ATHLOS CAPITAL

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBLE INVESTMENT POLICY

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1 VERSION CONTROL

Policy Owner	Athlos Capital Investment Services Ltd		
Created On	December 2024		
Date of approval by the Board of Directors	January 31, 2025		
Review date	Reviewed By	Comments/Suggestions	Date of approval
20/12/2024 (V.01/2024/12)	Compliance Function	Development of the first draft of the Environmental, Social and Governance (ESG) Responsible Investment Policy	31/01/2025

2 INTRODUCTION

2.1 Scope and Purpose

2.1.1 At Athlos Capital Investment Services Ltd (hereinafter referred to as the "Company"), we are committed to integrating Environmental, Social, and Governance (ESG) factors into our investment processes. We believe that considering ESG aspects enhances our ability to deliver sustainable, long-term value to our clients. This Environmental, Social and Governance (ESG) Responsible Investment Policy (herein the "Policy") outlines our approach to responsible investing and the incorporation of ESG considerations into our decision-making framework.

2.1.2 This Policy applies to the following investment services offered to Clients:

a) Provision of investment advice
b) Provision of Portfolio Management
c) Client suitability arrangements

2.1.3 The purpose of this Policy is to define the Company's approach to responsible investment and how ESG factors are integrated into our investment processes, to provide transparency to clients, promote long-term sustainable value by aligning our investments with environmental, social responsibility, and sound governance practices as well as to ensure compliance with the applicable EU and local laws and regulations governing sustainable investments.

2.2 Legal framework

2.2.1 The Policy has been developed taking into consideration the applicable legal framework on sustainable investments, including the following:

d) Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR).
e) MiFID II (Markets in Financial Instruments Directive II)
f) Commission Delegated Regulation (EU) 2023/363 amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 as regards the content and presentation of information in relation to disclosures in pre-contractual documents and periodic reports for financial products investing in environmentally sustainable economic activities.

3 INTEGRATION OF SUSTAINABILITY RISKS IN ADVIROSY SERVICES

3.1 Introduction

3.1.1 In accordance with the Sustainable Finance Disclosure Regulation (SFDR) (EU 2019/2088), the Company is committed to integrating sustainability risks into its investment advisory services (including the provision of Investment Advice and the provision of Portfolio Management). Sustainability risks refer to environmental, social, or governance (ESG) events or conditions that, if they occur, could cause a material negative impact on the value of an investment. These risks are considered alongside traditional financial risks to ensure a holistic approach to investment advice and portfolio management services.

3.1.2 Pursuant to Article 6 of SFDR, this section provides transparency on:

a) How sustainability risks are integrated into investment advice.
b) The likely impact of sustainability risks on the returns of financial products advised upon.

3.2 Definition of Sustainability Risks

3.2.1 Sustainability risks include, but are not limited to:

a) Environmental Risks: Climate change, carbon emissions, resource depletion, waste management, and biodiversity loss.

b) Social Risks: Labor practices, human rights violations, diversity and inclusion, and consumer protection.

c) Governance Risks: Board structure, executive remuneration, corruption, shareholder rights, and business ethics.

3.2.2 The presence of such risks may have financial implications, including asset depreciation, regulatory fines, reputational damage, and reduced market competitiveness.

3.3 Due Diligence and Investment Selection Process

3.3.1 Before recommending an investment product, the Company assesses sustainability risks by analyzing ESG-related disclosures, sustainability ratings, and third-party data sources.

3.3.2 Where available, sustainability risks are considered within the product due diligence framework and weighed against financial performance and risk-return objectives.

3.3.3 Investment products classified under Article 8 (environmentally or socially promoting products) and Article 9 (sustainable investments) of SFDR are prioritized for clients who express sustainability preferences.

3.4 Client Suitability assessment and ESG Preferences

3.4.1 The Company integrates sustainability risks in client profiling by gathering information on clients' ESG preferences during suitability assessments.

3.4.2 Clients are informed about how sustainability risks may affect their portfolios and are given the option to adjust their preferences accordingly.

3.4.3 Where clients do not express explicit ESG preferences, sustainability risks are still considered in investment recommendations, ensuring that the potential financial impact of ESG factors is communicated transparently.

3.5 Portfolio Construction and Ongoing Monitoring

3.5.1 Sustainability risks are incorporated into portfolio construction to ensure diversification and resilience against ESG-related financial risks.

3.5.2 Ongoing monitoring is conducted to assess the evolving impact of sustainability risks on recommended investment products.

3.5.3 If material sustainability risks significantly impact an investment, the Company may take appropriate action, including rebalancing the portfolio or recommending alternative investments.

3.6 Likely Impact of Sustainability Risks on Investment Returns

3.6.1 Sustainability risks can have a direct and indirect impact on the performance of investment products. The Company considers the following potential financial implications when advising clients:

a) Environmental Risks (e.g., climate change, carbon regulations) may result in stranded assets, increased costs for high-carbon industries, and valuation declines for companies failing to transition to a low-carbon economy.

b) Social Risks (e.g., labour rights violations, poor diversity practices) may lead to regulatory fines, reputational damage, or reduced customer trust, negatively affecting company earnings.

c) Governance Risks (e.g., weak corporate governance, corruption) may increase exposure to litigation, regulatory penalties, and operational inefficiencies, impacting investor returns.

