the highest standards with both our clients and partners, as well as with the companies we invest in.

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<sup>4</sup> GDP: Gross domestic product

In full compliance with our fiduciary responsibility, our management objective is to outperform our mutual funds' reference indicators over a given investment timeframe while adding a responsible dimension to our investment choices, which are confirmed by the integration of non-financial dimensions into our funds' investment processes.

Efforts to incorporate ESG criteria into the investment process are geared to improving our insight into the companies we invest in, cutting back certain specific risks, singling out companies with ESG opportunities and lastly supporting them in creating value for all stakeholders over the long term.

Internal and external ESG research is incorporated into our portfolio construction and investment fund management across several levels here at Dorval Asset Management, as we draw on this aspect to determine the eligible investment universe and develop the stock-picking process alongside our analysis of the economic cycle, fundamental analysis, management analysis and theme analysis.

## Value creation sits at the center of our investment processes

The four cornerstones of **Dorval Asset Management's** investment processes



(\*) For our European equities ranges (*Convictions and Manageurs*) that incorporate stock-picking (vs baskets of stocks for the *Global Convictions* range); GARP, *Growth At a Reasonable Price*

As outlined above, Dorval Asset Management's SRI approach is not merely an additional analysis dimension, but is fully embedded in the four traditional cornerstones of our longstanding investment process. This ESG integration is incorporated into the heart of our well-established investment management process and allows for involvement from all, while also enhancing our ability to combine macroeconomic analysis and microeconomic screening to select the most buoyant themes and stocks as part of our broader responsible approach.

We comply with certain fundamental non-financial criteria when determining the investment universe of eligible stocks, primarily involving:

- Exclusion of companies that contravene Dorval AM's exclusion policy i.e. weapons, controversial weapons, tobacco and coal, along with specific exclusions for certain funds due to the requirements related to accreditations,
- Exclusion of controversies deemed to be severe (**Red**) where companies do not comply with the United Nations Global Compact,
- Exclusion of 20% of the investment universe comprising companies with the lowest scores, or with an eliminatory score on at least one of the cornerstones, based on the inhouse methodology developed by Dorval Asset Management.

By combining these exclusions, we can select the most responsible issuers in terms of their Environmental, Social and Governance performances with the **Drivers** scoring method developed by Dorval Asset Management on the basis of a best-in-universe approach.

- The role of non-financial criteria in stock-picking and portfolio management for **European equity funds**, with the exception of the Dorval European Climate Initiative fund (cf. below):

Investment universe: French or European listed companies (including UK), in the euro area (according to fund prospectus)

<b>1</b>	<b>Eligible universe: integration of ESG criteria and exclusion</b>	ESG screening using proprietary rating methodology "Drivers" An ESG investment universe excluding at least 20% of stocks on the basis of compliance with international standards and sector exclusions, controversial companies, and the worst ESG issuers using Dorval Asset Management's proprietary rating methodology.
<b>2</b>	<b>Rating for stocks in eligible universe</b>	The rating for stocks in the eligible universe is based on 4 dimensions: <ul style="list-style-type: none"> <li>• 40% for financial analysis (GARP approach)</li> <li>• 30% for non-financial analysis (proprietary rating methodology "Drivers")</li> <li>• 20% for analysis of the manager/company duo's quality</li> <li>• 10% if the stock belongs to a theme deemed to be buoyant</li> </ul>
<b>3</b>	<b>Portfolio construction</b>	Development of portfolio of 40 to 70 stocks

Once the investment universe has been adjusted for the exclusions mentioned above, it is then defined as eligible and the management process can be rolled out, combining both top-down and bottom-up approaches on the back of financial and non-financial analysis based on four dimensions:

- **Our top-down analysis** assesses the position on the economic cycle, determines our main scenario and buoyant investment themes;
- **A management analysis** appraises the quality of the manager/company tandem;
- **Financial analysis**, with a focus on valuations (GARP approach);

- **Non-financial analysis** helps analyze the fund's ESG intensity and quality using our inhouse proprietary methodology.

