



**LEON**  
MFO Investments

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# **SUSTAINABILITY RISK POLICY**

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**VERSION 2**

**22 November 2022**

**Version Control**

All Directors, officers, employees and persons engaged in the business activities of **LEON MFO INVESTMENTS LIMITED**, must be informed of the existence of the Sustainability Risk Policy upon commencement of their employment or engagement, where applicable, read through it and stay alert in relation to any updates incorporated in it.

**The Sustainability Risk Policy shall only be read in conjunction with specifically the General Information & Guidelines Manual and other accompanying manuals.**

	<b>Name</b>	<b>Position</b>
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<b>Version no:</b>	<b>Date:</b>	<b>Comments:</b>
1	12/07/2021	Initial creation and approval of the Sustainability Risk Policy
2	22/11/2022	Amendments in line with Commission Delegated Regulation (EU) 2022/1288

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## **1. Introduction**

Environmental, Social and Governance (hereinafter “**ESG**”) is integrated within the strategy of Leon MFO Investments Limited (hereinafter the “**Company**”) in order to promote ethical standards within the Company. The Company aims at embedding such ESG characteristics in its business environment as well as integrating them within its core values.

The Company is committed to integrating sustainability risks in its investment decision-making process and in its investment advice. For the purposes of 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 (the “**SFDR**”), the Company maintains this sustainability risk policy (the “**Sustainability Risk Policy**”), which includes the processes followed by the Company in relation to sustainability risks.

For the purposes of this Sustainability Risk Policy, the Company has also considered the provisions of:

- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, and
- Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports.

## **2. Key terms**

“**Sustainability risk**” under the SFDR 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”.

Some examples of sustainability risks (ESG risks) are the following (the list is not exhaustive):

- **Environmental issues** – These include climate change, unsustainable practices, carbon footprint/emissions, production of wastes and pollution.

- **Social issues** – These include unethical working conditions, health and safety issues, infringements of human rights, child and slave labour, product safety.
- **Governance issues** - These include transparency and integrity, bribery and corruption, lack of board/senior management diversity, internal controls, shareholders rights.

### **3. Scope of the Sustainability Risk Policy**

The Sustainability Risk Policy applies to the Company and to any alternative investment funds under the management of the Company (the “**funds under management**”).

The employees of the Company (both the persons involved in the function of collective management and the persons, who are involved in the provision of investment advice under MiFID II) are expected to read, understand and acknowledge the content of the Sustainability Risk Policy.

### **4. Purpose and approach**

Through the Sustainability Risk Policy, the Company seeks to provide:

- i) information on the processes, which underpin the Company’s practices in managing sustainability risks; and
- ii) a broad framework for our approach to sustainability risks integration through our investment businesses.

Currently, our main approach to integrating sustainability risks into our investment decision making process and investment advice is to ensure that the services that the Company provides, and its operations do not result in unacceptable impacts on the environment and the society.

### **5. Our obligation**

Under the SFDR, the Company qualifies as both:

- (i) a *financial market participant* (due to its authorisation to operate as an Alternative Investment Fund Manager); and

(ii) a *financial adviser* (due to its authorisation for provision of investment advice under MiFID II).

Therefore, due to the licences held by the Company and due to its functions, the Company understands and acknowledges that it is obliged to comply with the SFDR and with all the applicable sustainability-related disclosure requirements that apply to both kind of entities.

## **6. Roles and Responsibilities**

The senior management and Board of Directors of the Company are responsible for integrating sustainability risks in the Company's investment decision-making process and in its investment advice and monitoring the identified risks.

Accountability for this work extends throughout the employees of the Company, who are supported and advised by experts, who work together for the achievement of strong outcomes that benefit the environment and society and the operations of the Company.

The Risk Manager, following consultation by the Investment Committee of the Company, is responsible for managing ESG issues and sustainability risks when they arise.

The Company's internal audit function, as part of its audit activities, addresses the appropriate handling of sustainability risks and 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 in the Company's investment decision-making process and investment advice.

