Background

The EU Sustainable Finance Disclosure Regulation (“SFDR”) introduced disclosure requirements on investment managers of financial products on the integration of sustainability risks in the investment management process (Article 3 SFDR), consideration of principal adverse impact on investment decisions (Article 4 SFDR), and how sustainability risks are integrated into their remuneration policies (Article 5 SFDR).

These disclosures relate to ReAPS Asset Management Limited ("ReAPS", "our", or "us").

Integration of Sustainability Risks

“Sustainability risk” refers to an environmental, social and governance event, or condition that, if it occurs, could Cause an actual or a potential material negative impact on the value of the investment.

The approach to sustainability risk integration is to identify and assess the sustainability risks at an individual issuer level. Non-financial indicators may include, but not limited to, Sustainable, ethical and corporate governance issues such as, without limitation, the impact of a company on the environment, the conduct of social and business relationships and governance ethics.

Integration of sustainability risk may vary depending on the strategy, assets and/or portfolio composition of the financial product. This systematic integration of sustainability risks in decision-making process relies on i) “qualitative assessments”, which will be by reference, but not limited, to case studies, environmental, social and governance impacts associated with issuers, product safety documents, customer reviews, company visits or data from proprietary models and local intelligence; and ii) “quantitative assessments”, which will be by reference to ESG ratings which may be from external providers. However, it should be noted that while sustainability risks may be considered in the decision process no one aspect (including ESG ratings) would prevent us from making any investment as investment decisions remain discretionary and coherent with the mandate of the financial product.

We manage certain financial products that promote environmental, social, and governance (ESG) characteristics, either individually or in combination. In this regard, ReAPS may implement specific methodologies, aligned with the requirements of the mandate, to assess the ESG characteristics of the issuers. These methodologies include i) negative screening, and ii) positive evaluation. “Negative screening” generally involves excluding corporate issuers operating in industries deemed undesirable or sovereign issuers from countries that perform poorly in terms of civil and political rights; “positive evaluation”, on the other hand entails investing in corporate and sovereign issuers that demonstrate strong performance in ESG areas.

No Consideration of Sustainability Adverse Impacts

“Sustainability factors” are defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. “Principal Adverse Impacts” (“PAI”) entail any adverse effects that an investment may have on these sustainability factors. Therefore, PAI indicators consist of metrics designed to illustrate the adverse effect on sustainability factors associated with specific investments.

Presently, ReAPS does not undertake an assessment of the PAIs of an investment decision on sustainability factors at entity-level having regard to issues on data availability and the mandate of the financial product. It is however not precluded that we may for certain financial products decide to consider PAI on sustainability factors. Where this is the case, more information is available in the offering documents for those financial products. Moreover, this position may be reviewed on an ongoing basis and that ReAPS may adopt for certain financial products an exclusion and/ or positive evaluation screening on underlying investments in relation to certain ESG and sustainability factors as would be disclosed in the offering documents, of the financial product.

Integration of sustainability risks in the Remuneration Policy

ReAPS adheres to its Remuneration Policy and to the APS Group Remuneration Policy. Our Remuneration Policy is consistent with the APS Group's aim to integrate sustainability risks. The APS Group Remuneration Committee is tasked to assess the mechanisms and systems adopted to ensure that the remuneration system properly considers all types of risks. Furthermore, the amount of variable remuneration, if any, is restricted to a maximum amount and shall be paid if determined to be justifiable following a thorough assessment based on quantitative and qualitative criteria. ReAPS deems that existing processes in place are sufficient to prevent excessive risk taking in respect of sustainability risk.

More information on our Remuneration Policy is available on apsbank.com.mt/reaps.

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