This four-dimensional innovative analysis determines our asset allocation, overweighting for stocks in our portfolio and makes ESG analysis a crucial component in our investment process

- The role of non-financial criteria in stock-picking and portfolio management for **Dorval European Climate Initiative**

In 2021, Dorval Asset Management pursued its commitment to bringing value to your values and transformed the Dorval Manageurs Euro fund into an environmental impact fund, Dorval European Climate Initiative. This fund draws on Dorval Asset Management's non-financial expertise to invest in and support the financing of companies that develop environmental solutions.

Portfolio construction and management incorporate this three-pronged approach and draw on:

1. Stocks are categorized according to investment themes deemed to be buoyant (see eco-activity theme analysis<sup>5</sup>), i.e. they fit positively within both broader trends (macro-economic, social and related to sustainable development) and the economic environment (asset class valuation, market momentum and sector context);
2. Picking stocks from within these investment themes, rounded out by securities picked for their own appeal; in both cases and particularly for the second, stocks selected for the portfolio (i) comply with criteria set out by the Management Company, and bar exceptions up to 10% of assets, as outlined below (ii) are included in the eligible Taxonomy universe;
3. Distributing these stocks in the portfolio, based on a proprietary scoring methodology drawing on these same criteria, also outlined below.

The stock rating combines four areas for analysis, each based on a set of criteria:

1. Theme-based analysis within eco-activities (10% of the final score);
2. Analysis of the 'green intensity' (30% of the financial score);
3. Financial analysis (30% of the financial score);
4. Non-financial analysis (30% of the financial score).

We draw on the overall score from these four areas of analysis to pick stocks in line with the Fund's sustainable investment objective and ascertain their weighting in the Fund's assets.

The Fund invests more than 75% of its net assets in companies with a rating of "Intense" (at least 20%) and "Dynamic". Additionally, the Fund cannot have more than 25% of its net assets in so-called "Neutral" stocks.

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<sup>5</sup> "Activities that produce goods and services aimed at protecting the environment or managing natural resources, i.e. intended to measure, prevent, limit or address environmental damage to water, air and soil and the problems surrounding waste, noise and ecosystems for the well-being of Mankind" (international definition from the OECD and Eurostat).



Investment universe: European listed companies, primarily in the euro area (cf. fund prospectus)

