

**Publication of
sustainability information**

Article 10 SFDR

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BDLCM Funds - Rempart

BDL 

CAPITAL MANAGEMENT

1. Summary

Integration of ESG Features into Investment Strategy

BDLCM Funds – Rempart (the “Sub-Fund”) is a feeder fund of BDL Rempart (the “Master Fund”), a mutual fund constituted under French laws, meaning that the Sub-Fund invests at least 85% of its net assets into the the Master Fund and thus follows the same non-financial strategy as further described below.

A majority of securities within the portfolio's investment universe are subject to a prior analysis of their profile with regards to ESG criteria. The non-financial ratings are primarily sourced from an external non-financial research data provider: Sustainalytics. The Master Fund and the Sub-Fund respectively, integrate ESG sustainable investment criteria through Sustainalytics ESG Risk Ratings as well as criteria from BDL Capital Management's proprietary scoring methodology called QIRA.

Planned Asset Allocation for the Product

The Master Fund BDL Rempart follows a "best effort" approach, so does the Sub-Fund. This approach consists of favouring issuers that demonstrate improvement or good prospects in their ESG practices and performance over time.

Consideration of the Principal Adverse Impacts of Investments, Verification of International Standards and Good Governance Principles :

This financial product considers the Principal Adverse Impacts of its investments on sustainability factors through the 14 mandatory indicators in Table 1 of Annex I of the European Commission Delegated Regulation (EU) 2022/1288. It also includes the following 2 additional indicators: investments in companies without carbon reduction initiatives and investments in issuers without occupational accident prevention policies. Their consideration is integrated into the various aspects of the responsible investment approach of the management company.

Through the consideration of Principal Adverse Impacts (PAIs), including the use of the following social PAIs, the investments of this financial product align with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights:

- Violation of the United Nations Global Compact principles and the OECD Guidelines for Multinational Enterprises.
- Absence of processes and mechanisms to monitor compliance with the United Nations principles and OECD Guidelines for Multinational Enterprises.

ESG Analysis Methodology

We employ an internal scoring system called QIRA, which measures the long-term sustainability of companies and is the most significant pillar of BDL Capital Management's fundamental quality rating of companies.

The QIRA score is an ESG score out of 20, broken down into the following weights:

- Environmental (E) approximately 40%
- Social (S) approximately 20%
- Governance (G) approximately 40%

QIRA considers around thirty ESG indicators and uses around ten questions to rate companies.

Engagement Policy

We play a crucial role in influencing ESG practices within the companies in which we invest.

The dialogue we have established with company management teams over the past 17 years, coupled with the decision to hold a limited number of investments in the portfolio, is ideal for maximizing our influence.

We regularly send letters to the CEOs of companies in which we invest to explain our approach and expectations.

We encourage these companies to:

- Reduce their greenhouse gas emissions in line with the Paris Agreement trajectory.
- Complete the CDP questionnaire on their climate strategy, make it public, and work towards achieving "leader" status and an A-grade from the CDP.
- Commit to publishing greenhouse gas reduction targets scientifically validated by the Science Based Targets Initiative (SBTi).

These three objectives are concrete and measurable. If all companies were to achieve them, it would ensure greater transparency, faster initiatives, and decarbonization of the economy in alignment with the Paris Agreement's goals.

Our work is to do everything in our power to help the companies in which we invest achieve these three objectives. These letters have been a first step towards establishing a framework.

2.No sustainable investment objective

This financial product promotes environmental or social characteristics, but its objective is not sustainable investment.

The financial product promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments.

To ensure that the sustainable investments of the financial product do not cause significant harm to an environmental or social objective (DNSH - Do No Significant Harm), BDL Capital Management has established a 4-step process:

Step 1 : Sectoral and Controversy Exclusion Policy

We have defined a policy of sector exclusions, i.e. companies active in controversial sectors, as well as normative exclusions, i.e. companies in violation of one or more of the 10 principles of the United Nations Global Compact.

Companies in the initial investment universe that do not meet the criteria and thresholds below are considered non-investable and therefore unsustainable for the funds we manage.

Exclusion criteria	Company excluded from
Cluster munitions and anti-personnel mines	From the 1st euro of turnover
Controversial weapons	From the 1st euro of turnover
Civilian weapons	Strictly above 25% of turnover
Tobacco	Producer: Strictly above 5% of turnover
	Distributor / Stricly over 15% of turnover
Controversial jurisdictions	Excluded
Coal	Strictly above 25% of turnover
Pornographic activities	Strictly above 25% of turnover
UN Global Compact	Non-compliant companies are excluded

These exclusions aim to avoid supporting negative social and/or environmental impacts of these companies. Data for exclusions comes from various sources including company meetings, reports, external data providers like Sustainalytics, and BDL Capital Management's own analyses. These data are regularly updated.

