Sustainability Related Disclosure

ESG Policy

LFP Opportunity – DELFF Convertible Bonds

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INTRODUCTION

The assessment of Environmental, Social and Governance (ESG) risks and opportunities has become a key focus area for asset owners, investment managers and other market participants. ESG means different things to different investors, nonetheless it plays an increasingly significant role in their portfolios´ strategies.

This is reinforced by the EU Sustainable Finance Disclosure Regulation (SFDR), which enforces transparency and disclosure requirements on firms and products.

This ESG Policy outlines our approach to integrating ESG into the investment processes of LFP Opportunity – DELFF Convertible Bonds, “the Subfund” of the SICAV LFP Opportunity.

DEFINING ESG

Sustainable (ESG) investment makes ESG analysis a pillar of the investment process. It is an umbrella term for investment activities that recognise the relationship between companies and the societies and environments in which they operate, as well as the shareholders which control them.

ESG integration incorporates the analysis of ESG factors and hence, covers a wider range of risks and opportunities than traditional financial analysis. This leads to a broader assessment of the environment in which companies operate and of their performance in managing different stakeholders. This offers a fuller understanding of future risks and opportunities.

ESG supports investors in evaluating corporate behaviour and determining the future financial performance of companies, with the aim of achieving both positive returns and long-term impact on society, the environment, and business performance.

I. ENGAGEMENT TO ESG

LFP Opportunity – DELFF Convertible Bonds promotes ESG characteristics but does not seek to make sustainable investment as defined by the SFDR.

DELFF Management Ltd, its Board of Directors, and the Management Company (Funds Avenue) are committed to implementing a solid framework to ensure compliance with the promotion of ESG characteristics.

To deliver on the Subfund’s ESG commitment, we will:

- Implement clear roles and responsibilities for the supervision and review of internal ESG policies
- Train all new employees in ESG processes
- Integrate ESG risk assessment into the investment and advisory process
- Conduct ESG due diligence and develop an action plan for ESG improvements if necessary
- Seek continuous improvement in ESG management to enhance positive effects in relation to the environment, workers, communities, and other affected stakeholders

II. INTEGRATION OF SUSTAINABILITY RISK IN THE LFP OPPORTUNITY – DELFF CONVERTIBLE BONDS INVESTMENT PROCESS

Responsible investment is a key priority for LFP Opportunity – DELFF Convertible Bonds. DELFF believes that a responsible approach towards the funds it advises, its employees, suppliers and local communities, the environment and society is an essential part of its success.

It commits to support sustainable businesses, that will grow, provide employment, and generate economic benefit in an environmentally and socially responsible manner. Therefore, the Investment Team aims to combine competitive returns, capital and liquidity protection with ESG factors through all stages of its investment process.

Both investment managers and analysts understand the ESG risks to which the portfolio is exposed, thanks to:

- Access to relevant ESG information, making it possible to identify sustainability risks and opportunities
- The integration of sustainability risks in the investment decision-making process
- An assessment of sustainability risks across the portfolio

III. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CHARACTERISTICS PROMOTED BY THE SUBFUND

ESG processes and procedures focus on non-financial performance indicators that address a company's approach towards responsible investment.

More specifically, the three main areas of focus for responsible investment relate to the environmental and social impact of any business's activity, and the way a business is managed.

A. Environmental

The depletion of natural resources and the advent of climate change have raised concerns about the threat to the environment and its potential financial impact on businesses. This is an issue that involves various factors, of which we have selected the following for our ESG rating process:

- Environmental strategy
- Atmospheric Emissions Management
- Efficient energy consumption
- Water Management
- Waste Management

B. Social

Human and Labor rights are becoming important in analysing the way businesses operate. This is in part due to the growing scrutiny and pressure from stakeholders. When these rights are respected, they can generate competitive advantages.

In our ESG analysis, we look at the impact a company has on its employees, local communities, and society. Our main areas of focus are:

- Human Rights
- Labour Rights
- Health & safety
- Workforce Diversity & Inclusion
- Working Conditions
- Philanthropy

C. Corporate Governance

Corporate governance relates to the way companies are managed and overseen. Thorough corporate governance is essential to deliver long-term shareholder value. The board of directors and the senior management of the companies are accountable to investors for protecting and generating value over the long-term. Furthermore, we expect the board of directors to oversee and monitor the effectiveness of the environmental and social risk framework and to protect the shareholder’s rights.

