Zeal Asset Management Limited
(the "Company")

Disclosures for the EU Sustainable Finance Disclosure Regulation (SFDR)

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This document sets out certain disclosures by Zeal Asset Management Limited (the "Investment Manager") for the purposes of compliance with Articles 3, 4 and 5 of SFDR in relation to certain funds which are registered or notified under AIFMD national private placement regimes in certain EU and EEA jurisdictions (the "Funds").

1. No consideration of adverse impacts of investment decisions on sustainability factors

1.1 In connection with environmental, social and governance ("ESG") criteria, the Investment Manager is a signatory of the UN Principles for Responsible Investment (PRI) and adheres to their principles and standards. The Investment Manager has also implemented an Environmental, Social and Governance Policy, as further detailed in section 3, below.

1.2 The SFDR requires the Investment Manager to disclose whether, and if so how, it considers the principal adverse impacts ("PAIs") of its investment decisions on sustainability factors, in accordance with a specific regime outlined in SFDR, in relation to the Funds. The Investment Manager does not consider the principal adverse impacts of its investment decisions on sustainability factors (either generally or in relation to the Funds), as the investment objective and approach of each Fund in respect of which the Investment Manager has been appointed does not provide that such impacts be taken into account.

1.3 The Investment Manager will keep its decision not to comply with the PAI regime under regular review.

1.4 Notwithstanding the Investment Manager's decision not to comply with the PAI regime, as summarised in this document, the Investment Manager has implemented positive ESG-related initiatives and policies, as part of its overall commitment to ESG matters. For the avoidance of doubt, none of the following information is intended to suggest that the Investment Manager complies with the PAI regime.

2. Summary of the Investment Manager's Environmental, Social and Governance Policy

2.1 The Investment Manager has implemented an Environmental, Social and Governance Policy (the "Policy"), which sets out the Investment Manager's policies in respect of the integration of sustainability risks in its investment decision-making process. This following section is a summary description of the key features of the Policy.

2.2 Under 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 an investment. The Policy therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of its clients' investments.

2.3 With its Policy, the Investment Manager incorporates ESG factors into its investment process, with the aim of creating long-term value for investors. As part of its broader risk management processes when investing, the Investment Manager uses a range of tools to identify, measure, manage and monitor ESG risks, from internal financial analysis to constructive engagement with target companies, or use of external service providers' ESG scoring / rating systems. An ESG Committee sits under the Risk Management Committee and meets quarterly to review each Fund's holdings in companies raising ESG issues.

[1] Regulation (EU) No 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, replaced, recast, restated or applied from time to time.

2.4 While the Investment Manager's portfolio managers and analysts are provided with information on sustainability risks, and are encouraged to take sustainability risks into account when making an investment decision in light of the provisions of the Policy, sustainability risk would not by itself prevent the Investment Manager from making any investment. Instead, sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk.

3. Impact of sustainability risks on returns

3.1 The Investment Manager has assessed the impact of sustainability risks on the returns of the Funds (and other financial products managed by the Investment Manager), and sets out in this section of the document a qualitative summary of those risks.

3.2 Assessment of sustainability risks is complex and requires subjective judgements, which may be based on data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that the Investment Manager will correctly assess the impact of sustainability risks on the relevant Fund's investments.

3.3 To the extent that a sustainability risk occurs, or occurs in a manner that is not anticipated by the Investment Manager there may be a sudden, material negative impact on the value of an investment, and hence on the returns of the relevant Fund. Such negative impact may result in an entire loss of value of the relevant investment(s) and may have an equivalent negative impact on the returns of the relevant Fund.

3.4 The impacts following the occurrence of a sustainability risk may be numerous and vary depending on the specific risk and asset class. In general, where a sustainability risk occurs in respect of an asset, there will be a negative impact on, and may be an entire loss of, its value. For a corporate, this may be because of damage to its reputation with a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. A corporate may also suffer the impact of fines and other regulatory sanctions. The time and resources of the corporate's management team may be diverted from furthering its business and be absorbed seeking to deal with the sustainability risk, including changes to business practices and dealing with investigations and litigation. Sustainability risks may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by businesses to which a Fund is exposed may also be adversely impacted by a sustainability risk.

3.5 Sustainability risks are relevant as both standalone risks, and also as cross-cutting risks which manifest through many other risk types which are relevant to the assets of a Fund. For example, the occurrence of a sustainability risk can give rise to financial and business risk, including though a negative impact on the credit worthiness of other businesses. The increasing importance given to sustainability considerations by both businesses and consumers means that the occurrence of a sustainability risk may result in significant reputational damage to affected businesses. The occurrence of a sustainability risk may also give rise to enforcement risk by governments and regulators, and also litigation risk.