Additionally, companies involved in severe controversies according to Sustainalytics' Controversies Research will not be considered as sustainable.

Step 2 : Negative Impact Assessment (PAI)

As part of our responsible investment policy, we rely on the list of mandatory sustainability indicators published by the European authorities as part of the SFDR Regulation. This list covers 14 mandatory indicators and also includes 2 so-called additional indicators.

At this stage, the following negative impacts are addressed:

- Environment and climate
- Social, including human resources
- Respect for human rights

Companies whose negative impact levels are too high cannot be considered sustainable. Data on negative impacts are provided by our service provider Sustainalytics and are updated on an ongoing basis.

More information on controversies' research by Sustainalytics on below link : <https://www.sustainalytics.com/investor-solutions/esg-research/eu-sustainable-finance-action-plan-solutions#sfdr>

For more information on BDL Capital Management's approach to negative impacts, visit the following website: <https://www.bdlcm.com/documents/politique-investissement-durable>.

Step 3 : ESG Analysis :

Analysis of Internal ESG (QIRA):

In the case where a company has undergone an internal ESG analysis, meaning it has a QIRA score, the company cannot be considered sustainable if its score is strictly less than 10 out of 20.

Analysis of External ESG (Sustanalytics Risk Rating):

In the case where a company does not have a QIRA score but has undergone an external ESG analysis, meaning it has a Sustanalytics Risk Rating, the company cannot be considered sustainable if its score is strictly greater than 25 out of 100.

Absence of ESG Analysis:

In the case where the company is not subjected to an ESG analysis, meaning it does not have a QIRA score or a Sustanalytics score, the company cannot be considered sustainable.

Step 4 : Greenhouse Gas Reduction Objective Research

This final step involves ensuring that companies are pursuing an environmental goal of reducing greenhouse gas emissions.

If the company has successfully completed the first three steps and has set a greenhouse gas reduction goal, then it is considered sustainable.

However, if the company has successfully completed the first three steps but does not have a greenhouse gas reduction goal, then it cannot be considered sustainable.

The pursuit of greenhouse gas reduction objectives is carried out in several ways:

- The company has had its greenhouse gas reduction objectives validated or committed to validation by the Science Based Targets Initiative (SBTi). SBTi is an initiative that provides companies with an independent assessment and validation of their greenhouse gas reduction objectives (<https://sciencebasedtargets.org/>). The list of companies engaged with SBTi is public.
- ESG research provided by the Sustanalytics provider indicates that the company has set a greenhouse gas reduction goal, notably through the additional PAI "companies without carbon reduction initiatives."
- Internal ESG research conducted by the BDL Capital Management teams.

Steps 1 and 2, as described above, which include normative and sectoral exclusion filters as well as the analysis of 16 negative impact indicators, are used to verify that investable companies do not cause significant environmental or social harm.

The exclusion policy, by refraining from financing certain sectors, aims to avoid supporting the negative social and/or environmental impact of these companies. The consideration of negative impact indicators is part of the assessment of the sustainability level of companies.

By taking into account the PAI, especially through the use of the following social PAIs, the investments of this financial product comply to the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights:

- Violation of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.
- Lack of processes and mechanisms to ensure compliance with the principles of the United Nations and the OECD Guidelines for Multinational Enterprises.

3. Environmental or social characteristics of the financial product

The responsible investment strategy is based on ESG criteria that highlight the environmental and/or social characteristics promoted by this financial product. We use an internal rating system called QIRA. QIRA assesses the long-term sustainability of companies and is the most significant pillar of the fundamental quality rating of companies.

The QIRA score is an ESG score out of 20, and this score is broken down into the following components: Environment ("E"), Social ("S"), and Governance ("G"), with the following weightings:

- E: Approximately 40%
- S: Approximately 20%
- G: Approximately 40%

QIRA considers around thirty ESG indicators and employs about ten questions to assess companies. These questions address ESG themes that are a priority for BDL Capital Management as a long-term shareholder in these companies.

Environmental questions focus on the company's climate strategy, specifically its efforts to reduce greenhouse gas emissions (GHG).

Social questions encompass topics such as gender diversity and the company's societal role.

Governance questions primarily assess transparency, the quality of management and governance, and take into account the company's level of controversies.

