SUSTAINABILITY RISK POLICY

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1. INTRODUCTION AND SCOPE OF SUSTANABILITY RISK POLICY

BOSON ALFA LTD (hereinafter referred to as the «Company» or «we») with its office at 54 Vasileos Georgiou A Str., Galatex Beach Center, Block E2, Office 46, Potamos Germasogeias, 4047, Limassol, Cyprus is the Cyprus Investment Firm («CIF») authorized and regulated by the Cyprus Securities and Exchange Commission «CySEC») with license No.314/16.

Climate change and other sustainability risks can materialize at many levels, from global and regional risks, to entity and product level risks.

For asset managers it is therefore important to carefully assess the financial materiality of sustainability risks, following a proportionate and risk-based approach.

The Company therefore integrates relevant sustainability risks in all aspects of its investment strategies, client solutions and organization. This includes investment analyses and decisions, risk management, product governance & client suitability assessment processes, as well as the organizations governance of these processes.

This document aims to provide a comprehensive overview of Company's sustainability risk integration approach. It is based on underlying policies, procedures and tools, which are outlined in this document.

Our sustainability integration measures comply with relevant provisions of the EU Sustainable Finance Framework, e.g.:

- Information disclosure requirements with respect to sustainability risk integration at entity and product level (Regulation on sustainability-related disclosures in the financial services sector - SFDR).
- Provisions to integrate ESG factors in mandatory client suitability assessment & product governance processes (MIFID II Delegated Regulation).

The CySEC has also stressed the importance of incorporating sustainability risks in investment and risk processes and internal organization of CIFs.

The integration of sustainability risks is however an evolving field. The available data, expertise and tools to identify, measure and mitigate sustainability risks and the related ability to deeper understand and measure sustainability risk will probably increase over time. Therefore, we will regularly review and, where relevant, recalibrate our sustainability risk integration processes to ensure that these remain fully in line with these innovations.

2. SUSTAINABILITY RISKS

Sustainability factors - such as environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters - may have a positive or negative impact on the financial performance of our investments.

While sustainability factors can also have positive impacts (opportunities), the sustainability risks for the purpose of integration are defined as the negative materialization of the factors. Sustainability as a risk factor is relevant to all investments, while sustainability opportunities are typically relevant to the products that have an ESG objective.

For its sustainability risk integration approach the Company applies the legal definition of sustainability risk included in EU Sustainable Finance Disclosure Regulation («SFDR»).

'sustainability risk' means an environmental, social or 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 definition has two core elements:

(1) an event/condition from the broad ESG spectrum that

(2) could (potentially) cause a material negative impact on the value of the portfolio.

This means that the Company is expected to identify relevant ESG risks and subsequently determine which of them are material in the short, medium and long term with regard to its investment strategies.

2.1. Identification

Sustainability risks can be climate-related, or related to other environmental, social and governance practices. Sustainability risks can be identified across asset classes, sectors and geographies, or on the basis of length and maturity. The Company uses various proprietary and external tools to identify and evaluate sustainability factors and related risks. Our Investment due diligence and Risk management frameworks – which include sophisticated sustainability integration and exclusion approaches - enable the portfolio management and risk management functions to identify and evaluate potential sustainability risks for our investment portfolios. Once identified and evaluated as financially material for an individual investment portfolio, sustainability risks and the mitigation thereof are directly integrated in the related investment and risk management processes.

As the part of annual internal risk appetite review of potential risks the Company runs a holistic materiality analysis at entity level, including sustainability risks, relevant to business activities. This wide risk assessment provides an additional source/double check to the sustainability risk evaluations made by the portfolio management and risk management functions within the Company and is used to confirm that all potential risks have been properly identified and prioritized.

2.2. Climate-related risks

Climate-related risks are the financial risks posed by the exposure to an investment that may potentially contribute to, or be affected by, climate change. Following the adoption of the Paris Agreement, governments are endeavoring to transition to low-carbon and more circular economies on a global scale.

On the European front, the European Green Deal sets out the objective of making Europe the first climate-neutral continent by 2050. EU asset managers are expected to play a key role in this respect, as enshrined in the EU Sustainable Finance Plan.