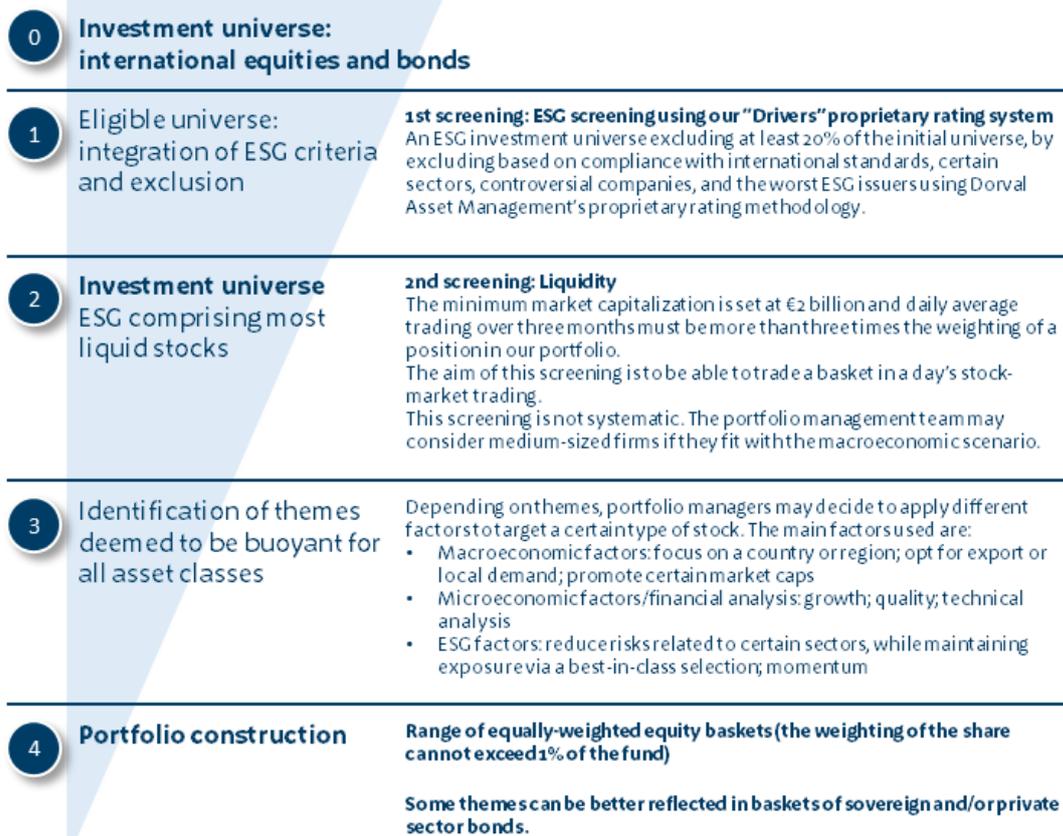
<b>1</b>	<b>Eligible universe: integration of ESG criteria and exclusion</b>	<p>ESG screening using proprietary rating methodology "Drivers"</p> <p>An ESG investment universe excluding at least 20% of stocks on the basis of compliance with international standards and sector exclusions, controversial companies, and the worst ESG issuers using Dorval Asset Management's proprietary rating methodology.</p>
<b>2</b>	<b>Rating for stocks in eligible universe</b>	<p>The rating for stocks in the eligible universe is based on 4 dimensions:</p> <ul style="list-style-type: none"> <li>• 30% for financial analysis</li> <li>• 30% for non-financial analysis (proprietary rating methodology "Drivers")</li> <li>• 30% for the green share</li> <li>• 10% if the stock belongs to one of the eight eco-activities</li> </ul>
<b>3</b>	<b>Portfolio construction</b>	<p>Portfolio construction is based on the classification of stocks in the eligible universe based on their green intensity of their revenues:</p> <ul style="list-style-type: none"> <li>• Intense: more than 50% of revenues</li> <li>• Dynamic: between 10% and 50% of revenues</li> <li>• Neutral: less than 10% of revenues</li> </ul> <p style="text-align: center;">Development of a portfolio of 40 to 70 stocks</p>

- The role of non-financial criteria in stock-picking and portfolio management for **international diversified funds**:

<b>1</b>	<b>Develop the main scenario</b>	<p><b>Deciphering main trends</b></p> <ul style="list-style-type: none"> <li>• Consider macro-financial cycles</li> <li>• Address sustainable development challenges</li> <li>• Understand social trends</li> </ul> <p><b>Assessing the environment</b></p> <ul style="list-style-type: none"> <li>• Assess asset class valuations</li> <li>• Analyze sector trends &amp; earnings outlook</li> <li>• Market technical analysis</li> </ul>
<b>2</b>	<b>Define the asset allocation</b>	<p><b>Identify investment themes deemed to be buoyant</b></p> <p><b>Define exposure rate/risk level</b></p> <ul style="list-style-type: none"> <li>• 'Convictions' range</li> <li>• 'Global Convictions' range</li> </ul>
<b>3</b>	<b>Identify the investable and then eligible universe</b>	<p>ESG screening using proprietary rating methodology "Drivers"</p> <p>An ESG investment universe excluding at least 20% of stocks on the basis of compliance with international standards and sector exclusions, controversial companies, and the worst ESG issuers using Dorval Asset Management's proprietary rating methodology.</p>
<b>4</b>	<b>Build the portfolio</b>	<b>Picking stocks that meet the fund's investment process</b>

Diversified funds incorporate ESG criteria in the selection of corporate or private-sector issuers, and sovereign or public-sector issuers.

- Construction of a basket of equally-weighted equities, selected from among the best ESG scores in the ESG investment universe.



- Construction of baskets of bonds selected from among the best ESG scores in our ESG investment universe.



