

## **Sustainability Risk Policy**

*Version 1*

*10 March 2021*

*New Policy as per SFDR*

*Version 1.1*

*11 February 2025*

*Inclusion of additional information on the No Consideration to PAIs and escalation process for ESG matters*

*BOV ASSET MANAGEMENT LIMITED (the “Company” or “BOV AM”) falls within scope of Regulation (EU) 2019/2088 of the European Parliament of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation or SFDR), which came into force on the 10th March, 2021, and requires financial market participants, including the Company, to make certain sustainability-related disclosures to end investors.*

### **Article 3 of Regulation (EU) 2019/2088 (“SFDR”)**

*In line with the requirements imposed by Article 3 of the SFDR regulation on in-scope financial market participants, the Company has formulated its Sustainability Risk Policy outlining the approach that the Company will take to integrating environmental, social, and governance (“ESG”) considerations into its investment management processes by assessing not only all relevant financial risks but also relevant sustainability risks, with a view to mitigating risks and enhancing returns over the medium to long-term.*

*As sustainability risks are not considered to be relevant to the Vilhena Funds SICAV and the BOV Investment Funds, due to the nature, scale and complexity of such funds (further outlined in our Sustainability Risk Assessment), BOV AM members, albeit noting sustainability factors in the investment process, are not required to integrate Sustainability Risks when performing fund management activities in respect of the Vilhena Funds SICAV and the BOV Investment Funds.*

*Although the Company does not currently integrate sustainability risks in its investment decision making processes, the Company will, in respect of other fund/s and, or clients which may be onboarded in future, consider incorporating ESG considerations and make an assessment of sustainability risks to the extent relevant to (i) the nature of the fund/s, or, in the case of investment management services, the nature of the client’s mandate; and (ii) appetite of investors subscribing to the fund/s, or, in the case of investment management services, the appetite of the Company’s clients.*

*To the extent that ESG considerations and, or assessment of sustainability risks are relevant to future mandates, the below approaches may be undertaken.*

**1) ESG integration** - *The Company describes its ESG integration approach as the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions. Such approach could span the breadth of the investment process - from identification of trends, analysis of investments through to portfolio construction.*

2) **Screening** - The Company could apply a set of filters for the purpose of determining which companies, sectors or activities are eligible or ineligible to be invested in based on its preferences, values and, or ethics. The Company could implement a mix of positive and negative screens in accordance with ethical inclusion or exclusion criteria. Once invested in, the on-going eligibility of said companies, sectors or activities is likely to be revisited on a periodic basis, or if there are significant changes.

#### **Article 4 of Regulation (EU) 2019/2088 ("SFDR")**

##### **No consideration of adverse impacts of investment decisions on sustainability factors**

The Company currently manages two UCITS funds (Vilhena Funds SICAV plc and BOV Investment Funds, and their sub-funds) and provides discretionary investment management services to a number of clients.

The Company has carefully evaluated the requirements and implications of considering Principal Adverse Impacts (PAIs) on sustainability factors as outlined in Article 4 of the Sustainable Finance Disclosure Regulation (SFDR). After thorough consideration, BOV AM has decided not to integrate PAIs into its current investment decision-making processes. This decision is based on the following reasons:

**Nature of Investment Products:** BOV AM does not currently offer any sustainability-focused or ESG investment products. The investment strategies are primarily centred around traditional financial metrics and objectives, which do not specifically target sustainability outcomes.

**Market Data Availability:** The availability of reliable and consistent data on PAIs is currently limited. This data gap makes it difficult to ensure the accuracy and completeness of PAI disclosures.

**Strategic Focus:** BOV AM's current strategic focus is on delivering strong financial performance for its clients through traditional investment approaches. Whilst the Company recognizes the importance of sustainability considerations, its existing current investment products and strategies do not align with the integration of PAIs. Furthermore, when making investment decisions, the Company does not consider the adverse impacts of its investment decisions on sustainability factors in terms of the SFDR as this is not relevant (1) the composition of its clients' portfolio; and (2) the investment strategies and/or policies of its clients.

**Future Considerations:** BOV AM remains committed to monitoring developments in the regulatory landscape and the availability of sustainability data. Should the Company's strategic focus or market conditions change, the Company will reassess its position on considering PAIs and make the necessary adjustments to our policies and practices.

##### **Presentation of Material Sustainability Risks**

All material sustainability risks identified are presented and reviewed in the relevant Bank of Valletta plc (BOV AM's parent company)'s ESG and Sustainability Forums comprising of senior management and key stakeholders, ensuring that sustainability risks are thoroughly evaluated and addressed in alignment with our overall risk management framework.

*The Sustainability Risk Policy will be reviewed at least once a year to measure success and determine whether it continues to reflect the Company's investment beliefs.*

***Integration with Remuneration Policy***

*In alignment with the Company's commitment to sustainability, the Company's Remuneration Policy includes disclosures that ensure the Remuneration Policy is consistent with the integration of sustainability risks.*

*Further information can be found in the Remuneration Policy: <https://www.bovassetmanagement.com/Content/remuneration-policy->*