SOCIALLY RESPONSIBLE INVESTMENT POLICY

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Preamble

The general context sees environmental and social concerns gaining importance in the media, public opinion, and also in the financial world.

Our economy still operates under a model that is difficult to sustain in the long term. In the coming decades, issues such as technological progress, climate change, demographic shifts, depletion of natural resources, and inequalities will profoundly transform our economies and society.

This is why Leleux Fund Managers & Partners SA recognizes that ESG (Environmental, Social, and Governance) factors are risk elements that, if not properly managed by companies, can alter their profile and financial quality. The integration of non-financial criteria (environmental, social, and governance) into the investment process will be applied differently depending on the sustainability investment policy of the UCIs and portfolios whose management has been entrusted to it.

1. Our philosophy : independent multi-management

Leleux Fund Management & Partners SA (LFM&P) aims to provide collective and individual management services for professional investors, prioritizing a multi-management approach.

By multi-management, we refer to a form of collective management that involves investing in a selection of funds managed by different asset management companies.

By selecting funds, we aim to access the identified best expertise and the most suitable investment approaches for each phase of the economic cycle. Multi-management allows for the diversification of strategies and the distribution of investment risks across multiple asset classes, geographical regions, styles, and asset management firms.

We select funds by analyzing the management style, the fund's management team, the internal organization, and the historical performance to assess the level of risk. We prioritize managers who have adopted an approach that aligns with ours in terms of sustainability.

In 2006, financial institutions developed the Principles for Responsible Investment under the sponsorship of the United Nations. This is a voluntary commitment aimed at the financial sector, encouraging investors to integrate « ESG » (Environmental, Social, and Governance) factors into the management of their portfolios. An increasing number of institutional investors from around the world are incorporating ESG factors into their decision-making processes. By 2020, there were over 3,000 signatories (pension funds, insurance companies, asset management firms, distributors, etc.) from more than 50 countries.

As part of its management approach, LFM&P favors investment funds managed by asset management firms that are signatories of the Principles for Responsible Investment. These firms integrate an ESG-based value selection filter at the heart of their investment process, considering criteria such as greenhouse gas emissions intensity, water management, improving living and working conditions, the independence of company governance bodies, transparency, and more.

2. Definitions related to sustainability

- The Environnement

Companies and governments are now required to clarify how climate change challenges are integrated into their strategies and policies. LFM&P expects the funds it selects to consider a wide range of environmental criteria and the impact of the depletion of essential raw materials (e.g., food security, access to water, renewable energy, etc.).

- The Social

Social criteria assess the impact of companies and governments on the systems in which they operate. Initiatives related to human rights, human resource management, and corporate social responsibility are key. Labor practices and respect for human rights throughout the production chain are subject to international regulations and conventions. Violating these rules exposes companies to sanctions, as well as significant reputational damage.
Beyond that, social criteria also consider responsibility related to products and how companies provide fair and complete information about their products and services, especially regarding consumer health and safety, as well as advertising and labeling.

- Governance

The scope of governance focuses on the impact that corporate management, their procedures, and behaviors can have on the long-term interests of the company, its investors, and the community in which they operate. Key criteria to consider include the independence and diversity of management, the presence of audits and independent control functions, and appropriate compensation policies. Governance also encompasses business ethics principles, particularly regarding corruption, fraud, and unfair competition. These factors can lead to a lack of transparency and uncertainty, resulting in undesirable volatility.

- PRI (Principles for Responsible Investment)

The « Principles for Responsible Investment » is an international network of investors supported by the United Nations, working together to implement its six principles of sustainable investment. Funds that are signatories of the « United Nations Principles for Responsible Investment (UN PRI) » have chosen to prioritize the integration of ESG criteria in their decision-making processes. In doing so, they demonstrate their commitment to showcasing the sustainable focus of their management teams and the long-term development of responsible management.

- The Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris on December 12, 2015, and entered into force on November 4, 2016.

Its goal is to limit global warming to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

- SDG (Sustainable Development Goals)

The « Sustainable Development Goals » are 17 objectives adopted by the United Nations' Sustainable Development Programme, which form an action plan for humanity, the planet, and prosperity. The Sustainable Development Goals are a universal call to action to eliminate poverty, protect the planet, and improve the lives of people everywhere, while providing opportunities for the future. Adopted by all UN Member States in 2015, these 17 goals are part of the 2030 Agenda for Sustainable Development, a 15-year plan aiming to achieve these objectives.

