7Q Asset Management Ltd

Sustainable Finance Disclosure Regulation – Article 6 Pre-contractual Disclosure

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Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

Under 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 ("SFDR"), 7Q Asset Management Ltd ("**7Q**", "**the Company**", or "**we**") is required to comply with certain sustainability disclosure requirements.

Under the Alternative Investment Fund Managers Law L.56(I)/2013 (as amended from time to time) we are authorized by the Cyprus Securities and Exchange Commission ("CySEC") to operate as an alternative investment funds manager ("AIFM") and in that respect, we are considered as a financial market participant for the purposes of SFDR.

Sustainability risk policies:

"Sustainability risk" as defined in the SFDR, is 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.

7Q recognises the importance of identifying, assessing and managing material sustainability risks as an integral part of its risk management process.

In evaluating the sustainability-related risks of the funds under management, the Company uses tools to identify and assess the risks in question and brings its findings to the attention of the Board of Directors of the Company for discussion of possible mitigating actions.

Indicative examples of sustainability risks which are potentially likely to cause a material negative impact on an AIF, should those risks occur, include:

ESG Risks in Alternative Funds

A. Environmental Risks

- Climate Change Exposure: Investments in industries vulnerable to climate change could face financial losses.
- Resource Scarcity: Operations reliant on finite resources may encounter supply chain disruptions and increased costs.

B. Social Risks

- Labor Practices: Poor labor standards within portfolio companies can lead to reputational damage and legal liabilities.
- Community Relations: Negative impacts on local communities can result in regulatory hurdles and project delays.

C. Governance Risks

- Corporate Governance: Weak governance structures may lead to conflicts of interest and ineffective decision-making.
- Ethical Concerns: Unethical practices, such as corruption or human rights violations, can harm both financial performance and reputation.

In addition, SFDR categorizes financial products as follows:

- Article 8 – a financial product (i.e. an AIF/Compartment) that promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics provided that the companies in which the investments are made follow good governance practices.
- Article 9 – financial products that have sustainable investment as its objective.
- Article 6 – a financial product (i.e. an AIF/Compartment) that does not fall under the classification of an Article 8 or under Article 9 product as per above. It encompasses funds that neither have a sustainable investment objective, nor do they embrace investment in assets with environmental or social benefits.

Integration of sustainability risks in the risk management process

As part of our sustainability-related disclosure requirements under SFDR, we have policies in place to integrate the aforementioned sustainability risks in our risk management process as AIFMs.

It is noted that all funds/compartments currently under our management are categorised as "Article 6" products. At 7Q, we understand that sustainability risks can potentially have a material impact on long-term financial performance of the funds/compartments under management, as such risks can rarely be separated from financial and commercial/business risks.

In this context, we aim to integrate sustainability risks at various steps of the ongoing risk management process. Identification and assessment of sustainability risks of the funds under management is performed as part of the Company's risk assessment and report, through making use of relevant market insights, news and other information. The overall assessment of these risks is performed in tandem with other risk considerations, such as liquidity, operational and market risks.

Our commitment to sustainability is further showcased through our continuous investment in our workforce, which ensures that the employees involved in the provision of relevant services (i.e. portfolio management, risk management and regulatory compliance) are being trained with regards to sustainability risks and sustainability matters and are able to understand the Company's processes, sustainability policies and philosophy.

No consideration of adverse impacts of investment decisions on sustainability factors

This section serves to fulfill the requirements under Article 4 of the SFDR, under which we shall publish and maintain on the Company's website information on whether or not principal adverse impacts of investment decisions on sustainability factors are being considered as part of the Company's investment decision-making, in its capacity as a financial market participant.

At 7Q, for the time being, except as may be otherwise disclosed at a later stage on our website, we do not consider any adverse impacts of our investment decisions on sustainability factors in the manner prescribed in Article 4 of the SFDR, since it is not currently feasible for the Company to undertake a systematic and/or comprehensive consideration of such adverse impacts on sustainability factors as part of its investment decision-making, taking into account the size and scale of the Company's business activities.

The Company may re-evaluate its position at a later stage with regards to such adverse impacts, and may revisit the above considerations, should circumstances change, in order to reflect the way these principal adverse impacts on sustainability factors will be taken into account.