3.6.2 Where necessary, clients are informed about potential trade-offs between sustainability factors and financial performance.

4 PRINCIPAL ADVERSE IMPACTS (PAI) ON INVESTMENT

DECISIONS

4.1 Transparency

4.1.1 At present, the Company does not systematically consider the adverse sustainability impacts of investment decisions due to several factors, which are outlined below. However, the Company continuously assesses its position in response to evolving regulatory requirements, industry standards, and data availability.

4.2 Data Availability and Reliability

4.2.1 The availability of consistent, standardized, and reliable ESG data remains a significant challenge. Many investment products and issuers, particularly in certain asset classes and geographic regions, do not provide sufficient or comparable disclosures on sustainability impacts.

4.2.2 The absence of comprehensive data may lead to incomplete or inaccurate assessments of PAIs, potentially affecting the quality and integrity of investment recommendations.

4.3 Regulatory and Market Framework Evolution

4.3.1 SFDR and its Regulatory Technical Standards (RTS) are evolving, and the methodologies for assessing PAIs are still being refined.

4.3.2 The Company is closely monitoring guidance from regulatory bodies and market best practices to determine the most effective way to integrate PAIs once a clearer framework is established.

4.4 Investment Scope and Client Preferences

4.4.1 The Company primarily focuses on investment strategies aligned with clients' individual preferences, including ESG factors where relevant. However, some clients may prioritize financial returns over sustainability considerations, making the integration of PAIs more complex within a broad advisory framework.

4.5 Operational and Technological Constraints

4.5.1 Fully embedding PAI considerations requires significant investment in internal processes, systems, and reporting capabilities.

4.5.2 The Company is currently assessing the operational feasibility of implementing comprehensive PAI tracking and reporting across its investment universe.

4.6 Future Consideration of Adverse Sustainability Impacts

4.6.1 While the Company does not currently consider PAIs, it acknowledges the increasing regulatory and market focus on sustainability risks and impacts. The firm is taking proactive steps to reassess its position, including:

a) Periodically reviewing regulatory developments, industry standards, and data availability to determine when and how to integrate PAIs effectively.

b) Engaging with data providers and investment managers to assess improvements in ESG data quality and standardization.

c) If a decision is made to consider PAIs, the Company will publish an updated PAI Statement, detailing its methodology and integration process.

5 INTEGRATION OF SUSTAINABILITY RISKS IN REMUNERATION POLICY

5.1 Introduction

5.1.1 In accordance with Article 5 of the Sustainable Finance Disclosure Regulation (SFDR) (EU 2019/2088), the Company is committed to ensuring that its remuneration policies promote sound and responsible risk management practices, including the integration of sustainability risks into investment decision-making and advisory services.

5.1.2 This section outlines how the Company's remuneration structure aligns with its sustainability objectives, ensuring that employees act in the best interests of clients while considering environmental, social, and governance (ESG) factors in their decision-making processes.

5.2 Objectives of the Remuneration Policy in Relation to Sustainability

5.2.1 The key objectives of the remuneration policy concerning sustainability risk integration are to:

- Prevent excessive risk-taking that could result in adverse sustainability impacts.
- Align employee incentives with the Company's ESG risk management and sustainability commitments.
- Encourage responsible investment decision-making that integrates material sustainability risks.
- Ensure compliance with SFDR and other applicable sustainability-related regulations.

5.3 Staff Selection and Evaluation

5.3.1 The Company ensures that its recruitment processes are fair, transparent, and free from bias. The evaluation of job applicants is based solely on merits and qualifications, without any form of discrimination based on gender, ethnicity, religion, or disability. This ensures that the Company attracts and retains professionals who are committed to ethical and sustainable business practices.

5.4 Compensation Structure

5.4.1 The Company's remuneration structure is designed to align employee incentives with sound risk management and long-term sustainability objectives, ensuring that employees act in the best interest of clients and the environment. The structure includes:

a) A well-balanced mix of fixed and variable compensation, with a clear emphasis on the fixed component.

b) Variable remuneration is linked to individual performance, but also adjusted for risk to avoid encouraging excessive risk-taking, particularly in relation to sustainability risks.

5.5 Compliance with Sustainability Risk Policies

5.5.1 The Remuneration Policy aligns with the Company's broader sustainability risk policies, including:

a) Integration of sustainability risks in investment strategies and decision-making processes.

b) Alignment of employee incentives with the Company's commitment to environmentally responsible and socially sustainable practices.

c) Ongoing engagement with compliance functions to ensure remuneration practices adhere to regulatory developments and internal sustainability goals.

6 DISCLOSURE AND REVIEW

6.1 Disclosure

6.1.1 In line with SFDR requirements, this statement is published on the Company's website and will be updated periodically.

6.1.2 Clients receive clear disclosures on how sustainability risks are considered in investment recommendations.

6.1.3 Clients seeking investment products that consider PAIs can request further details on available investment options, including SFDR Article 8 (ESG-promoting) and Article 9 (sustainable) products, where relevant.

6.2 Periodic review

6.2.1 The Company conducts an annual review of this policy to ensure alignment with regulatory changes, industry advancements, and best practices.

6.2.2 Any material changes to the policy will be updated on the firm's website and communicated to clients where necessary.

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