The sources for the QIRA rating are varied: meetings with companies, reports published by companies, data providers, market initiatives, etc. The QIRA score is reviewed whenever necessary (e.g., during controversies) and at a minimum once a year.

No specific index has been designated as a benchmark to determine if the financial product aligns with the environmental and/or social characteristics it promotes.

4. Investment Strategy

The Master Fund BDL Rempart follows a "best effort" approach, so does the Sub-Fund. This approach consists of favouring issuers that demonstrate improvement or good prospects in their ESG practices and performance over time.

The ESG performance of companies is measured mainly through the internal ESG rating tool QIRA.

In addition to the process of identifying sustainable investments as described above, the Master Fund applies the following investment constraints:

Sustainalytics Risk Ratings :

Coverage rate : The proportion of portfolio positions analysed on the basis of ESG criteria will be greater than :

- 90% in the number of companies with a capitalisation of more than €10 billion;
- 75% in number of companies with a capitalisation of less than €10 billion;

Binding elements : The average Sustainalytics Risk Rating (by number of companies) of the Master Fund will be higher than the average ESG rating of the investment universe as described above.

QIRA rating :

- Coverage rate : 90% of the securities portfolio (in exposure).
- Binding elements : The ESG QIRA score must be greater than or equal to 10/20.

In the QIRA internal rating, good governance practices represent a significant part of the rating. The analysis of governance practices is based mainly on transparency, management quality, accounting practices and the level of controversy of the company.

In the Sustainalytics Risk Ratings, the final contribution of corporate governance practices is about 20% on average. More information on the Sustainalytics methodology at: <https://www.sustainalytics.com/>

Sustainable Investment :

The Master Fund will mainly invest in equities listed on the regulated markets as described in the prospectus. The strategy is divided into two portfolios, i.e. the long portfolio and the short portfolio.

Regarding the long portfolio the minimum proportion of sustainable investments is 20%.

5. Investment ratio

The Feeder Sub-Fund Rempart invest a minimum of 85% and a maximum of 100% of its assets into the Master Fund. The remaining asset (up to 15%) is cash and cash equivalent.

- The proportion of investments " #1 Aligned with E&S characteristics" is at least 85%.
- Investments included in the sub-fund's "Other" category represent up to 15% of investments

Investments in the " #1 Aligned with E/S characteristics" category include at least :

- 20% sustainable investments as defined by the SFDR regulation
- 70% other E/S characteristics: issuers subject to ESG analysis relevant to the fund's investment strategy

Concerning the proportion of sustainable investment:

- The minimum proportion of sustainable investments with an environmental objective that are not aligned with the EU taxonomy is 100%.
- The minimum proportion of investments in transitional and enabling activities is 0% of net assets.
- The financial product may invest in environmentally sustainable economic activities, however the investments of this financial product do not take into account the EU criteria for environmentally sustainable economic activities. The financial product is committed to a 0% alignment with the European Taxonomy.

6. Monitoring of environmental or social characteristics

Research into environmental and social criteria is mainly carried out during the QIRA rating process. The following performance indicators are used:

Environment:

Variation in Greenhouse Gas Emissions (Scope 1 and 2) from Year to Year: Companies bear the responsibility of reducing their environmental impact. Analyzing greenhouse gas emissions helps understand the extent of a company's contribution to climate change, identifying areas where improvements can be made.

Score on the Carbon Disclosure Project (CDP) "Climate Change" Questionnaire: CDP is an international organization that encourages companies to measure, disclose, manage, and reduce their greenhouse gas emissions. The score assigned to companies in the CDP questionnaire reflects their performance in managing emissions, reducing emissions, transparent disclosure, and commitment to environmental sustainability. It assesses how well a company integrates climate-related issues into its operations.

Climate Trajectory from the Science-Based Target initiative (SBTi): SBTi is a joint initiative involving several organizations, including CDP, the United Nations Global Compact, WWF, and the World Resources Institute. Companies can submit their emission reduction targets to SBTi for independent validation. SBTi assesses whether a company's emission reduction goals align with accepted scientific scenarios for achieving global climate objectives. The climate trajectory analysis aims to determine if a company's emission reduction goals are in line with global climate warming limitations.

Score on the Carbon Disclosure Project (CDP) "Water" Questionnaire – *Integration in 2023:* Similar to the "climate change" questionnaire, the CDP "Water" questionnaire aims to assess and understand how companies manage and mitigate water-related risks. The score assigned to companies measures how well a company integrates sustainable water management into its operations and business activities.