All breaches of the Sustainability Risk Policy must be escalated immediately to the Head of Risk Management and Head of Regulatory Compliance.

## **7. Our Commitment**

The Company focuses on embedding ESG characteristics in all aspects of its business as well as integrating them within the Company's core values.

The Company is also committed to sustainable investing by making efforts in:

❖ Seeking to **achieve a balance of economic, social and environmental considerations** by:

- Following good international and EU practices on managing and mitigating environmental and social risks.
- Acting in compliance with any applicable laws, EU regulations and promoting compliance of the funds under management with such applicable legislation and regulatory framework.

❖ **Incorporating several ESG considerations** (as outlined in Section 2 above) into:

- our investment decision-making process,
- investment advice provided to clients under MiFID II,
- remuneration policies and procedures (both in relation to our collective management functions and MiFID II services) and
- other practices, where relevant from time to time.

❖ **Assuring quality**, when launching new and/or revised products and services and working proactively to strengthen the ability of the Company to prevent and/or manage sustainability risks.

❖ Engaging with investors and client, as applicable, and supporting them in **moving towards good practices** as regards sustainable development.

❖ **Advancing consistent and thoughtful responsible investment processes in the financial industry** by collaborating with industry peers, standard-setting organizations, and other stakeholders. It is our policy to perform checks to ensure that any stakeholders (i.e., potential investors, potential services providers) are not subject to any adverse media.

## **8. Managing sustainability risks**

At this stage, the Company implements an ESG management system which, amongst others, aims to mitigate adverse media, to the extent possible, in relation to any financial product that it manages and/or for financial products for which the Company provides investment advice.

Sustainability risks are identified and assessed by the risk management team in terms of materiality and the potential impact on financial returns.

Means of monitoring the sustainability risks include:

- a) Screening and reviewing financial products to determine whether any critical ESG or reputational concerns are identified,

- b) Documenting conclusions about the materiality of sustainability risks and factors in relation to investment decisions,
- c) Reviewing consideration of sustainability risks in financial products on an ongoing basis, and at least annually, throughout the investment period and post-investment period.

The Company is thus committed to integrating considerations of such sustainability risks into the investment decision-making process and in the investment advice provided, as required by the SFDR.

Should the consideration of sustainability risks not be systematically integrated into the investment decision-making process for certain funds, this could be due to the fact the Company may believe that they are of limited relevance as a result of the particular asset class or strategy. Where this is the case, this will be disclosed in the fund documentation.

The rationale for the exclusion of particular funds from this Policy will be reviewed at least annually to ensure that the rationale for the exclusion remains appropriate given the evolving nature and availability of sustainable investments.

## **9. Principal Adverse Impacts**

The Company does not consider the principal adverse impacts (PAIs) of its investment decisions or of its investment advice on sustainability factors, as currently such considerations are deemed not relevant to its business decisions, taking due account of the size, the nature and scale of the activities and the types of financial products that the Company advises on.

Further information on PAIs may be found in the Company's disclosures on the Company's website.

## **10. Updating of the Sustainability Risk Policy**

The Sustainability Risk Policy will be reviewed and updated periodically, and at least annually, to ensure compliance with any emerging sustainability requirements or changes within the Company.

## **11. Final notes**

The present policy is developed for publishing on the Company's website, in line with SFDR provisions. Third parties or stakeholders have no right to rely on our policies, nor



do we accept any duty of care or liability in relation to our interpretation and application of them.

In particular, it is important to understand that, while we are expecting our funds under management, investors, clients, staff and associates to perform activities in line with these policies, we have no control over their actions, decisions and services.

If it comes to the attention of the Company's management that there is a diversion from the Sustainability Risk Policy, the Company will assess the situation and request immediate remedial actions to be taken.

We strive to achieve results in the implementation of these policies and to achieve further developments in the management of potential risks to people and to the environment.

To this effect, the Company maintains a dedicated sustainability section within each of its policies that details the Company's actions within each relevant framework – this includes, amongst others, the Risk Management Policy, the Investment Policy and the Corporate Governance Framework.