7Q FINANCIAL SERVICES LTD

(Regulated by the Cyprus Securities & Exchange Commission)

Sustainability Risks Policy

JANUARY 2025

Action	**Date**	**Version**	**Date of Board Approval**
Creation	20/01/2025	1.0	25/04/2025

Contents

1. Introduction

7Q Financial Services Ltd (the "**Company**" or "**7QFS**") is a limited liability company incorporated under the laws of the Republic of Cyprus with registration number HE 109709. The Company is regulated by the Cyprus Securities and Exchange Commission ("**CySEC**") as a Cyprus Investment Firm ("**CIF**") and an under the threshold Alternative Investment Fund Manager (AIFM) with license number 061/05.

This document sets out the approach of the Company as 'Market Participant' offering the service of Portfolio Management and Fund Manager and as a 'Financial Adviser' offering the service of Investment Advice in identifying and managing sustainability risk in the Investment Services[1] offered to its clients, subject to the Sustainable Finance Disclosure Regulation (SFDR[i]) and other related regulatory and legislative requirements.

2. Key Definitions

"**ESG Factors**" means Environmental, Social, and Governance factors considered in investment processes, including but not limited to climate change, human rights, labor practices, and corporate governance.

"**Sustainability risk**" is defined in the EU's Sustainable Finance Disclosure Regulation (2019/2088) as an environmental, social or governance event or condition which, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

"**Sustainable investment**" is defined in Article 2 (17) the SFDR as an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

"**Sustainability factors**" is defined in Article 2 (24) of the SFDR as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

[1] As defined in the Investment Services and Activities and Regulated Markets Law (L.96(I)/2024) as amended from time to time.

3. Scope and Objectives

The objective of this Policy is to describe how the Company integrates certain ESG Factors within its investment services processes, and how it considers sustainability risks in investment decisions and advisory processes, providing relevant disclosures to clients (including appropriate periodic reporting where applicable).

Due to the expected regulatory updates and respective internal actions, this Policy is to be reviewed and updated periodically.

4. Integration of ESG Factors into Investment Processes

4.1 Investment Advice

The Company considers ESG factors when advising clients on financial instruments, only if such sustainability preferences are expressed by the clients involved, as required under Commission Delegated Regulation (EU) 2017/565[ii].

Investment recommendations include an assessment of financial instruments' sustainability risks based on available ESG data and ratings. At present, the Company does not undertake to score and assess the ESG factors of financial instruments under proprietary modelling. The Company relies on third-party evidence, where available, from Issuers and Distributors. The Company also relies on specific data providers, namely Bloomberg and MSCI.

4.2 Portfolio Management

The Company incorporates ESG factors in the investment selection, risk assessment, and portfolio construction processes, only if such sustainability preferences are expressed by the clients involved, as required under Commission Delegated Regulation (EU) 2017/565[iii].

Investment decisions include an assessment of financial instruments' sustainability risks based on available ESG data and ratings. At present, the Company does not undertake to score and assess the ESG factors of financial instruments under proprietary modelling. The Company relies on third-party evidence, where available, from Issuers and Distributors. The Company also relies on specific data providers, namely Bloomberg and MSCI.

4.3 Sustainability risk integration

The Company takes into consideration sustainability risks during the investment decision making process or when advising clients on financial instruments, by focusing on specific themes. Currently, the Company applies negative screening to exclude investments in sectors with high sustainability risks, such as controversial weapons, coal mining, and companies with severe human rights violations.

5. Risk Management Framework

The Company incorporates and assesses sustainability risks when advising clients on financial instruments or when taking investment decisions on behalf of clients. At present, the Company does not undertake to score and assess the ESG factors of financial instruments under proprietary modelling. The Company relies on third-party evidence, where available, from Issuers and Distributors. The Company also relies on specific data providers, namely Bloomberg and MSCI.

Periodic reviews of portfolio holdings are conducted from the Risk Management function of the Company to ensure continued compliance with the ESG preferences and considerations of clients, along with the stated risk thresholds.

The Company applies negative screening to exclude investments in sectors with high sustainability risks, such as controversial weapons, coal mining, and companies with severe human rights violations.

6. Governance and Oversight

The Board of Directors of the Company ensures ESG risks are incorporated into the risk management framework, the investment decision making process or when advising clients on financial instruments, by requesting and receiving regular reports from the portfolio management function.

The Compliance Function monitors adherence to this Policy and relevant ESG-related regulatory requirements, including those under Article 23 of Regulation (EU) 2017/565.

Ongoing training is provided to investment professionals to enhance ESG knowledge and integration capabilities.

7. Disclosure and Reporting

The Company provides transparent disclosures on how sustainability risks are integrated into investment advice and portfolio management processes.

Clients receive relevant ESG-related information to support informed decision-making regarding sustainable investments, where applicable.

The Company aligns its disclosures with EU Sustainable Finance Disclosure Regulation (SFDR) requirements and other regulatory requirements as they may occur.

8. Client Communication and Suitability Assessment

The Company assesses clients' sustainability preferences as part of the suitability assessment process. Clients are informed of the ESG characteristics of financial instruments and given the option to include sustainability considerations in their investment strategies.

The Company may include certain financial instruments with ESG characteristics or objectives in Clients' portfolios, even if clients declare that they do not have ESG preferences.

It is further noted that the Company considers the available information received by third parties (external rating companies) when assessing the ESG criteria on relevant products or portfolios.

9. SFDR Categorisation

As an under the threshold AIFM the Company manages only Article 6 Funds (as defined in the SFDR) which take sustainability criteria into account within the investment process but do not specifically promote environmental or social characteristics and do not have sustainable investment as their objective.

10. Consideration of Principal Adverse Impact

At present, the Company does not consider principal adverse impact (PAIs) of investment decisions on sustainability factors within the meaning of Article 4 of the SFDR. The reason being the lack of readily available and reasonably-priced data makes it difficult to comply with many of the technical reporting requirements of the Principal Adverse Impact regime. The Company will continue to review this position and may integrate PAIs in the future as regulatory and data availability evolve.

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[i] SDFR: Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended from time to time.

[ii] Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

[iii] Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.