Transition to a low-carbon and more circular economy entails, beyond opportunities, risks for the regions, industries and companies in which the Company invests, whilst physical damage caused by climate change can have significant impact on those regions, industries and companies as well as the wider financial system.

In order to run climate change scenario analyses and measure climate risk, the Company uses (forward looking) scenario analysis which provides a likely impact on the return of portfolios holdings.

2.3. Other sustainability risks

Risks related to climate-related factors are therefore well-known, however, our sustainability risk identification and prioritization assessments are not solely restricted to climate issues. Other environmental factors (such as air pollution, water pollution, scarcity of fresh water, biodiversity loss and deforestation), social issues and governance practices may also present serious risks to the value of our portfolio investments and are therefore also considered.

The loss of biodiversity for example could have the same kind of material financial impact on an investment. Biodiversity loss is a material (physical) risk with a potentially significant impact in that it threatens the ecosystem on which numerous economic activities depend. Investment funds and discretionary mandates may run risks through their investments in companies whose supply chains are exposed to high biodiversity risks.

Environmental and social risks are closely interrelated. The continuous deterioration of environmental conditions implies heightened social risks, such as when climate-related physical changes or water stress affect deprived parts of a geographical area and already disadvantaged populations. Reputational impacts are then also possible. Poor governance practices and/ or significant social issues may also have material financial impact on portfolio investments if the probability of their occurrence is not sufficiently priced into the valuation of the affected assets or liabilities.

Therefore, the Company's sustainability risk identification covers a broad range of ESG factors, including (but not limited to):

Key sustainability factors

Environmental	Social	Governance
Climate change vulnerability	Compliance with recognized labor standards (e.g. no child labor)	Risk and Business Continuity management
Carbon pricing	Compliance with employment safety and health protection	Integrity and ethical behavior
Biodiversity	Fair working conditions, diversity, training and development opportunities	Information security and data protection
Water stress	Product safety and customer welfare	Board composition and remuneration
Droughts	Health & wellbeing of society (infectious diseases, tobacco, weapons, human rights, political instability)	Regulatory and Tax Compliance

2.4. Sustainability risk characteristics

The relevance of a sustainability risk type for a portfolio depends on both the investment strategy and the risk type characteristics. Some sustainability risks may potentially have a negative impact on all investment strategies, while others may only affect specific companies or sectors. The time horizon, likelihood of occurrence, likely impact and ability to control some sustainability risks are often uncertain. Sustainability risks may become relevant and lead to pressure for action in the short term, as well as over the medium and long-term; and physical and transition risks are interdependent (e.g. the longer society waits to reduce its greenhouse gas emissions, the worse the physical consequences of climate change could be).

2.5. Relation with established risk categories

Sustainability risks are often related to and may have an impact on other risk categories, or may be a factor to their materiality. Examples of the relation of sustainability risks with established risk categories include:

- Credit risk/counterparty default risk: The business model of an issuer of an investment grade bond may be severely damaged by transition risk (such as an unexpected CO_2 Tax).
- Market risk: An investee company that does not demonstrate management for transition towards a sustainable economy may lose value due to a decline in market sentiment (reflecting transition cost expectations).
- Liquidity risk: If climate-related and environmental risks materialize (e.g. natural disaster) we may experience substantial outflows and/or a liquidity mismatch related to the financially material impact of physical risks on our operations in one or more relevant markets.
- Operational risk: events like extreme weather conditions and epidemic diseases may impact our operations in one or more regions.
- Reputational risk: A key objective of the Sustainable Finance Framework is to counter greenwashing (i.e. marketing a product as sustainable while this is not justified). It is noted that in future Sustainable Finance supervisory activities attention will be paid to how financial parties manage the risk of greenwashing.
- Data availability risk: sustainability risk integration underscores the need for reliable and high quality ESG information. ESMA has acknowledged that there are operational challenges involved with «getting reliable data on sustainability risks and factors». The ECB has highlighted this as an impediment to the consistent use of ESG data by market participants and stresses that unreliable ESG data and ratings limit users in their capacity to conduct granular financial risk analyses.

