Publication of sustainability information

Article 10 SFDR

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BDLCM Funds - Durandal

BDL
CAPITAL MANAGEMENT

1. Summary

Integration of ESG Features into Investment Strategy

BDLCM Funds - Durandal (the "Compartment") promotes environmental, social, and governance (ESG) characteristics and qualifies as a product according to Article 8 of the SFDR. The compartment does not have a specific thematic objective.

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 fund follows a "Best-Effort" approach, prioritizing 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 (PAI), 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

Sustainalytics' ESG Risk Ratings are designed to help investors identify and understand financially material ESG-related risks within their investment portfolios and how those risks might affect performance. The ESG Risk Ratings, combined with qualitative analyses, provide investors with a differentiated risk signal and deeper insights into the materiality of certain ESG issues for a company and what the company is or is not doing to manage them effectively.

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: Principal Adverse Impact (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 (Sustainalytics 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 Sustainalytics 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 Sustainalytics 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 Sustainalytics 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

BDLCM Funds - Durandal (the “Sub-Fund”) promotes environmental, social and governance characteristics and qualifies as product in accordance with Article 8 of SFDR.

The Sub-Fund does not target any specific thematic focus.

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 integrates ESG sustainable investment criteria through Sustainalytics ESG Risk Ratings as well as criteria from BDL Capital Management's proprietary scoring methodology called QIRA.

No benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.

4. Investment Strategy

In order to reach its objective, the Sub-Fund is mainly exposed to both long and short in a diversified portfolio of equity securities from the OECD countries, also via the use of equity derivatives (i.e. listed futures and options, CFDs), hereafter defined as investment universe.

A majority of securities within the portfolio's investment universe are subject to a prior analysis of their profile with regards to Environmental, Social and Governance (ESG) criteria. The non-financial ratings are primarily sourced from an external non-financial research data provider.

5. Investment ratio

The Sub-Fund 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 75%
- Investments included in the sub-fund's "Other" category represent up to 25% of investments

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

- 10% sustainable investments as defined by the SFDR regulation
- 65% 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

The ESG performance of companies is measured mainly through the external Sustainalytics Risk Rating.

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.

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 Sub-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 10%.

7. Methods Applicable to Environmental or Social Characteristics:

The Sub-Fund follows a "best effort" approach. 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 external provider Sustainalytics.

Steps 1 and 2 as described above, namely the normative and sector exclusion filters and the analysis of 16 principal adverse impacts indicators, verify that investible companies do not cause significant environmental or social harm.

The exclusion policy makes it possible to avoid supporting the negative social and/or environmental impact of these companies by not financing certain sectors. The consideration of principal adverse impacts indicators is part of the assessment of the level of sustainability of companies.

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.