- SFDR (Sustainable Finance Disclosure Regulation)

This is a regulation (EU Regulation 2019/2088) from the European Parliament and Council dated November 27, 2019, concerning the disclosure of sustainability-related information in the financial services sector. The Disclosure Regulation mandates that financial market participants and financial advisors publish specific information about their approaches to integrating sustainability risks and considering the negative sustainability impacts. This regulation aligns with the European Union and its Member States' efforts to implement the 2030 Sustainable Development Agenda in a comprehensive, coherent, integrated, and effective manner, in close cooperation with partners and other stakeholders (as outlined in the SFDR regulation, section (I)). Thus, the Disclosure Regulation aims to standardize the information published by financial market participants and financial advisors regarding the integration of sustainability risks, the consideration of negative sustainability impacts, the promotion of environmental or social characteristics, and sustainable investments.

- Taxonomie

The regulation (EU) 2020/852 of the European Parliament and the Council of June 18, 2020, establishing a framework to promote sustainable investments and amending regulation (EU) 2019/2088 (hereafter referred to as the « Taxonomy Regulation ») aims to establish criteria for determining whether an economic activity is considered environmentally sustainable, for the purpose of determining the environmental sustainability level of an investment.

An environmentally sustainable investment is an investment in one or more economic activities that can be considered environmentally sustainable under the Taxonomy Regulation.

The information disclosure obligations listed in the Taxonomy Regulation complement the rules set out in the SFDR regarding the « Do not significantly harm » (DNSH) principle.

To determine the degree of environmental sustainability of an investment, an activity is considered environmentally sustainable if:

- It makes a substantial contribution to one or more of the 6 environmental objectives listed in the Taxonomy Regulation:

1. Mitigation of climate change;
2. Adaptation to climate change;
3. Sustainable use of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

- Does not cause significant harm to any of the environmental objectives;
- Is carried out in compliance with the minimum safeguards outlined in Article 18 of the Taxonomy Regulation;
- Complies with the technical screening criteria established by the European Commission.

For more information on the environmental or social characteristics promoted by the various UCITS managed by LFM&P, please refer to the annexes to the prospectus (RTS) of the relevant UCITS.

- RTS

RTS stands for Regulatory Technical Standards. These are a set of standards and templates for pre-contractual and periodic information on financial products. They aim to standardize the concept of « sustainable investment » across various regulations, a key concept in SFDR also incorporated by the Taxonomy.

3. <u>Our Responsible Approach</u>

- **<u>Collective Management</u>**

The compartments of the same OPC/SICAV may approach sustainability differently depending on their investment policy.

In reference to the European SFDR regulation (which aims to improve transparency regarding sustainability), they are classified as follows:

- **<u>Financial products classified as « Article 6 »</u>**

Although the manager is attentive to social, ethical, and environmental aspects, these factors are not specifically a criterion for constructing the portfolio or selecting financial instruments.

The chosen SFDR category for the investment will then be Article 6 of the regulation, which applies to products that, while considering ESG risks within the investment process, do not promote ESG characteristics.

However, it is worth noting that most of the fund management companies of the underlying funds in the portfolio are signatories of the UN PRI and are required to report on their responsible investment activities annually across all their strategies.

It is also important to recall that the law prohibits a collective investment scheme from financing a Belgian or foreign company whose activity consists of the manufacturing, use, repair, display for sale, sale, distribution, import or export, storage, or transportation of arms (laws of June 8, 2006, March 20, 2007, and July 16, 2009).

- **<u>Financial products classified as « Article 8 »</u>**

In the context of managing UCITS (Undertakings for Collective Investment in Transferable Securities) for which the investment policy is dedicated to promoting Environmental, Social, and Governance (ESG) criteria, the manager of these UCITS or their compartments classified as « Article 8 » considers social, ethical, and environmental aspects as factors that are part of the <u>criteria for portfolio construction</u> or the selection of financial instruments.