The Company acknowledges the relation of sustainability risks with established risk categories and therefore holds an integrated view on sustainability risk management and incorporates sustainability risks as drivers of aforementioned established risk categories into existing risk management framework, with a view to managing and monitoring these risks over a sufficiently long-term horizon.

3. INTERNAL SUSTAINABILITY RISK GOVERNANCE

3.1. Board of Directors

The Company's Board of Directors bears overall responsibility for monitoring and implementation of the business, risk strategy and governance arrangements. Collectively the members of the Board are equipped with sufficient knowledge to ensure that sound and well-informed decisions are taken.

The Company's Sustainability Risk Policy describes how sustainability risks are measured and what kind of monitoring activities are performed. The Sustainability Risk Policy is approved and evaluated by the Board of Directors.

BOSON ALFA ASSET MANAGEMENT

3.2. Portfolio management function

Portfolio management department acts as the first line of defense and has the primary responsibility for managing the risks generated by the investment activities throughout the lifetime of portfolio. This principle is equally important for the integration of risks stemming from sustainability factors. The Company has incorporated the sustainability aspects of the investments into adequate investment due diligence process and procedures for the selection and monitoring of investments, taking into account the Company's risk appetite and Sustainability Risk Policy.

3.3. Risk management function

The Company's risk management function is responsible for ensuring the proper risk controls, also in relation to sustainability related risks. Operating in the second line of functions, independent from the portfolio management, the measurement and monitoring of sustainability risks and setting relevant limits by the risk management function aims to ensure that the material impact of sustainability risks is accounted for in the investment decision-making process (active feedback loop) and overall minimize the investments exposure to sustainability risks.

The Risk Management function is also responsible for sustainability in the Company's risk management framework. The Risk Management function incorporates sustainability risks in Internal Capital Adequacy Assessment Process (ICAAP) framework (which will be replaced by Internal Capital and Risk Assessment (ICARA) after 26.06.2021 to the extent these risks may transmit prudential risks at entity level.

3.4. Compliance function

The Company's Compliance function contributes to the risk management framework and monitors the alignment of business activities with regulatory requirements, including sustainability regulatory aspects and own internal policies with sustainability elements (e.g. product governance policies, conflict of interest policies and client suitability assessment procedures). The Compliance function plays a key role in the review of products (investment strategies), e.g. products promoting environmental or social characteristics with sustainable investment objectives. Part of the review is verifying whether the Company remains consistent with any ESG preferences (where relevant) of the target market.

3.5. Internal Audit function

The Company's Internal audit function addresses the appropriate handling of sustainability risks as part of its audit activities. In particular, Internal Audit may include an assessment of the appropriateness and effectiveness of the revised operational, risk management and governance structure as a result of the integration of sustainability risks.

4. INVESTMENT DUE DILIGENCE

4.1. Sustainability-themed Investing

Sustainable investment is 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 labor 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.

The Company offers its clients a selection of active investment strategies, covering a broad range of asset classes. In the meantime the Company doesn't currently offer any strategies with ESG objectives as the main investment concept. However the Client's ESG preferences are assessed through suitability testing and the Clients are duly informed on the content of the present Suitability Risk Policy and all related matters.

4.2. Investment Due Diligence process and procedure

Our Investment Due Diligence process sets out how it is ensured that investment decisions are carried out in compliance with the objectives, the investment strategy and, where applicable, the risk limits of the portfolio. Material sustainability risks related to the investment strategies are integrated in these process and procedure for the selection and monitoring of investments. We have integrated sustainability risks in the investment decision-making process in the belief that this leads to better-informed investment decisions and better risk-adjusted returns throughout an economic cycle.

Portfolio management function is primarily responsible for conducting investment due diligence on their strategies on a regular basis with further monitoring by Investment Committee. The investment due diligence process is reviewed in case of material changes, at least on an annual basis, and approved by the Investment Committee.

