

Ethical Policy

APS Ethical Balanced Fund

Introduction	2
Section One	3
Ethical Policy for Corporations	3
Negative Filtering Criteria for Investments by Industry	3
Environmental, Social and Governance (ESG) Analysis	4
Section Two	5
Ethical Policy for Governments, States and Supra Nationals	5
Negative Filtering Criteria for government investments	6
Supranational Investments	7

Introduction

APS Ethical Balanced Fund is a fund of APS Funds SICAV p.l.c. and adopts this Ethical Policy which outlines the ethical principles adopted by the Fund. The Policy is composed of two sections and supersedes previous ethical policy documents. Section One of the Policy focuses on the analysis which is carried out in relation to commercial corporations. Section Two expands the Policy further to cover the analysis conducted on Governments, States and Supranational.

The ethical principles in this Policy will be adopted by ReAPS Asset Management Limited as the fund manager of the Fund, when selecting investments for the Fund. For inclusion in the Fund's investible universe, potential investments will be screened against a negative filtering criteria and subsequently analysed against an environmental, social and governance criteria, by using a combination of third-party data and its own research through reputable monitors. Further monitoring continues to be made, to ensure that an investment continues to adhere to the ethical principles in this Policy. Should an organisation in which the Fund has invested deviate from the Fund's ethical principles, the fund manager will develop a strategy to divest itself of that investment in an appropriate way, within a reasonable timeframe and shall not exceed six months from discovery.

Moreover, should it transpire that an error of judgment was made in good faith, the fund manager will proceed to initiate an exit strategy with a view to divesting itself of that investment in a sound way and within a reasonable period not exceeding six months from discovery.

ReAPS shall make use of an independent reputable ESG data provider to analyse commercial corporations to adhere with the principles in this Policy. All methodologies and calculations are property of the ESG data provider. Alternative ESG data providers may be considered. ReAPS will also conduct its own research methods to analyse potential investment issued by Governments, States and Supranational issuers.

This Policy will not apply to corporations which the Fund would be using to manage its liquidity or hedging needs.

This Policy should be read in conjunction with the Prospectus and the Fund's Offering Supplement, since these documents provide the investment principles governing the modus operandi of the Fund.

Section One

Ethical Policy for Corporations

Introduction

This part of the Policy deals with the ethical analysis of corporations which refers to all commercial entities, companies or non-profit organisations which have issued investment opportunities and may include both listed and unlisted corporations.

The ethical process envisages a two-fold assessment:

1. Negative Filtering Criteria

Potential investment in a corporation will be screened against the negative filtering criteria by screening its activities and/ or revenue. Corporations may be excluded based on their involvement in a particular industry sector or if its revenue is derived from an industry sector which is excluded by this Policy and exceeds a maximum tolerable threshold.

2. Positive impact, on the basis of social, environmental and governance criteria

Corporations which satisfy the negative filtering criteria are then analysed further on environmental, social and governance (ESG) criteria. The best-performing companies in these three areas by industry are considered for investment. When possible, the Fund will use its communication channels with a company to re-direct its operation where all concerned would benefit. Our main interest is to protect the investments we make in each company, in the comfort that our investments will benefit both current shareholders and future generations.

Negative Filtering Criteria for Investments by Industry

The negative filtering criteria for corporates operating in certain industry sectors is detailed below. This is not an exhaustive list of industries which will be excluded. Other specific industries may be excluded from time to time.

The Fund will specifically avoid any investment in the industries as detailed below if significant amount of their revenue is derived from the activities. Any amount exceeding 10% of total revenue would constitute a significant amount of revenue. The Fund will not make any investments in companies that provide products or services to companies operating within the negative criteria list when these derive significant revenue from such sales or services.

Military Equipment and Firearms – derives a significant amount of its total revenue from firearms and military sales, including both services and equipment.

Tobacco – derives a significant amount its total revenue from production or distribution of tobacco.

Pornography and Adult Entertainment – derives a substantial amount its total revenue in the supply of pornographic material or in the provision of adult entertainment services, including facilitating access to such products and services.