The main factors we consider in our ESG rating process are the following:

- Business Ethics
- Supply Chain Standards
- Board Composition
- Executive Pay

IV. METHODOLOGY AND DATA USED TO ASSESS ESG RISK OF SUBFUND

The Subfund investment guidelines, as described in its prospectus, include our ESG exclusion list that prohibits investments in companies that do not meet specific extra-financial criteria. The Chief Compliance Officer holds veto rights and ensures that any investment is eligible and follows the fund investment guidelines.

To collect its ESG data, the Research Team assesses:

- Information and documentation made public by the companies, such as annual and sustainability reports or the companies´ websites
- Companies’ performance according to recognised benchmarks such as the CDP Climate Change questionnaire or ISO certifications
- Other external data

It is important to note that the accuracy and the update of the rating depends on the transparency, availability and quality of the data provided.

We have developed our in-house ESG rating model which focuses on environmental, social, and governance factors. It attributes a materiality weight for each factor depending on the sub-industry, as well as a score from 0 to 100 for each of these based on how well each factor is reported and managed by companies. The ESG score is then computed with a 40% weight assigned to Environment, 30% to Social, and 30% to Governance. A score of 100 means no ESG risk. We aim to have at least 90% of the CB portfolio rated at any time.

The companies with the worst scores will be reviewed by the analysts and where relevant escalated to the Risk Committee which can take various decisions ranging from contacting the issuer to show further ESG commitment, to making the investment not eligible and asking for its liquidation. When material ESG risks are identified and deemed acceptable by the Risk Committee, the approval will be thoroughly documented. In deciding the appropriate action, the Risk Committee will consider the severity of the risk impact and the probability of occurrence of this risk.

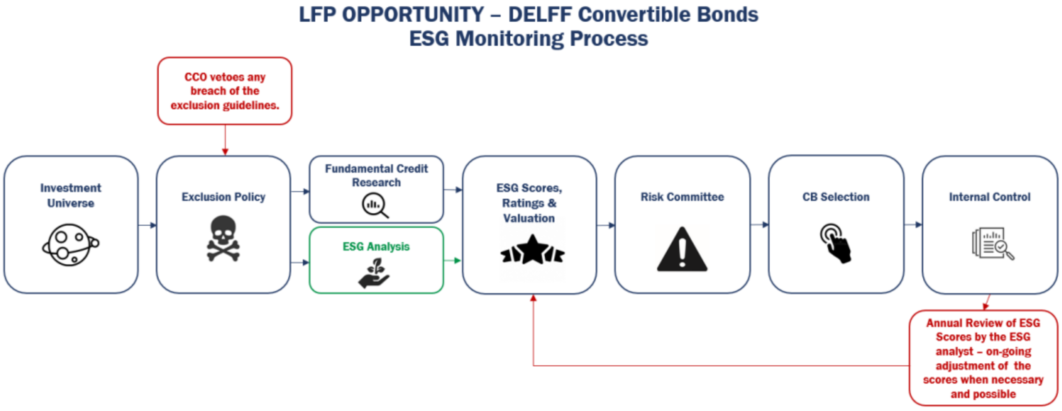
V. MONITORING AND DUE DILIGENCE ON THE ESG CHARACTERISTICS OF THE SUBFUND

The Subfund Risk Committee analyses all portfolio risks including credit, market, and ESG risks and opportunities.

Once an investment is booked in the portfolio, it is closely monitored by the analysts who regularly review company documents, independent research material and media news on that company and overseen by the Portfolio Manager and Risk Committee.

This monitoring process:

- evaluates how the issuer is performing
- monitors any change that may occur and could affect the rationale of maintaining it as an investment.
- identifies any potential reputational risk that may make the investment socially and economically unacceptable.



The process of monitoring ESG rules is continuous and evolving. A complete annual review of ESG scores is performed to ensure that the scores reflect the current situation (depending on the availability and quality of data). If it turns out that the changes result in a downgrade of the ESG rating such that the company is no longer eligible for investment, the Risk Committee will take the necessary measures.

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P ast and future performance results or aims are no indication of future results, investments can go down as well as up.

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