4.3. ESG Analysis and Investment Restrictions

Each portfolio conforms to a series of internal guidelines and restrictions to promote diversification and minimize material risk, including risk stemming from sustainability factors, while facilitating the actively managed nature of the portfolio. These portfolio and investment guidelines are monitored by the portfolio management function on a regular basis. ESG analysis determines which long-term economic, social or environmental factors are likely to have significant business impact on a Company's business value derivers of growth, costs, risk and ultimately, future financial performance.

Our equity strategies restrict investments in companies exposed to the following controversial sectors of business practices: military contracting, weapons, tobacco, alcohol, gambling, adult entertainment. In addition we follow applicable sanctions of the UN, ES or US to which it is the subject and follow any mandatory investment restrictions deriving therefrom. For emerging market financial instruments the country sustainability ranking can be used to determine the country risk. For fixed income instruments ESG profile is now one of the five main the following components that is taken into account along with the business position, strategy, corporate structure and financial position of the issuer that may affect the performance of the investments. In line with restrictions applied with regards to equity the bonds issued by controversial countries or issues can be subject to investment restrictions.

4.4. Principal Adverse Impact

Principal adverse sustainability impacts («PASI») are not considered when providing investment services to clients and the investments underlying distributed financial products currently do not take into account the EU criteria for environmentally sustainable investments as the data needed for this purpose is not available in the required quality and granularity. However this will be reviewed on a regular basis on order to develop respective internal policies and to include the principal adverse impacts in the provision of investment services. At the same time, as described above, the sustainability risk factors are taken into account when making investment decisions.

5. RISK MANAGEMENT FRAMEWORK

5.1. Independent Monitoring of Sustainability Risk

While portfolio management function is responsible for regular monitoring of the portfolios, including any sustainability risk, the risk management function performs an independent monitoring function, overseeing market and any risks, including sustainability risk and applying stress tests to capture potential extreme losses.

Sustainability risk monitoring is largely based on the same governance structure as other risks monitoring. Risk management function should ensure portfolio compliance with its sustainability limits and thresholds and increase the sustainability risk awareness over the investment chain. This is reached by the following:

- Sustainability investment restrictions
- Sustainability investment objectives
- Sustainability risk analyses and awareness

If sustainability targets and controls defined in investment strategy then it is directly monitored by the risk management function, in other cases basic principles of risk management apply.

When the set threshold is reached or a limit is breached the portfolio manager will be informed and will be asked to adjust the portfolio and get back within limits or explain why the adjustment is impossible at the moment. These comments are discussed and the findings are reported in Risk Manager's Report to the Board of Directors.

5.2. Sustainability Risk Profiles

Each strategy is categorized in low, medium or high sustainability risk. The assessment is based on the investment objectives of the strategy and corresponding data. Based on the strategy commitment to sustainability risk limits and thresholds are determined.

For strategies with no sustainability objectives risk profile is considered as low.

6. COMPLIANCE PROCEDURES

6.1. Product Governance

The MiFID Product governance requirements aim to prevent misselling of financial products and other product issues from occurring, and to improve the quality of investment products through their lifecycle. A key element is that product manufacturers are responsible to determine the right target market for the product and to ensure that products do not (structurally) end up outside the target market.

The following actions have been taken to ensure that our portfolio management services are fully offered in the interest of clients and that sustainability factors are taken into account in the target market assessment: Company's Product Governance Policy and Product Description Forms are modified to safeguard that any relevant specific ESG preferences are taken into account when identifying or reviewing the suitability of a product or portfolio management service for that specific target market.

6.2. Suitability Assessment

For our portfolio management services and, where relevant, investment advice as investment services, the Company performs a MiFID client suitability assessment to obtain information on the client (potential client) financial information, its investment objectives, and issues related to risk, i.e. the client's risk tolerance (attitude to investment).

To incorporate sustainability factors, we have modified the suitability assessment procedure and processes (e.g. Suitability Assessment Form). As of March 2021, the Company will ask potential and existing clients questions to identify the client's sustainability preferences as part of the mandatory suitability assessment which is updated annually.

Based on the obtained Client information, the Company selects and tailors its recommended mandate services and/or financial products, taking into account costs, the identified financial objectives, risk tolerance as well as any sustainability preferences of the Client.

