WEALTH FUND SERVICES

POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS INTO THE INVESTMENT DECISION MAKING PROCEDURES OF WEALTH FUND SERVICES

This disclosure is made pursuant to article 3 of Regulation (EU) 2019/2088 («SFDR») and clarifies the way in which Wealth Fund Services Ltd («Εταιρία») takes into account sustainability risks when conducting its investments.

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1. Introduction

The Company has integrated sustainability risks into the management procedures of its collective portfolios (UCITS/AIF) as well as of the individual portfolios under management, in compliance with the requirements set out by Directive Di78-2012-03 of the Cyprus Securities and Exchange Commission, Regulation (EU) 231/2013 and Regulation (EU) 2017/565, as amended and today in force.

At the time this disclosure is published none of the collective portfolios under the Company's manager has as its investment objective to achieve a positive result in sustainability factors or to promote environmental or social characteristics. Therefore all collective portfolios under the Company's management are today neutral as regards sustainable investments.

However the Company acknowledges that sustainability risks are material for some of the collective portfolios under management, in line with the distinctions made in its Classification of collective portfolios under its management pursuant to the provisions of the SFDR, which is available here: https://www.wealthfs.com.cy/gr/invest-info/sustainability-announcements

The Company clarifies that ESG risks integration does not change the strategy's investment objective of the collective portfolios under management, does not exclude specific types of issuers or constrain a strategy's investable universe. Moreover, the degree of ESG integration is dependent upon quantity and quality of the ESG data emitted by each issuer.

Moreover the Company acknowledges that ESG risks are material to all individual portfolios under the Company's management, regardless of the client's sustainability preferences. As regards individual portfolios exclusion of specific issuers or restrictions on eligible investments may take place in line with the client's declared sustainability preferences.

2. Definitions

«Sustainable investment»: An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations,

«Sustainability risk»: An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

«Sustainability factors»: Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

3. Integration of sustainability risks in the Company's investment decision making procedures

The Company integrates sustainability risks into its investment decisions at two levels as follows:

3.1 Integration of sustainability risks at the level of the investment strategy's choice.

The Company shall determine for each investment strategy whether the integration of ESG factors is relevant or material or not by adopting a Top-Down approach, namely by systematically assessing the data and indicators on one or more sectors of economic activity, geographical areas and security classes. This assessment is based on the sustainability information received by third party ESG data providers (e.g. ESG scores) as well as on the usage of electronic or online tools such as the «Financial Materiality Maps» from Sustainability Accounting Standards Board (SASB) or any other tools and applications providing sustainability data deemed by the Company as reliable and efficient.

3.2. Integration of sustainability risks at the level of application of each chosen investment strategy.

The Company integrates sustainability risks when applying each chosen investment strategy by setting a range of positive ESG filters ("positive screening") for each financial instrument and adopts a Bottom-up approach on an issuer/security level in order to choose investments with the lowest possible sustainability risks (“best of class investments”). For this purpose, the Company also sets minimum risk limits on a range of ESG factors (environmental, social, governance). The Company monitors the ESG score of each security during the application of the investment strategy, in order to ensure that the ESG risk limits set, are kept along with the other applicable risk limits. If there is a risk of breach of ESG risk limits the Company may adjust weightings of investments. In parallel different ESG scenarios are run to assess the impact of ESG factors on portfolio risk and return. The portfolios are periodically assessed on the basis of their total ESG score. Selected benchmarks are also reweighted if deemed necessary.

The Company collects information on the ESG score of each issuer/security by third party providers deemed reliable (mainly Bloomberg ESG Disclosures Scores). The final ESG score of each issuer/security is formed by the Company’s Risk Management Department.

3.3. Sustainability information risk.

Insufficient data availability and quality may hinder full and effective integration of sustainability risks to the Company’s investment choices. Lack of adequate information may affect the proper application of final filters as well as the calculation of ESG indicators at security and portfolio level. However, this inadequacy of the market is expected to smooth out as time goes by.

Inaccurate information emitted by issuers or financial product manufacturers may be the result of Greenwashing practices. In this case public sustainability communications do not clearly and fairly reflect the underlying sustainability profile of an issuer or product, as such communications may be misleading, inaccurate or incomplete. This practice may affect both the issuers or manufacturers of the securities as well as the Company itself (e.g. fame risk, legal risk). The total ESG score appointed to the underlying financial instruments takes into consideration any ESG controversy, to the extent possible, and if it is lower than the minimum risk limits set by the Company, then the Company reweights its investments.

4. Integration of sustainability risks at the level of the Copmpany’s internal organisation.

The investment strategy applicable to the portfolios under management is decided by the Company’s Investment Committee, which provides the respective guidance to the Asset Management Department. Moreover, the Investment Committee periodically submits reports to the Board of Directors concerning the utilisation of the investment strategies and proposes the necessary corrective measures, if any deficiencies are detected. At least one member of the Investment Committee as well as of the Board of Directors possess adequate knowledge of ESG matters.

The Company's Asset Management Department assesses sustainability risk with the advisory support of the Company's Risk Management Department, before investing to specific securities. The periodic reports submitted by the Risk Management Department to the Company's Board of Directors include an assessment of sustainability risks, after investment, at the level of issuer/security as well as of the total portfolio. Said reports also assess how sustainability risks may affect the expected returns of the portfolio. The Company's Risk Manager possesses adequate knowledge of ESG matters.

Finally the Company's Compliance Department monitors compliance with the transparency and investors' information requirements set out by the SFDR, the effective application of the Company's policies for integration of ESG risks as well as compliance or operational risk at the level of the Company, due to deficiencies and proposes corrective measures when deemed necessary.

5. Active engagement - Stewardship

Given that all portfolios under management are today sustainability neutral the Company has not yet adopted and does not apply active engagement/stewardship policies and procedures. Should this situation change, this communication will be respectively updated.

6. Integration of sustainability risks to the Company's Remuneration Policy.

The Company ensures that it promotes sound and effective management of sustainability risks as well as that the current policy on variable remuneration payment does not encourage excessive risk-taking with regards to sustainability risks but is linked to the risk-adjusted performance. However today the total amount of remuneration paid is fixed.

7. Declaration regarding consideration of adverse impacts of investments decisions on sustainability factors

The Company does not consider, today, any principal adverse impacts of its investment decisions on sustainability factors. You may find the respective disclosure published by the Company here: https://www.wealthfs.com.cy/gr/invest-info/sustainability-announcements

8. Update of this policy

The Company assesses legal and regulatory as well as market progress and updates this communication, whenever deemed necessary without prior notice. The policy each time published on the Company's website is the one in force.