3.6 A sustainability risk may arise and impact a specific investment or may have a broader impact on an economic sector, geographical regions and/or jurisdictions and political regions.

3.7 Many economic sectors, regions and/or jurisdictions, including those in which the Funds may invest, are currently and/or in the future may be, subject to a general transition to a greener, lower carbon and less polluting economic model. Drivers of this transition include governmental and/or regulatory intervention, evolving consumer preferences and/or the influence of non-governmental organisations and special interest groups.

3.8 Laws, regulations and industry norms play a significant role in controlling the impact on sustainability factors of many industries, particularly in respect of environmental and social factors. Any changes in such measures, such as increasingly stringent environmental or health and safety laws, can have a material impact on the operations, costs and profitability of businesses. Further, businesses which are in compliance with current measures may suffer claims, penalties and other liabilities in respect of alleged prior failings. Any of the foregoing may result in a material loss in value of an investment linked to such businesses.

3.9 Further, certain industries face considerable scrutiny from regulatory authorities, non-governmental organisations and special interest groups in respect of their impact on sustainability factors, such as compliance with minimum wage or living wage requirements and working conditions for personnel in the supply chain. The influence of such authorities, organizations and groups along with the public attention they may bring can cause affected industries to make material changes to their business practices which can increase costs and result in a material negative impact on the profitability of businesses. Such external influence can also materially impact the consumer demand for a business's products and services which may result in a material loss in value of an investment linked to such businesses.

3.10 Sectors, regions, businesses and technologies which are carbon-intensive, higher polluting or otherwise cause a material adverse impact on sustainability factors may suffer from a significant fall in demand and/or obsolescence, resulting in stranded assets the value of which is significantly reduced or entirely lost ahead of their anticipated useful life. Attempts by sectors, regions, businesses and technologies to adapt so as to reduce their impact on sustainability factors may not be successful, may result in significant costs being incurred, and future ongoing profitability may be materially reduced.

3.11 In the event that a sustainability risk arises this may cause investors, including the Investment Manager in respect of a Fund, to determine that a particular investment is no longer suitable and to divest of it (or not make an investment in it), further exacerbating the downward pressure on the value of the investment.

3.12 In addition to the above, a description of certain other sustainability risks identified by the Investment Manager as being potentially relevant to the investments made by a Fund and hence its returns, is set out below. This description is not exhaustive.

(i) <u>Environmental</u>

3.13 Environmental risks are associated with environmental events or conditions and their effect on the value of assets to which the Funds may have exposure. Such risks may arise in respect of a company itself, its affiliates or in its supply chain and/or apply to a particular economic sector, geographical or political region. Environmental risks include:

(A) **Climate change:** risks arising from climate change, including the occurrence of extreme weather events (for example major droughts, floods, or storms) may adversely impact the operations, revenue and expenses of certain industries and may result in physical loss or damage of, or otherwise loss in value of, assets, and in particular physical assets such as real estate and infrastructure. Global warming may result in extreme heat waves, increased localised or widespread flooding and rising sea levels, compromising infrastructure, agriculture and ecosystems, increasing operational risk and the cost of insurance, which may affect the utility and value of investments. To the extent that companies in which a Fund invests have historically contributed to climate change, they could face enforcement action by regulators and/or be subject to fines or other sanctions. The likelihood and extent of any such action might be unknown at the time of investment.

(B) **Natural resources:** the relationship between businesses and natural resources is becoming increasingly important due to the scarcity of fresh water, loss of biodiversity and risks arising from land use. Water is critical to agricultural, industrial, domestic, energy generation, recreational and environmental activities. Reduced supply or allocation of water and/or increased cost in supply and controls over its use may adversely impact the operations, revenue and expenses of certain industries in which a Fund may invest. Biodiversity underpins ecosystem services such as food, clean water, genetic resources, flood protection, nutrient cycling and climate regulation. A continued loss of biodiversity may adversely affect the operations, revenue and expenses of certain industries in which a Fund may invest, such as land users and marine industries, agriculture, the extractives industries (cement and aggregates, oil, gas and mining) forestry and tourism. Land use and land use management practices have a major impact on natural resources. In particular, industries dependant on commodities linked to deforestation such as soy, palm oil, cattle and timber may suffer an adverse impact on their operations, revenue and expenses as a result of measures taken to manage land use.