Alcoholic Beverages – derives a significant amount of its total revenue from the sale or production of alcohol or alcoholic beverages.

Gambling – derives a significant amount of its total revenue from gambling operations (such as casinos or betting shops) or products (such as slot machines, payment solutions for online gambling).

Life Termination – derives a significant amount of revenue from the production of abortifacients (i.e. such as mifepristone-based pharmaceuticals) or provision of healthcare services that may include the procurement of abortion, or involved in the supply of euthanistic services, the latter being screened on a best-efforts basis in cases where coverage for such activity is not provided by the service provider.

Human Embryonic Stem Cells – involved in human embryonic stem cells or human foetal stem cells research.

Coal – derives a significant of its total revenue from mining metallurgical or thermal coals, or from the sale of electricity generated burning thermal coal. The Fund is not precluded from acquiring or trading Green Bonds or Sustainability-linked instruments issued by corporates that would otherwise be excluded under this criterion.

Environmental, Social and Governance (ESG) Analysis

Corporations which satisfy the negative filtering criteria are analysed further on ESG criteria. The best-performing companies in these three areas by industry are considered for investment. The data used for the performance of this analysis is obtained from the ESG

data provider which adopt proprietary methodology. The investment manager will, after undertaking this analysis, take steps to either include or exclude an organisation from the investable universe of the Fund. This extra analysis is undertaken to ensure that organisations taking positive steps for future generations will be rewarded while those providing negative social returns will be penalised.

In considering these investments we will review the following issues:

Environment

Each organisation is assessed on the basis of its environmental impact according to the industry to which it belongs. In assessing investments for environmental strategies, we will review the following issues:

- Environmental Strategy
- Accidental Pollution
- Green products
- Biodiversity
- Water
- Energy
- Atmospheric Emissions
- Waste
- Local Pollution
- Transportation
- Use & Disposal of Products
- Product Safety
- Environmental Standards in the Supply Chain

Social

We recognise the impact that companies have in all their relationships with their employees, customers and society, not only in terms of their products or services but also through their behaviour towards all stakeholders. We seek to invest in those companies that are aware of this potential impact, consciously adopt best practices in their operations, demonstrate a commitment to international standards, and generally make a positive contribution to society.

In assessing investments for social strategies, we will review the following issues:

- Information to customers
- Customer Relations
- Supplier Relations
- Social Standards in the Supply Chain
- Fundamental Human Rights
- Fundamental Labour Rights
- Non-discrimination
- Child & Forced Labour
- Social Dialogue
- Employee Participation
- Reorganisation
- Career management
- Working hours
- Remuneration
- Social & Economic Development
- Societal Impact of Products/Services
- General Interest Causes

Governance

Corporate governance refers to set of rules or principles defining rights, responsibilities, and expectations between different stakeholders in the governance of corporations.

In assessing investments for governance strategies, we will review the following issues:

- **Board of Directors**
The corporate's commitment to set up a Board of Directors that is able to advise and exercise appropriate control over management and is held accountable to all stakeholders.
- **Audit and Internal Controls**
The corporate's commitment to establish effective internal control and risk management systems.
- **Fair shareholder treatment**
The company's commitment to ensure the fair treatment of shareholders, allowing them to actively participate in strategic decision-making.
- **Executive remuneration**
The company's commitment to use executive remuneration as a tool to align the interests of executives with those of the company and stakeholders.
- **Anti-competition**
Extent the company is considering competition laws and the prevention of market distortion rules in its relations with customers, suppliers and competitors.
- **Anti-corruption**
The company's commitment to ensure that corruptive behaviours are prevented and avoided.
- **Lobbying**
The company's commitment to avoid behaviours which attempt to overinfluence actions, policies and government officials.
- **Career Management**
The company's commitment to enable its employees to develop their careers, to ensure the future employability of its employees, their adaptation to the changing work environment, skills development and facilitating labour mobility.
- **Fundamental Labour Rights**
Extent to which the company respects trade union freedom, collective bargaining rights and promotes collective bargaining rights.
- **Health and Safety**
The company's commitment to protect employees' right to have safe working conditions, respecting their physical and mental integrity.
- **Social & Economic Development**
The companies' commitments to provide sustainable contributions to the economic and social development of local areas and to optimise the economic and social impact of activities: local investment, promotion of local employment, transfer of technologies and skills, fair payment of taxes.