Score on the Carbon Disclosure Project (CDP) "Forest" Questionnaire – *Integration in 2023:* Similarly, the CDP "Forest" questionnaire aims to evaluate how companies manage and mitigate risks related to deforestation and ecosystem degradation. The analysis of this questionnaire helps identify risks associated with deforestation and biodiversity impacts.

SOCIAL:

Percentage of Women in Leadership Positions vs. Total Women in the Company: This metric helps determine if women are fairly represented at all levels of the organization, including in executive and leadership roles. A significant disparity between the percentage of women overall and in leadership positions may indicate a lack of diversity and inclusion in leadership roles.

Transparency and Equity in Tax Structure: Analyzing a company's tax practices is crucial for assessing its commitment to ethical tax practices, contribution to public services, and reputation as a responsible tax actor. This plays an essential role in reputation management, sustainability, and stakeholder relations.

Employee Management and Relations (Employee Turnover Rates, Labor Unions, Safety): Evaluating aspects like employee turnover rates, labor union engagement, and workplace safety is vital to assess employee well-being, job satisfaction, safety, and company performance. It helps identify areas for improvement, risk reduction, and the creation of a more productive and positive work environment.

As detailed in the question 'Investment Strategy for Products with Environmental or Social Characteristics,' sectoral and normative exclusion filters, as well as the minimum ESG rating of each company in the portfolio (10/20), and the level of ESG controversies are binding elements of the investment strategy used for selecting investments as they reduce the investment universe.

These indicators are subject to pre-trade and/or post-trade controls:

- **ESG Analysis Coverage:** A pre-trade control is conducted, taking the form of an alert (rather than a block) for this financial product, which must not exceed a certain threshold of unrated values. For this financial product, a maximum allocation of 10% to unrated issuers is allowed. This control alerts the portfolio manager in case they intend to place an order on a security that lacks an ESG rating. A daily post-trade control is also conducted, focusing on potential breaches of the portfolio's liabilities.

- ESG Ratings: A daily post-trade control is carried out on the ESG ratings of the companies in the portfolio.

7. Methods Applicable to Environmental or Social Characteristics:

Our QIRA methodology allows us to obtain an ESG score, on a scale of 20, which is assigned to the companies in our portfolio. The key features of our evaluation methodology are as follows:

- The QIRA score encompasses all Environmental, Social, and Governance (ESG) pillars.
- The rating scale ranges from 0 to 20, with 20 being the highest score.
- The QIRA score places significant emphasis on both the environmental (approximately 40%) and governance (approximately 40%) aspects.
- The QIRA score is regularly reviewed, as needed (e.g., in case of controversies), and at least once a year.
- The level of controversy surrounding a company impacts its score.
- Each analyst at BDL Capital Management has been trained to assess companies in their respective sectors based on non-financial criteria. Given their expertise in specific sectors, our analysts have in-depth knowledge of companies and their management teams, making them well-suited to produce non-financial analyses.
- Two team members are specifically responsible for ESG research, ensuring a systematic and harmonized conclusion for each company within our QIRA tool.

Our methodology for ESG analysis and evaluation of companies consists of the following steps:

- **Preliminary Analysis:** The ESG analysis of companies begins with a phase of documentary analysis, utilizing all internal and external resources at our disposal. These resources are detailed in the following section (Section 8: Sources and Data Processing).
- **ESG Interviews:** ESG interviews are not mandatory in the process of this financial product. They take place at the discretion of the fund managers and analysts responsible for the asset. However, they are encouraged to address the most "material" ESG topics during their numerous meetings with companies throughout the year to enhance their understanding of the companies. Interview reports, systematically drafted by the fund managers and analysts after each ESG analysis, help refine our preliminary analysis.
- **Evaluation:** Following the preliminary analysis and/or ESG interviews, a synthesis of all obtained information is carried out using the QIRA tool. This allows us to both create a qualitative report of our analysis, monitor the company over time, and perform quantitative evaluation to determine the ESG rating of the issuer in question.

8. Data Sources and Processing

We use a variety of sources to enrich our ESG evaluation of companies, including:

- Companies' annual reports and sustainability reports.
- ESG research from Sustainalytics.
- Sustainalytics controversy research.
- Research provided by brokers.
- ESG Key Performance Indicators (KPIs) provided by Sustainalytics (such as PAI and others).
- CDP (Carbon Disclosure Project) questionnaires.
- SBTI (Science-Based Targets Initiative) trajectory.
- Public databases (such as the Global Oil & Gas Exit List).

