Sustainability Risks Policy

1. Introduction

Guardo Assets Management Ltd (the “Company”) is a limited liability company with share capital, incorporated in accordance with the Laws of the Republic (registration number HE375079). The Company is regulated as an alternative investment fund management company (“AIFM”) by the Cyprus Securities and Exchange Commission (“CySEC”) with license number AIFM23/56/2013.

In the framework of the entry in force of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (the “SFDR”), the Company intends to ensure a clear definition of relevant factors and controls relating to sustainability risks.

Art. 2 (22) of the SFDR defines “sustainability risk” as every environmental, social or governance (‘ESG’) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

The Sustainability Risks Policy (the “Policy”) describes the Company approach, handling and monitoring of sustainability risks which may arise during the investment decision making process relating to the Alternative Investment Funds (“AIFs”) it manages and that are in scope of SFDR. Within the Policy, the Company sets the framework for the manner in which sustainability risks are integrated into its investment decisions and describes the approach taken to manage and monitor sustainability risks which may have a material influence on a managed AIF based on the portfolio management activities performed by the Company.

Therefore, within the Policy the Company:

i. sets the framework for the manner in which sustainability risks are integrated into their investment decisions, and

ii. describes the approach taken to manage and monitor sustainability risks which may have a material influence on the AIFs managed by the Company.

The Company acknowledges the impacts that the sustainability risks can impose on the managed AIFs and considers the approach to integrate the risks stemming from sustainability issues described in this Policy as strengthening its fiduciary duties towards the investors. To the extent possible, the Company adopts a sustainable approach in its daily operations and investment strategies, integrating sustainability risks.

2. Integration of sustainability risks into the investment decision process

2.1 Company performs Portfolio Management function

The Company generally performs the portfolio management function internally without engaging an investment adviser or portfolio manager and therefore the investment decision is made internally and in the sole discretion of the Company. In doing so, investment decisions taken by the Company's portfolio management function are duly assessed against regulatory, fiduciary/legal and risk management requirements before their execution (pre-trade assessment).

The Company is aware of the material impacts ESG events or conditions may cause to a managed AIF and deems sustainability risks to be relevant to each managed AIF as applicable in relation to the AIF specific investment strategy.

The Company is in the process to incorporate sustainability risks in the decision-making process and as part of the pre-trade assessment for AIFs which consider sustainability risks and ESG risks in their investment policy.

2.2 Company delegates Portfolio Management function

The Company will not normally delegate the Portfolio Management function to third party portfolio managers; where an external portfolio manager is responsible for the investment decision process and pre-trade assessments, in accordance with the mandate granted by the Company.

Where such cases arise, the Company would monitor the quality of service of an external portfolio manager on an ongoing basis as part of its delegation oversight duties. Therefore, the Company implements a post-trade assessment for the verification of investment decisions executed by the delegated external portfolio manager. The aim is to assess the adherence of the investment decision taken by the external portfolio manager to regulatory and legal requirements.

The Company will, for any AIF which considers sustainability risks to be relevant within the investment decision making process, integrate sustainability risks as deemed relevant into the post-trade assessment process by extending the assessment of such investment decisions with sustainability risk considerations.

2.3 Company performs Portfolio Management function and involves external investment advisers

There could be cases where the Company performs the Portfolio Management function of an AIF, where it will involve an investment adviser, who provides specific assistance and support to the investment decision making process of the Company. The final investment decision is nevertheless at the sole discretion of the Company. Therefore, investment proposals from investment advisers are duly assessed against regulatory and legal requirements before their execution (pre-trade assessment).

The Company will for any AIF which considers sustainability risks to be relevant within the investment decision making process, require such investment adviser to integrate sustainability risks as deemed relevant into the investment advisory process by extending the assessment of such investment proposals with sustainability risk considerations.

3. Sustainability factors considered

The aim of including sustainability risks in the investment decision making process is to identify the occurrence of these risks as soon as possible and to take appropriate measures to minimize the impact on the investments or the overall portfolio of the AIFs.

The events or conditions that may be responsible for a negative impact on the performance of a given AIF are split into environmental, social, and corporate governance, and their aspects will depend on the particular set-up of each AIF or each sub-fund thereof.

While environmental aspects may include, for example, climate change mitigation, social aspects can include the consideration of internationally recognized labour law requirements, prevention of modern slavery or the abolition of a gender pay gap. Corporate governance aspects may include, for example, the consideration of employee´s rights and data protection.

The Company also considers, when appropriate and relevant for each managed AIF, the aspects of climate change, including physical climate events or conditions such as heat waves, storms, rising sea levels and global warming.

4. Description of sustainability risks

The Company considers sustainability risk as an inclusive term to designate investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to Environmental, Social or Governance issues. Our sustainability investment thesis focuses on four high-level sustainability risks further defined below. These are only examples of sustainability risk factors and do not solely determine the risk profile of the investment. The relevance, severity, materiality and time horizon of these factors can differ significantly by Product.

1. Climate physical risk: The risk associated with the physical impacts due to climate change. Physical risk arises from the physical effects of climate change, acute or chronic. For example, frequent and severe climate-related events can impact products and services, and supply chains.
2. Climate transition risk: Whether policy, technology, market or reputation risk arises from the adjustment to a low-carbon economy in order to mitigate climate change.
3. Stakeholder management risk: A broad range of positive and negative factors, traditionally considered “non-financial” that can impact an issuer’s operational effectiveness and resilience as well as its public perception, and social license to operate. Examples can include but are not limited to labour rights and community relations.
4. Governance risk: Governance related risks can include but are not limited to risks around board independence, ownership & control, or audit & tax management.

Sustainability risk is not a standalone risk. Sustainability risk can manifest itself through different existing risk types (including, but not limited to, market, liquidity, concentration, credit, asset-liability mismatches etc).

5. Sustainability risk approach

The specific sustainability factors considered may vary as they depend on the specific investment strategy implemented by the relevant AIF and as disclosed in the relevant founding documents and prospectus.

As an independent AIFM, the Company may be faced to many different type of investment products that fit into the three product categories as defined by SFDR:

- Financial investment products *without any particular ESG characteristics* or sustainable investment objective,
- Financial investment products which *promote ESG characteristics* that follow Article 8 SFDR,
- Financial investment products who *have a sustainable investment as objective*, as mentioned in Article 9 of the SFDR.

When performing the risk management function on behalf of the managed AIFs, the Company will incorporate sustainability risks into the risk profiles of the AIFs, which integrate sustainability risks into their investment decision-making processes. The details on the integration of sustainability risks into the investment decision-making processes of the relevant AIF can be found in the respective prospectus and founding documents.

The Risk Management function regularly reports on the overall risk exposure of an AIF to the Company's Board of Directors depending on the defined risk profiles and ESG-specified metrics and risk profiles where relevant. The limits set in the risk profiles for sustainability risks are based on the overall risk exposure of a given AIF to reflect the overall investment strategy of such AIF.
The assessment and monitoring of risk profiles on the basis of the above allows the Company to effectively monitor sustainability risks and report any (material) increase/breach of the limits set to the portfolio management function to allow mitigating actions to be taken.

An increase in the sustainability risk exposure based on the sustainability risk level of a specific investment or of the portfolio of a given AIF may ultimately lead to disinvestment of certain investments of that AIF.

6. Policy review & monitoring

The Company will monitor and review the Policy on an annual basis and on an ad-hoc basis in the event of major changes to the policy framework of the Company and will proceed to changes where and as needed. The sustainability policy can be found on the website http://www.guardoinvest.com/

The policy will be acknowledged by the Board of Directors of the Company after every review and/or material changes to its content.