LONVIA CAPITAL	**Sustainability and ESG risk policy**	Reference: VIII-7 Version : 1.0

Responsibility	
Responsible for the procedure	Cyrille Carrière
Department	Management
Officer	Jacques Gout-Lombard

Objective of the procedure
The Sustainability and Environmental, Social and Governance ("ESG") Risk Policy was created under the framework to take account of extra-financial criteria in the asset selection and management policy for the portfolios managed and/or advised. It also incorporates the failure to address the principle adverse sustainability impacts (PAIs).

List of tools/applications used	
Tool(s)	Office Suite
Application(s)	ALTO (PMS); Specialist data providers

1st level controls	Archiving (yes/no)	Archiving location
Tracking excel files	yes	Dossier Research

Management of procedure updates				
Version	**Date**	**Status**	**Author**	**Nature of the changes**
1.0	8/03/2021	Completed	Cyrille Carrière	Establishing the procedure

Contents

1. Background, objectives and definitions

1.1. Background and objectives

In accordance with Article 3 of Regulation (EU) 2019/2088 ("Disclosures" or "SFDR") and Article L. 533-22-1 of the CMF (resulting from Article 29 of the Energy-Climate Law), financial market participants publish on their websites information about their policies on integrating sustainability risks into their investment decision-making process, including for French participants, risks associated with climate change as well as risks related to biodiversity.

The objective of this policy is to increase transparency on how financial market participants integrate relevant sustainability risks, significant or potentially significant, into their investment decision-making processes.

The policy is based on the principle of dual materiality:

- Sustainability risk: Impact of external events on product performance (*How is the impact of external events on the performance of the financial product integrated into the risk management policy?*),
- Negative sustainability impacts: Impact of investments made on external sustainability factors *(How does the entity ensure that investments made do not cause significant harm to environmental and social objectives?)*

1.2. Definitions

- **Sustainability risk**

A sustainability risk is an **environmental**, **social** or **governance** event or situation that, if it occurs, could have a significant, actual or potential, adverse impact on the value of the investment.
The sustainability factors are environmental, social and personnel issues, respect of human rights and the fight against corruption and bribery.

In their sustainability risk policy, made public pursuant to Article 3 of the Regulation of the European Parliament and of the Council on the publication of sustainable investment and sustainability risk information and amending Directive (EU) 2016/2341, asset management companies include information on risks associated with **climate change** as well as on **biodiversity risks**.

- **Environmental risks (climate change)**

Physical risks, which result from damage directly caused by weather and climate phenomena, such as

- the loss of value of investments held by portfolios managed and issued by entities affected by these weather events;
- the increase in the frequency and cost of claims to be paid by insurers to policyholders;

Climate change or loss of biodiversity are included in this risk.

Transition risks, which result from adjustments made in view of a transition: exposure to developments caused by the ecological transition, in particular the environmental objectives defined by the Taxonomy regulation[1], especially when these are poorly anticipated or occur suddenly. These risks are linked for example to :

- asset impairment, following regulatory changes that would penalise or even prohibit certain activities considered to emit too much greenhouse gas (GHG);
- losses following the end of certain funded activities considered too polluting or GHG-emitting;

Induced **liability risks** (legal and reputational risks), related to the financial impacts of compensation claims on companies financed, by those suffering damage from climate change, such as:

- investments that finance the development of polluting or GHG-intensive industries and activities;
- professional insurance, operator's civil liability, infrastructure construction.

- **Social risk**

Social risk concerns the analysis of the company's relationship with its stakeholders: employees, customers, suppliers and civil society. It includes in particular the protection of employees in terms of health and safety, the fight against discrimination, their well-being, respect for human rights within the supply chain, the company's philanthropic approach, its relations with local communities, customer satisfaction, etc.

- **Governance risk**

Governance risk encompasses the competence of the company's management team, the structure of the CEO's remuneration scheme or its legitimacy, as well as the existence of checks and balances. The evaluation of this last point involves the analysis of the composition of the boards of directors, the matching of the directors' profiles with the needs of the company, their independence, the respect of minority shareholders, business ethics or the commitment of the company to CSR issues.

- **Adverse sustainability impacts (PAI)**

Principal Adverse Sustainability Impacts (PAI): impacts of investment decisions that result in **significant** or **potentially** significant **adverse impacts on sustainability factors** (environmental, social and labour issues, respect of human rights and anti-corruption and bribery)

[1] Climate change mitigation, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and reduction, protection and restoration of biodiversity and ecosystems

2. Identification of ESG and sustainability risks (Art.3 SFDR)

2.1. Activities concerned

LONVIA CAPITAL provides the following services that are subject to sustainability risks:

Collective management	UCITS management	☒
	AIF management	☐
Investment services	Receiving and transmitting orders on behalf of third parties	☐
	Execution of orders on behalf of third parties	☐
	Proprietary trading	☐
	Portfolio management on behalf of third parties	☐
	Investment advice	☒
	Bought deals	☐
	Guaranteed investments	☐
	Non-guaranteed investments	☐

LONVIA CAPITAL applies this policy in an undifferentiated manner by major categories of financial instruments.

2.2. Exposure to ESG or sustainability risks

Environmental, social and governance ("ESG") and sustainability factors can have a significant impact on the value of companies and their selected securities.

We believe that all of these factors deserve to be considered alongside traditional financial indicators to provide a more complete picture of the value, risk and potential performance of investments.

Asset classes concerned	Sectors	Geographical areas
Equities	All	Continental Europe
Money market funds	UCI	European Union

2.3. Frequency of review of exposure analysis

LONVIA CAPITAL reviews its exposure analysis annually.