Section Two

Ethical Policy for Governments, States and Supra Nationals

Introduction

It is our firm belief that one's values should remain steadfast, regardless of the type of issuer and attractiveness of an investment. However, when analysing governments, states and supranational issuers, the criteria used need to be modified, given that States and commercial entities are organised and function differently. This has been done without compromising on our key values.

The term "government and states" shall comprise all countries, state entities as well as local governments. For ease of reference, it will be assumed that any reference to government in this document shall also include all the various public bodies, federal states and local governments within a sovereign State.

A government is screened first by applying negative screening and then by subjecting it to

ESG analysis. Negative screening and ESG analysis have been designed to enable an appropriate analysis of the 'ethicalness' of a government, and to support only those countries which have the wellbeing of present and future society at heart.

It is beyond the ability of the fund to carry out its own primary and direct analysis of individual states. Therefore, it will necessarily rely on analysis of this nature made by reputable monitors. The list of monitors used for this purpose is available to shareholders on request.

Negative Filtering Criteria for government investments

The protection of civil and political rights

Each government is analysed on its performance in the area of civil and political rights. Different aspects of these areas are scrutinised in order to arrive at a final score. These would include religious liberties, respect for human rights, liberty to enjoy life, political liberties, liberty of expression etc. After this exercise each government is scored for its performance on civil and political rights and ranked as:

1. Free
2. Partially Free
3. Restrained

The fund will only invest in countries which are classified as Free. Furthermore, the fund manager will divest within a reasonable timeframe of any government investment which is no longer classified as a free country.

Environmental, Social and Governance (ESG) Analysis

Subsequently ESG analysis is applied to the governments which have classified as free and scored according to different weightings in these areas. Each government is scored according to its performance in the areas of environment, social and governance. Only those governments which achieve an acceptable performance are included in the investable universe of the fund.

Environment

We believe that governments should lead by example as regards to their fiduciary role of ensuring a better environment for this and future generations. Therefore, an integral part of the ESG analysis is undertaken vis-à-vis the various aspects of the environmental performance of the country. The different facets of the environmental performance analysed are:

- Environmental Health, including environmental burden of disease, air pollution and access to drinking water and sanitation
- Air Pollution
- Water effects on ecosystem
- Biodiversity and habitat
- Agriculture, subsidies and pesticide regulations
- Forestry changes and Losses
- Overfishing
- Coastal shell fishing pressure
- CO2 emissions
- Renewable electricity

Social

The standard of living of a country is also partly reflected through measures that regulate the social wellbeing and access to the labour market. Another area which has a huge bearing on whether to include a government within the investible universe is the social aspect. The different areas which are analysed are:

- Health
- Education

- Living standards

Governance

The government's performance in the area of governance and the quality of its institutions is reviewed and eventually graded. The score is computed by a comprehensive analysis of the following sections:

Government Effectiveness

This indicator reflects the perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government commitment to such policies.

Political Stability and absence of Violence

This indicator reflects the perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism.

Rule of Law

This indicator reflects the perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Corruption perception

This indicator reflects the perceptions of the extent to which public power is exercised for private gain, considering both petty and grand forms of corruption, as well as the "capture" of the state by elites and private interests.

Regulatory quality

This indicator reflects the perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

After these different analyses are completed and each government is scored against its performance in the three sections, only the governments showing an acceptable level of ESG performance are added on to the acceptable list of investments. This list is reviewed annually.

Supranational Investments

By Supra Nationals we refer to international organisations or bodies whose membership comprises more than one single State. For a Supra National to be included in the investable universe, an analysis of the members and purpose of the organisation or body is carried out. Broadly speaking the analysis will be based on the general parameters set out in this policy in relation to States, to the extent that they are compatible. This analysis is carried out annually and the fund manager will divest within a reasonable time frame from any holdings in Supra Nationals which would have been struck off the list of investable investments.