Once the investment universe has been adjusted for the exclusions mentioned above, it is then defined as eligible, and the portfolio managers can apply the integration process suited to these funds' wealth management methods.

Portfolio managers determine investment themes applied via baskets of stocks and/or bonds.

The construction of equity baskets draws on a quantitative screening process for the international equities universe, based on several stages:

- Screening of the initial investment universe to rule out at least 20%: this screening is conducted using the proprietary Drivers rating system and incorporates geographical and sector differences while taking on board countries' degree of development: companies with an environmental or social score of less than 10 or a governance score under 30 are excluded, alongside those with an overall ESG score of less than 40. Portfolio managers then conduct liquidity screening, with a minimum market capitalization set at €2 billion, while average daily trading over three months must be more than three times the weighting of a position in our portfolio: the goal of this screening is to be able to trade a basket in a day's stock-market trading. This screening is not systematic. The portfolio management team may consider medium-sized firms if they fit with the macroeconomic scenario.
- Depending on the themes, portfolio managers may decide to apply different factors (ESG, macroeconomic and microeconomic) with a view to targeting certain types of stocks.

Bonds are selected using the **Drivers** proprietary rating for sovereign issues. Countries in the bottom quintile of ratings are excluded from the investment universe.

## VII. Communication

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Transparency is vital in our responsible investment strategy here at Dorval Asset Management.

- In accordance with Article 173 of the French Energy Transition for Green Growth Act, Dorval Asset Management makes every effort to communicate on how it incorporates environmental and social aspects into its management process, and provides a range of information for investor clients:
  - Responsible investment policy
  - Exclusion policy
  - Shareholder engagement policy
  - Controversy management policy
  - Compensation policy
  - Policy on processing complaints from clients
  - Policy on managing conflicts of interest
  - Policy on best selection of intermediaries
  - Transparency code
- Dorval Asset Management also publishes a range of reports:
  - Voting report
  - Engagement report
  - Climate impact assessments
  - PRI report
  - ESG performance report
  - Management report and monthly fund reports
  - PRI assessment

- Dorval Asset Management also publishes regulatory documents (Prospectus, KIID, NAV), which incorporate the company's SRI philosophy.
- Lastly Dorval Asset Management seeks to promote responsible investment in its speaking and engagement with its clients, via its client presentations and monthly letter, as well as with the media in its various speaking opportunities (television, press, etc.)

This commitment was formally embodied in our signature of the Principles for Responsible Investment in 2019, while Dorval Asset Management has since pursued its engagement by getting involved in market-wide initiatives both in France and internationally to promote sustainable finance with other major stakeholders.



Dorval Asset Management also conducts ESG performance reports, with a view to reporting on the environmental, social and governance impact of each of its open-ended funds, as well as compliance with human rights at the companies it holds in its funds.

Dorval Asset Management consistently pursues transparency and also contributes to and communicates on the Sustainable Development Goals (defined by the United Nations) for companies in its portfolios in this same document.

## VIII. Controls

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We check and control our SRI portfolios' compliance in several ways:

- **First level: pre-trade controls**  
Portfolio managers ensure that stocks in portfolios are eligible each time orders are placed as a result of automatic pre-trade checks. These automatic checks block investment in securities issued by companies that feature in the various exclusion lists (sector, standards, controversies, Drivers rating system) and are configured in the front to back chain.
- **Second level: post-trade controls**  
Portfolio management teams are then monitored by the Compliance, Internal Control and Risk department in post-trade checks on rules in the French government SRI and Greenfin labels. In addition to a report on control of positions sent daily and covering the previous day's positions,

the Compliance, Internal Control and Risk department also presents a periodic risk report at least once per year to the risk committee.

- Third level: reporting on control of application of ESG strategy  
Dorval Asset Management publishes an ESG performance report to enable portfolio management teams and all stakeholders to monitor and control our funds' ESG strategy.

Lastly the strategic committee and the ESG committee ensure that Dorval Asset Management's SRI philosophy is applied, and ensure that the key principles adopted in SRI processes are followed by portfolio managers.