PRAUDE ASSET MANAGEMENT LTD

ESG POLICY

Static Data

Version	3.0
Approval date	Q4 2024

Approval and Review

Approved by	Board of Directors
Antonia Zammit	
Kevin Farrugia	
Michael Vella	

PRAUDE
ASSET MANAGEMENT LTD
A: Level 14, Portomaso Business Tower, Portomaso, St. Julians STJ 4011, Malta | T: +356 2137 4313 | F: +356 2138 5334 | W: www.praude.com.mt

Table of Contents

PRAUDE
ASSET MANAGEMENT LTD
A: Level 14, Portomaso Business Tower, Portomaso, St. Julians STJ 4011, Malta | T: +356 2137 4313 | F: +356 2138 5334 | W: www.praude.com.mt

Definitions

For the purposes of this Policy the following definitions apply:

- "the Policy" means the ESG Policy;
- "the Company" means Praude Asset Management Limited;
- "SFDR" refers to the Sustainable Finance Disclosure Regulation (EU) 2019/2088;
- "ESG" means Environmental, Social and Governance;
- "Sustainability Risk" means an ESG 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" mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

1 The Policy

The Company recognizes its responsibility to encourage positive social and environmental benefits through our investment and operating decisions. This Policy intents to reflect a general framework for our approach to ESG across the Company's internal operations, risk management and investment strategies. This Policy applies to all asset classes and all portfolios managed by the Company. Our ESG integration is focused on improving investment outcomes and aligning with client preferences, without directly measuring or addressing negative externalities or adverse sustainability impacts.

Investment Principles

The Company's main priority is to generate value for its investors. We are classified as an Article 6 fund because we believe this aligns with our investment strategy and philosophy. Despite this, we have considered certain ESG factors when targeting investments, well before the introduction of SFDR, not due to regulatory obligation, but because we recognize that companies adhering to strong ESG principles are often led by quality management and demonstrate better long-term profitability and resilience. Therefore, while our primary objective is to deliver financial returns, we naturally integrate ESG considerations as they align with sound business practices and value creation for our investors. Praude, therefore, does not specifically focus on assessing or mitigating adverse impacts of its investment decisions on sustainability factors. Instead, the Company adopts a pragmatic approach to ESG which prioritises risk management and value creation for our clients.

At this time, the Company has chosen not to consider, measure or report on the adverse impacts of its investment decisions on sustainability factors as part of the overall investment process. This decision is based on several factors:

1. Focus on Financial Materiality

PRAUDE
ASSET MANAGEMENT LTD
A: Level 14, Portomaso Business Tower, Portomaso, St. Julians STJ 4011, Malta | T: +356 2137 4313 | F: +356 2138 5334 | W: www.praude.com.mt

The Company's primary objective is to maximize financial returns for our clients. Whilst we recognize the importance of ESG factors in investment analysis, our focus remains on those elements of ESG that are financially material and relevant to enhancing risk-adjusted returns.

2. Data Availability and Methodology

   At present there are challenges in consistency and reliability of data necessary to systematically measure and monitor principal adverse impacts across all asset classes. This makes it difficult to develop a comprehensive framework for consistently assessing and reporting these impacts.

3. Client Preferences

   The Company manages portfolios for a broad range of client, many of whom prioritise financial performance over the mitigation of broader sustainability impacts.

<u>Future Review</u>

The Company will continue to monitor developments in regulatory expectations, industry best practices, and data availability related to the assessment of adverse sustainability impacts. The Company may reassess this position and consider adverse impacts on sustainability factors in the future, depending on the evolving regulatory environment and client demand.

Any changes to this approach will be communicated on our website, in compliance with SFDR requirements.

Despite not taking into consideration the adverse impact of sustainability factors, the Company nonetheless employs best practices in terms of SFDR, through the following:

I) Risk Management and Financial Performance

The Company considers ESG factors primarily as a tool for risk management and enhancing long-term financial returns. Praude believes that certain ESG risks, such as regulatory changes, reputational risks and operational inefficiencies can affect the value and stability of investments. Therefore, our analysis focuses on identifying risks [including potential ESG risks] and opportunities that are financially material.

II) Selective ESG Considerations

Praude considers ESG factors to the extent that they are relevant to investment performance. This may include evaluating governance practices, assessing climate-related risks where material, or analysing social factors that can impact a Company's long-term profitability. Our approach remains flexible, and the relevance of ESG factors may vary by industry, geography and asset class.