For Clients that have expressed sustainability preferences, the Company will only consider eligible financial products based on Sustainability Investment Objective strategies or ESG Promoting strategies.

The following is taken into account when assessing suitability from ESG objective:

- Explaining E, S and G and the scope of the suitability exercise to clients in plain language;
- Identifying ESG issues that are material to offered investment services/products;
- Obtaining clients' preferences at a suitably granular level, differentiating between the respective E, S and G factors, highlighting any tensions or contradictions between these, and explaining the consequences on risk and return of favoring one or more over others;
- Ensuring that investments and advice are suitable overall, such that ESG preferences are appropriately combined with Clients' existing requirements in areas such as liquidity, expected expenditure and risk profile;
- Following up explicitly with Clients to clarify their preferences if their ESG responses contradict their existing profiles; for example, if they are open to materially higher risk or lower returns when it comes to sustainability investments, as compared to their existing investment requirements;
- Obtaining a full understanding of Clients' preferred ESG strategy e.g. whether they prefer only divestment from non ESG compliant financial instruments or if they would like to invest actively in certain ESG compliant financial instruments or whether they prefer investing in financial instruments that are currently non-compliant but are investing in sustainable operations, etc.
- Reducing regulatory risk, including any mis-perception of greenwashing

6.3. Remuneration Policy

The Company's Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk taking which exceeds the risk profile of the managed portfolios. We also consider appropriate incentives-based mechanism vital to support the achievement of investment performance goals within appropriate risk culture and to account relevant sustainability risks. The remuneration policy provides right incentives for portfolio management and risk management stuff members to take their decisions with the sustainability considerations related to investment strategies and also facilitate the implementation of relevant risk-related factors consistent with the Company's Sustainability Risk Policy.

6.4. Conflicts of Interest

Preventing and controlling conflicts of interest is an important element in ensuring that the interest of Clients is protected. Based on Company's Conflict of Interest Policy, potential conflicts of interest are structurally analyzed and additional measures are taken in case it is concluded that a (potential) conflict of interest is not being managed effectively. We have modified our Conflict of Interest Policy to ensure that the inclusion of ESG factors in our discretionary portfolio management, investment advice and other services does not damage the interest of any clients.

Clients' interests could be harmed for instance if ESG considerations are misused as an excuse to sell proprietary products or more costly products, or to generate unnecessary churning of Clients' portfolios, or by firms misrepresenting products or strategies as fulfilling ESG preferences where they do not.

7. DISCLOSURES AND REPORTING

The Company's reports make disclosures on the integration of sustainability risks both at entity level and at product level, at regular intervals. Relevant sustainability risk information is also included.

7.1. Internal Reporting

The identified and evaluated sustainability risks for our investment strategies and from prudential point of view are integrated within the framework of internal risk reporting, as part of existing reporting channels. The typical characteristics of sustainability risks, e.g., a medium to long-term horizon, are taken into account.

7.2. Reporting to Supervisory Authorities

The Company reports on Sustainable Investments to CySEC as the part or Quarterly Statistics Form.

7.3. Disclosures at Company & Product Level

Sustainability Risk Policy is publicly available on the Company's website **www.bosonalfa.com** as well as amended Product Governance Policy, Conflicts of Interest Policy and Risk Disclosure Booklet. Through these documents the Company discloses how it integrates sustainability risks in its investment decisions and distributed products.

8. MONITORING AND REVIEW

The Board of Directors of the Company is responsible for setting written rules and for the existence of adequate controls and appropriate procedures for the provision of investment and/or ancillary services, as well as for the supervision of the implementation of this Sustainability Risk Policy.

The present Sustainability Risk Policy is revised on an annual basis or more often when appropriate, in order to include the changes into the current regulatory and statutory requirements, as well as the changes on Company's strategic objectives or on the internal (operational – business) and external (market) environment and whenever a material change occurs and affects The Company's ability to act honestly, fairly and professionally in accordance with the best interests of its Clients.

The directors, executive staff members and personnel of the Company are responsible for the sound implementation of this document.

The existing and potential Clients will be notified of any material changes or amendments to this Sustainability Risk Policy which may be made from time to time.