We rely on several tools, both developed internally and externally, to better integrate ESG factors into investment decisions:

QIRA Scoring System: An internally developed tool used to score companies within the investment universe based on ESG criteria.

Sustainability Dashboard: An internally developed tool that allows us to assess the sustainability of companies within the investment universe in accordance with the principles outlined in our sustainable investment policy.

Sustainalytics Risk Rating: Sustainalytics' ESG risk analysis is designed to help investors identify and understand significant ESG risks from a financial perspective and how these risks could impact performance.

Sustainalytics Controversy Research: A tool developed by our provider, Sustainalytics, for tracking controversies related to companies.

Sustainalytics PAI (Portfolio Analytics & Impact) Report: Another tool developed by Sustainalytics for monitoring PAI indicators at the portfolio level.

9. Limitations to methods and data

We have identified the following limitations :

Lack of Data Standardization and Transparency: Companies may have different definitions of ESG criteria, making it challenging to compare them. Additionally, some companies may not fully disclose their ESG practices, limiting the accuracy of available data.

Greenwashing: Some companies exaggerate their ESG initiatives to appear more sustainable than they actually are. This can make it difficult to discern genuinely committed companies from those merely seeking to attract capital.

Dependence on Self-Reporting: ESG information often comes from company reports and other self-reported sources. This means investors must rely on data provided by the companies themselves, without guarantees of accuracy or independent verification.

Lack of Historical Data: Historical ESG data is often limited, making it challenging to assess a company's long-term ESG performance. This can be particularly problematic for investors seeking to analyze long-term sustainability.

Complexity of ESG Assessment: Evaluating ESG factors can be complex due to the multitude of involved criteria and their interactions. Properly weighting different elements and arriving at an accurate overall assessment can be challenging.

Data Quality Issues: ESG data can be incomplete, disorganized, or outdated. This can make it difficult to obtain an accurate and current picture of a company's ESG performance.

Unpredictable Factors: Some ESG events, such as environmental disasters, social scandals, or political changes, can be difficult to anticipate and incorporate into investment models.

10. Due Diligence :

QIRA Score Checks:

After the ESG rating work is completed by the analyst, it is reviewed by the Director of ESG Research (independent from the management teams) to ensure the proper justification of the scores and harmonization of practices among different analysts. Once QIRA is validated, it becomes final and is taken into account by the system for various processes (sustainable investment, minimum rating, etc.).

Control of Step #4 in Sustainable Asset Definition:

During Step 4 within the sustainable asset definition process, the analyst has the opportunity to manually assess if a company has credible and achievable greenhouse gas reduction objectives. When this feature is used, the written justification by the analyst is systematically reviewed and validated by the Director of ESG Research. This helps verify the analyst's choices and request additional justifications and/or corrections if necessary.

Risk Controls:

ESG constraints have been configured in a risk monitoring tool and are assessed daily by the Risk Controller, alongside regulatory and statutory ratios.

Ongoing Monitoring:

As part of the annual ongoing monitoring plan, the RCCI (Chief Compliance Officer) conducts several checks related to the consideration of ESG criteria and the sustainable investment policy.

Periodic Review:

The consideration of ESG criteria and the sustainable investment policy are also subject to periodic review by the external control carried out by Kroll.

11. Engagement policy

We play a crucial role in influencing ESG practices within the companies in which we invest.

The longstanding dialogue we have established with company management teams over the past 17 years, coupled with our decision to hold a limited number of investments in the portfolio, positions us ideally to maximize our influence.

We regularly send letters to the CEOs of the companies in which we invest to explain our approach and expectations.

We encourage these companies to:

- Reduce Greenhouse Gas Emissions in Line with the Paris Agreement
- Complete the CDP Climate Strategy Questionnaire, Make it Public, and Aim for Leadership Status and an A rating from CDP
- Commit to Publishing Emission Reduction Targets Scientifically Validated by the Science Based Targets Initiative (SBTi) Ces trois objectifs sont concrets et mesurables.

If all companies were to achieve them, this would guarantee greater transparency, faster initiatives and a decarbonization of the economy in line with the objectives of the Paris Agreement.

Our job is to do everything we can to ensure that the companies in which we invest achieve these three objectives. These letters were a first step towards establishing a framework. They were followed by direct communications with the companies. Our proprietary ESG methodology, ongoing discussions with company management teams and letters to CEOs are examples of initiatives that help us select companies that will strengthen their practices and contribute to the emergence of a more sustainable growth model.

12. Reference benchmark

The financial product doesn't have a reference benchmark designated for the purpose of attaining the characteristics promoted.