III) Client-Driven ESG Preferences

PRAUDE
ASSET MANAGEMENT LTD
A: Level 14, Portomaso Business Tower, Portomaso, St. Julians STJ 4011, Malta | T: +356 2137 4313 | F: +356 2138 5334 | W: www.praude.com.mt

Whilst Praude does not specifically aim to address sustainability-related adverse impacts, the Company acknowledges that some clients may have preferences for ESG integration. Whereas we currently do not have tailored investment strategies for clients who prioritize specific ESG outcomes also because no client has as yet expressed this preference to us, the Company may offer, exclusionary screening of certain sectors such as weapons or tobacco, or thematic ESG investments, such as renewable energy or social bonds should there be the demand for it.

IV) Transparency and Reporting

Praude provides transparency to clients regarding how ESG factors are considered in the investment process. Because the Company does not take into account the adverse impacts of investment decisions on suitability factors, reporting will not focus on measuring or mitigating the adverse impacts of investment decisions on suitability factors.

V) Engagement and Proxy Voting

Where applicable, the Company may engage with portfolio companies on ESG issues that could materially impact financial performance. This may include discussions on corporate governance, environmental practices, or social policies. However, the Company's engagement is focused on improving shareholder value and does not explicitly aim to address sustainability challenges.

Internal Operations

The Company has always been committed to integrating responsible business practices into its own operations. This includes maintaining high standards of corporate governance, promoting diversity and inclusion and adhering to robust compliance and ethical standards.

2.1 Sustainability Risk

The Company applies a consistent approach in its investment decision making process that focuses on various asset classes of securities that are listed on major exchanges. As mentioned, the Company adopts a value investing approach with a specific focus on small and mid-cap European listed equities. These investments may be exposed to, amongst other things, physical climate risks, technological risks, regulatory risks due to changes in ESG related legislation, reputational and liability risks due to non-compliance with internationally recognized norms, principles or new regulations.

2.2 Remuneration in relation to sustainability risks

The Company seeks to apply a consistent application of the SFDR requirements and as a result the Company's Remuneration Policy reflects that there are no incentives to engage in investments which pose sustainability risks.

PRAUDE
ASSET MANAGEMENT LTD
A: Level 14, Portomaso Business Tower, Portomaso, St. Julians STJ 4011, Malta | T: +356 2137 4313 | F: +356 2138 5334 | W: www.praude.com.mt

2.3 Responsible Business Practices

Praude has a Code of Ethics that requires its employees to conduct their business dealings with honesty, integrity, fairness and respect for others. We understand our fiduciary duty to our clients and seek to mitigate conflicts of interest and encourage transparency in our business practices through the implementation of the Company's Conflicts of Interest Policy. Additionally, the Company maintains an Anti-Bribery and Corruption Policy. These policies serve to ensure that all officers of the Company are aware of their obligations and promote a culture of compliance.

The Company seeks to recruit staff with diverse talent and maintains a healthy balance of female to male ratios. Training is provided, and oftentimes compulsory for employees which includes topics such as compliance, data protection and privacy, conflicts of interest, AML and cyber security, amongst others.

2.4 Training

The Company provides training to its officers on ESG matters. This ensures that all officers of the Company stay informed of the latest ESG trends, regulatory requirements and best practices.

3 Transparency and disclosure

3.1 Website disclosures

The Company's website must be updated in line with this Policy and shall include the following statement which shall be displayed in a prominent position

"*No consideration of sustainability adverse impacts"*

A detailed description as to why the Company does not do so including the situations when it may reconsider its position must be also given which shall be in line with the Policy.

3.2 Client contracts and fund documentation

The offering documents of each fund managed by the Company have been updated accordingly in line with the SFDR requirements to date. There may be some slight variations in accordance with the local requirements but the overarching principle and approach shall be in line with the Policy.

Should the Company engage a client with specific parameters that focus on ESG data, which the Company is able to fulfil, then the Policy will be amended accordingly.

In line with the SFDR MiFID requirements, the Company has included in its onboarding questionnaire and as a separate questionnaire for already existing MiFID clients, an ESG consideration in order to determine the clients' preferences with respect to ESG factors and their investments. The Company will document and record its clients' preferences in accordance with the SFDR.

PRAUDE
ASSET MANAGEMENT LTD
A: Level 14, Portomaso Business Tower, Portomaso, St. Julians STJ 4011, Malta | T: +356 2137 4313 | F: +356 2138 5334 | W: www.praude.com.mt

4 Amendment and review of policy

The Policy is subject to review at least on an annual basis or as required by updates to the respective regulation.

Updates to the disclosures shall be published on the Company's website with a clear explanation of the changes.