LFM&P : DECLARATION ON REASONABLE DILIGENCE POLICIES REGARDING NEGATIVE SUSTAINABILITY IMPACT

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Preamble

This Policy relates to the activity of LFM&P as a Portfolio Management Company and UCITS Management Company operating in multi-management (i.e. investment in third-party UCITS) and to the principle of proportionality regarding a smaller establishment with a simple structure and management model.

Leleux Fund Managers & Partners SA is aware 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 extra-financial criteria (environmental, social, and governance) into the investment process will be applied differently depending on the sustainability investment policy of the UCITS and portfolios entrusted to its management.

1. Definitions

- Principal Adverse Impacts (PAI): The principal adverse impacts refer to the most significant negative impacts of investment decisions on sustainability factors related to environmental, social, and personnel issues, human rights compliance, and the fight against corruption and acts of corruption.
- Sustainability risk is defined as follows: the risk that uncertain events or situations in the environmental, social, or governance (ESG) areas, if they occur, could have a significant, actual, or potential negative impact on the value of the investment.
- 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 different regulations, a key concept of SFDR also included in the Taxonomy.

2. Summary of the consideration of the main negative sustainability impacts in its investment decisions

« Ex ante » : Leleux Fund Management & Partners does not take into account the principal adverse impacts on investment :

Due to the nature of fund management and the management policy of the relevant UCITS or portfolio, Leleux Fund Management & Partners does not always have direct and detailed access to the data required by the RTS on the investments of the underlying funds, as not all of this data is yet available.

However, each manager of the underlying funds is being asked about how they integrate them.

The principle of « do no significant harm » applies only to the underlying investments of the financial product that take into account the European Union's criteria for environmentally sustainable economic activities.
The underlying investments of the remaining portion of this financial product do not take into account the European Union's criteria for environmentally sustainable economic activities.

« Ex post » : Data related to the negative sustainability impacts of the managed UCITS are calculated by an independent company.

3. Summary of the consideration of the sustainability risk

As a manager of UCITS and institutional client portfolios, Leleux Fund Management & Partners is focused on the long term and aims to offer investment products that promote environmental and social characteristics but do not have the objective of sustainable investment.

Leleux Fund Management & Partners assesses for each of the managed UCITS or portfolios the likely impact of sustainability risks on their performance and determines whether this risk is significant and relevant in terms of its impact and probability.

This risk is assessed as « low » for funds classified under « Article 8 and Article 9 » due to the strict selection and control methods applied.
This risk is assessed as « medium » for other funds classified under « Article 6 » managed by LFM&P, given the general philosophy and responsible selection of managers, who, as a reminder, are signatories of the UN-PRI.[1]

In its investment decision, LFM&P aims to select funds in order to access the skills identified as the best and the investment approaches most suited to each moment of the economic cycle. Multi-management allows for the diversification of strategies and the distribution of investment risks across multiple asset classes, geographic areas, styles, and management companies.

We always favor managers who have chosen an approach compatible with ours in terms of sustainability.

As part of its management, LFM&P prioritizes investment funds managed by management companies that are signatories of the UN-PRI and integrate an ESG (Environmental, Social, or Governance) screening filter into the core of their investment process. This includes criteria such as greenhouse gas emissions intensity, water management, improving living and working conditions, the independence of company management bodies, transparency, etc.

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

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

As part of the due diligence carried out on investment funds during their selection and monitoring, we send the manager a questionnaire aimed at monitoring the proper implementation of their ESG policy and explaining the positioning of their portfolio.

The controls are conducted during the fund selection process and are part of the overall criteria used for choosing the underlying investment funds, being periodically renewed as long as the fund remains in the portfolio.

Finally, the annual impact report produced by an independent consultant allows for monitoring the proper adherence to the prospectus or the proper respect for the sustainability preferences expressed by the institutional investor managed by LFM&P and by the clients of our distributors.

[1] Principles for Responsible Investment under the sponsorship of the United Nations. It is a voluntary commitment addressed to the financial sector, encouraging investors to integrate « ESG » factors into the management of their portfolios.