3. Main ESG and sustainability risks (Art.3 SFDR and Art.29 LEC)

3.1. Main environmental risks (climate change)

Investments in small-cap companies also expose UCITs to specific sustainability risks related to generally lower levels of information and resources dedicated to the sustainability of operations compared with large companies. As such, they may present an additional challenge for LONVIA CAPITAL to identify, manage and mitigate sustainability risks threatening the funds.

Risks	Sub-risks	Probability	Horizon	Impact
Physical risks	- Pollution risks, - Transition risks related to energy regulations, - Risks related to the deterioration of water quality - Asbestos risks, - Flooding risks, - Risk of rising water levels, - Risks of accelerating biodiversity loss	Low	Medium term	Moderate
Transition risks	- Transition risks related to energy or climate change regulations,	Medium	Medium term	Moderate
Liability risks	- Risks related to activities with a risk of litigation,	Medium	Medium term	Moderate

3.2. Main social and governance risks

Risks	Sub-risks	Probability	Horizon	Impact
Social risks	- Risks related to the lack of diversity and equal opportunities for all - Risks related to the lack of employee participation in decision-making processes - Risks related to the lack of continuous training and career development - Risks related to a non multi-generational environment - Risks related to a lack of work-life balance - Risks related to pandemics and remote working,	Medium	Medium term	Moderate
Governance risks	- Risks related to the governance structure, - Risks related to executive compensation, - Risks related to regulated agreements, - Corruption risks,	Low	Medium term	Moderate

4. Reduction of ESG and sustainability risk exposure (Art.3 SFDR and Art.29 LEC)

4.1. Resources dedicated to ESG and sustainability risk

- **Human resources**

The management team is responsible for monitoring ESG and sustainability indicators. One of the team members is specifically in charge of this theme.

- **Technical means**

LONVIA Capital relies on external data providers, particularly with regard to carbon and environmental footprints.

4.2. Monitoring of relevant non-financial risk indicators

Although the funds under management do not have a specific sustainable investment objective, they aim to pick and support growth companies with sustainable business models over the long term by targeting companies focused on innovation and growth, economic development and societal progress in particular.

In order to meet these extra-financial characteristics, LONVIA CAPITAL has developed an extra-financial integration policy based on the United Nations' sustainable development goals.

The company selection process includes an analysis of their social utility function and the direct impact of their social purpose. LONVIA CAPITAL identifies the sustainability objectives applied by the companies in the portfolio. Certain types of business models that do not meet the social impact standards of the managed funds may be excluded.

In addition to the direct impact of the company's activity, the management team quantifies the environmental impact of each target company. The monthly assessment of the carbon and environmental footprint of the managed funds is carried out and provided through data obtained from specialised service providers.

LONVIA CAPITAL also assesses the CSR policies, the sustainability goals to which the target companies wish to contribute through their way of doing business and the positive or negative impacts of the company's activity on its value chain and on the environment.

The management company highlights potential ESG issues that companies may face and discusses the policies and processes in place to address them. These potential ESG issues are then factored into the industry risk associated with the companies and therefore into their valuation.

4.3. Assessing the positive impacts of the approach

LONVIA CAPITAL prepares a global impact report on the funds under management, showing the exposure of the companies in the portfolio to sustainable development goals. Carbon emissions and environmental impacts are also added to this impact report.

5. Taking into account adverse sustainability impacts (Art. 4)

Principle of *comply* or *explain* (*explain* limited to asset management companies with less than 500 employees):

- ***Comply :*** Statement on due diligence policies in relation to these impacts
    - Information on the process of identifying and prioritising PAIs and related indicators
    - Description of the PAIs and the measures taken in this regard
    - Brief summary of engagement policies
    - Reference to compliance with international codes and standards
- ***Explain*:** Explanation of the reasons why the asset management company does not take the PAIs into account, and if so, information on whether and when it plans to take them into account.

This part is subject to validation of the draft RTS (page 59) and may therefore be adjusted. Some indicators are mandatory, others are optional, at this stage.

LONVIA CAPITAL takes account of the principle adverse impacts of its investment decisions on sustainability factors.

6. Summary of communication media (Art.6 SFDR)

6.1. Language(s) used

The information shall be provided at least in the official language of the Member State in which the products are marketed and possibly in a language that is customary in financial matters other than the official language of that Member State.

Information is provided by LONVIA CAPITAL in French, English, Italian and Spanish.

6.2. Pre-contractual documents

LONVIA CAPITAL describes :

- how sustainability risks are integrated into their investment decisions; and
- the results of the assessment of the likely impact of sustainability risks on the performance of the financial products they make available.

This information shall be provided for in the prospectus referred to in Article 69 of Directive 2009/65/EC.

6.3. Website

Access to information on how LONVIA CAPITAL integrates the relevant sustainability risks, significant or potentially significant, into its investment decision-making process, including the organisational, risk management and governance aspects of these processes, is kept up to date concisely on its website.

6.4. Commercial documentation

LONVIA CAPITAL ensures that its advertising communications do not contradict the information published.

6.5. Periodic reports

This information will be included in the annual reports of the UCITS managed.

7. Controls

7.1. 1st level controls

The main Level 1 controls are detailed in the analysis and rating methodology implemented.

7.2. 2nd level controls

Under the framework of the annual control plan, the Internal Control verifies:

- The human and technical resources put in place,
- The investment selection process (including ESG/SRI) is well respected,
- The compliance and risk control system (including ESG and sustainability risks),
- The transparency code (if applicable),
- Pre-contractual information,
- The shareholder engagement and voting policy,
- The "Article 173" report and then "Article 29 report",
- Level 1 and 2 disclosure.