The chosen SFDR classification for the investment will then be « **Article 8 »,** which applies to products that promote, among other characteristics, environmental or social characteristics, or a combination of these characteristics, as long as the companies in which investments are made apply good governance practices. These funds promote environmental and social characteristics but do not have the objective of sustainable investment, meaning they do not target a specific sustainable goal or measurable impact compared to a benchmark.

The manager considers two different types of funds that promote sustainability:

- The financial product promotes environmental/social (E/S) characteristics but will not make sustainable investments;
- The financial product promotes environmental and social (E/S) characteristics and, although it does not have sustainable investment as its goal, it will include a minimum proportion of sustainable investments.

In the selection process, particular attention is given to analyzing the manager's integration of ESG criteria into the selected strategy.

There are many approaches to Socially Responsible Investing, and fund managers use varying degrees of integration of « ESG » criteria. Some examples include:

– **« Exclusion»**: Involves excluding certain controversial sectors based on ethical, environmental, social, or governance criteria (e.g., fossil fuels, tobacco, arms, alcohol, gambling, pornography, etc.);
– **« Best in class »** : Involves selecting companies/countries with the best « ESG » ratings within a given sector;

- « **Thematic strategies** »: Involves investing with consideration of a specific societal or environmental criterion (e.g., water, renewable energy, etc.);
- « **Impact investing** »: Involves selecting companies that have a positive societal and/or environmental impact;
- « **Normative screening** »: Involves selecting companies/countries that comply with international standards related to environmental requirements, social consciousness, and good governance ;
- « **Engagement** » : Involves influencing a company's or country's approach to environmental, social, and governance (ESG) issues over the medium/long term as a shareholder. This can include activities such as engaging in dialogue, exercising voting rights, or submitting resolutions at the General Assembly.

Our approach as a multi-manager is to understand and assess the ESG policy of each fund, ensuring the application of these criteria and the discipline of each management team. We make sure that the fund managers in which we invest actively engage with the companies they invest in and/or exercise their voting rights at general meetings.

We inquire with the asset management company about any potential extra-financial commitments, such as the establishment of a foundation, funding for social or environmental projects, research, or partnerships.

As part of the « due diligence » process conducted on investment funds during their selection and monitoring, we send the manager a questionnaire designed to monitor the proper implementation of their ESG policy and explain the positioning of their portfolio.

The checks are carried out during the fund selection process and are part of the overall criteria used for choosing underlying investment funds. These checks are periodically renewed as long as the fund remains in the portfolio.

b. Individual management

LFM&P asks the client about their sustainability preferences. Based on these preferences and the management mandate established accordingly, the selection of funds/investments will follow the same sustainability analysis procedure according to their SFDR classification.

4. Sustainability risks

Article 2 of the Disclosure Regulation defines sustainability risks as uncertain events or situations in the environmental, social, or governance (ESG) fields that, if they occur, could have a significant, real, or potential negative impact on the value of an investment.

The funds we manage publish information regarding their policy on integrating these risks into the investment decision-making process within each compartment that makes them up.

Sustainability risk is defined as follows: the risk that uncertain events or situations in the environmental, social, or governance (ESG) fields, if they occur, could have a significant, real, or potential negative impact on the value of the investment.

The manager has assessed for each of these funds or compartments the likely impact of sustainability risks on performance and determined whether this risk is significant and relevant based on its impact and likelihood.

This risk is assessed as « low » for funds classified as « Article 8 » due to the strict selection and control methodology applied within them.

This risk is assessed as « medium » for other funds classified as « Article 6 » managed by LFM&P due to the overall philosophy and responsible selection of managers, who, as a reminder, are signatories of the UN-PRI.

5. The principles of « Do Not Significantly Harm » and exclusions

LFM&P questions the managers in which it invests regarding their exclusion policies for certain companies and sectors:

- Compliance with international standards;
- Weapons;
- Tobacco;
- Energy.
  - ✓ Fossil fuels
    - a) Extraction of coal, oil, and unconventional gas;
    - b) Conventional oil and gas extraction: LFM&P inquires with managers about their engagement with these industries to encourage initiatives that promote cleaner resource extraction, such as companies that derive a significant portion of their revenue from gas or other renewable energy sources.
  - ✓ Electricity generation.