(C) **Pollution and waste:** pollution adversely affects the environment and may for example, result in negative impact on human health, damage to ecosystems and biodiversity and reduced crop harvests. Measures introduced by governments or regulators to transition to a low-carbon economy and more broadly reduce pollution and control and reduce waste may adversely impact the operations, revenue and expenses of industries in which a Fund may invest. Technologies linked to environmentally harmful materials or practices may become obsolete, resulting in a decrease in value of investments.

(ii) <u>Social</u>

3.14 Social risks may be internal or external to a business and are associated with employees, local communities and customers of companies in which a Fund may invest or otherwise have exposure. Social risks also relate to the vulnerability of a business to, and its ability to take advantage of, broader social “megatrends”. Such risks may arise in respect of the company itself, its affiliates or in its supply chain. Social risks include:

(A) **Internal social factors:** human capital considerations such as human rights violations, lack of access to clean water, food and sanitary living environment, human trafficking, modern slavery / forced labour, inadequate health and safety, discrimination, breaches of employee rights and use of child labour which may, in particular, give rise to negative consumer sentiment, fines and other regulatory sanctions and/or investigations and litigation. The profitability of a business reliant on adverse treatment of human capital may appear materially higher than if appropriate practices were followed.

(B) **External social factors:** for example, restrictions on or abuse of the rights of consumers including consumer personal data, management of product safety, quality and liability, relationships with and infringements of rights of local communities and indigenous populations may, in particular, give rise to negative consumer sentiment, fines and other regulatory sanctions and/or investigations and litigation.

(C) **Social “megatrends”:** trends such as globalisation, automation and the use of artificial intelligence in manufacturing and service sectors, inequality and wealth creation, digital disruption and social media, changes to work, leisure time and education, changes to family structures and individual rights and responsibilities of family members, changing demographics including though health and longevity and urbanisation are all examples of social trends that can have a material impact on businesses, sectors, geographical regions and the vulnerability and inability to adapt or take advantage of such trends may result in a material negative impact on a Fund's investments.

(iii) <u>Governance</u>

3.15 Governance risks are associated with the quality, effectiveness and process for the oversight of day to day management of companies in which a Fund may invest or otherwise have exposure. Such risks may arise in respect of the company itself, its affiliates or in its supply chain. These risks include:

(A) **Lack of diversity at board or governing body level:** the absence of a diverse and relevant skillset within a board or governing body may result in less well-informed decisions being made without appropriate debate and an increased risk of "group think". Further, the absence of an independent chairperson of the board, particularly where such role is combined with the role of chief executive officer, may lead to a concentration of powers and hamper the board's ability to exercise its oversight responsibilities, challenge and discuss strategic planning and performance, input on issues such as succession planning and executive remuneration and otherwise set the board's agenda.

(B) **Inadequate external or internal audit:** ineffective or otherwise inadequate internal and external audit functions may increase the likelihood that fraud and other issues within a company are not detected and/or that material information used as part of a company's valuation and/or the Investment Manager's investment decision making is inaccurate.

(C) **Infringement or curtailment of rights of (minority) shareholders:** the extent to which rights of shareholders, and in particular minority shareholders (which may include a Fund) are appropriately respected within a company's formal decision making process may have an impact on the extent to which the company is managed in the best interest of its shareholders as a whole (rather than, for example, a small number of dominant shareholders) and therefore the value of an investment in it.

(D) **Bribery and corruption:** the effectiveness of a company's controls to detect and prevent bribery and corruption both within the company and its governing body and also its suppliers, contractors and sub-contractors may have an impact on the extent to which a company is operated in furtherance of its business objectives.

(E) **Lack of scrutiny of executive pay:** failure to align levels of executive pay with performance and long-term corporate strategy in order to protect and create value may result in executives failing to act in the long-term interest of the company.

(F) **Poor safeguards on personal data / IT security (of employees and/or customers):** the effectiveness of measures taken to protect personal data of employees and customers and, more broadly, IT and cyber security will affect a company's susceptibility to inadvertent data breaches and its resilience to "hacking".

(G) **The absence of appropriate and effective safeguards for employment related risks:** discriminatory employment practices, workplace harassment, discrimination and bullying, respect for rights of collective bargaining or trade unions, the health and safety of the workforce, protection for whistleblowers and non-compliance with minimum wage or (where appropriate) living wage requirements may ultimately reduce the talent pool available to the company, the wellbeing, productivity and overall quality of its workforce and may lead to increased employment and other business costs.

4. Transparency of remuneration policies in relation to the integration of sustainability risks

When determining the compensation awards in respect of relevant personnel, the Investment Manager holistically assesses compliance with all the firm's policies and procedures, including compliance with the Investment Manager's policy on the integration of sustainability risk.