SFDR Website Product Disclosure

East Capital China A-Shares
Article 8

Summary

This Sustainability Related Disclosure concerns East Capital China A-Shares ("the Fund"). It is prepared in accordance with Regulation (EU) 2019/2088 on Sustainability Related Disclosures in the Finance Sector ("the SFDR"). This Disclosure is updated as of 31 December 2022. The following text is a summary of the information contained in the different sections of the disclosure.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have sustainable investment as its objective.

We ensure that investments do not cause significant harm through our proprietary Red Flag Analysis (including consideration of Principal Adverse Impact indicators), norms-based (controversy) screening, and sector-based screening, which are all part of the "Three-Step-Test" for defining sustainable investments.

Environmental or social characteristics of the financial product

Examples of environmental characteristics promoted by this Fund include the reduction of greenhouse gas emissions and the transition to a Net Zero economy, improved energy efficiency and increased use of renewable energy sources. Examples of social characteristics promoted by this Fund are the reduction of inequalities, providing healthcare services and improving access to affordable communications technologies.

Investment strategy

The investment objective of the Fund is to achieve long-term capital growth through active management of high value and high-quality public equities. Aside from stock picking, active ownership is also used to drive ESG improvements in portfolio holdings

Proportion of investments

A minimum proportion of 10% of total investments are classified as sustainable investments, as defined by the SFDR. We have several tools for ensuring minimum environmental or social safeguards for all investments.

Monitoring of environmental or social characteristics

Following investment, we monitor how our holdings are promoting environmental and/or social characteristics by updating our proprietary ESG tools when new information has come to the attention of the investment team, for example when a company updates its sustainability disclosures, when there are news about the company or when we have company meetings.

Methodologies

Proprietary tools, such as our ESG Scorecards and our Red Flag Analysis, in combination with sector-based exclusions, and a norms-based (controversy) screening from an external service provider, are used to test whether investments are sustainable in the meaning of Article 2(17) of Regulation (EU) 2019/2088. This "Three-Step-Test" is outlined in detail in the section about the investment strategy.

Data sources and processing

We use a variety of data sources, including company reports and other ESG related disclosures, as well as external data sources. We process data by adding it to our proprietary ESG tools. We try to avoid using estimated data. For example, with regard to alignment with the UN SDGs, if there is no data available, we will not give companies “the benefit of the doubt” by attributing positive impact.

Limitations to methodologies and data

Given the market context, we do not always have the full information set that we require regarding how companies impact our sustainable investment objective. Where data is not available, we will ask companies and/or endeavour to make our own assessment on impacts through a variety of sources (including other stakeholders, peer companies, and local news).

Due diligence

As fundamental public equity investors, we do extensive research on companies prior to investment. The sustainability aspects of the companies are assessed using our proprietary ESG tools, which are calibrated with and reviewed by our ESG team. We also use a norms-based screening from an external service provider. The Management and Board of Directors receive risk reports on a quarterly basis which include sustainability risks.

Engagement policies

There are several issues that we address as owners, including but not limited to: equitable treatment of all shareholders, compliance with international conventions and norms, board and management quality, capital issues, communication and disclosure practices, reporting and auditing, environmental and social risks and opportunities, and unethical business practices. We aim to be constructive and supportive in our dialogue with portfolio holdings. We have an Active Ownership Policy - part of our ESG Policy, available on our website, which clearly sets out our approach towards active ownership.

Designated reference benchmark

No specific index has been designated as a reference benchmark for the purpose of attaining environmental or social characteristics.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have sustainable investment as its objective.

No significant harm

We ensure that investments do not cause significant harm through our proprietary Red Flag analysis, norms-based (controversy) screening, and sector-based screening, which are all part of the "Three-Step-Test" for defining sustainable investments. This Test, including its environmental and social safeguards, is described in detail in the section below about our investment strategy.

Indicators for adverse impacts

The Fund considers principal adverse impacts (PAI) on sustainability factors. Indicators for adverse impacts are included in our norms-based screening that is provided by an external service provider, in our Red Flag Analysis, and in our ESG Scorecards.

The Red Flag Analysis consists of a set of questions which we deem to be crucial to consider for ensuring that investments do not cause significant harm. The questions are related to corporate governance, ethics, and corruption, and also covers international norms and standards, as well as severe and/or systematic environmental or social controversies. We have introduced one question specifically addressing the Principal Adverse Impact (PAI) indicators, which are outlined in Annex I of Regulation (EU) 2019/2088. In order to assess PAI indicators, the investment team uses a tool from an external service provider that compares the PAI indicators for each company with a range of peer companies. These in-house assessments are done by analysts and portfolio managers, but may also be discussed and/or verified with our ESG function to ensure that PAI indicators are sufficiently considered. The key adverse indicators for the portfolio holdings are periodically reviewed, and any potential outliers will be identified and discussed. Given our market context, not all Principal Adverse Impact Indicators are available for each company, though we make best efforts in order to ensure there are no unacceptably high risks of causing significant harm.

International norms and standards

As part of the controversy (norms-based) screening, companies are assessed in terms of compliance with international norms, standards and underlying conventions. The controversy (norms-based) screening is intended to capture severe, systemic and structural violations of international norms as enshrined by the UN Global Compact Principles. The assessments are underpinned by references to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions.

Upon new investment, the analysts shall check and confirm the status of the new holding in regard to norms and controversies. The ESG function reviews the compliance of the Fund portfolio quarterly; this process highlights any company identified on the Watchlist or assessed as Non-Compliant. The review process is based on the results in the norms-based screening, information that has been publicly disclosed by issuers, as well as other relevant information that may have come to our attention at the time of the review.

According to the "Three-Step-Test", holdings that are classified as sustainable investments must not be assessed as Non-Compliant in the screening.

Environmental or social characteristics of the financial product

We believe that long-term returns benefit from considering relevant and material risks and opportunities related to ESG factors. While the Fund does not have a sustainable investment objective, the Fund seeks to promote environmental or social characteristics, or a combination of those, provided that the companies in which the investments are made follow good governance practices.

Examples of environmental characteristics promoted by this Fund include the reduction of greenhouse gas emissions and the transition to a Net Zero economy, improved energy efficiency and increased use of renewable energy sources. Examples of social characteristics promoted by this Fund are the reduction of inequalities, providing healthcare services and improving access to affordable communications technologies.

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

Objectives of the sustainable investments

The objectives of the sustainable investments that the Fund partially intends to make include:

- *environmental objectives,* including improved energy efficiency, increased use of renewable energy, reduced greenhouse gas emissions, and the promotion of a circular economy, as outlined in in Article 2(17) of Regulation (EU) 2019/2088,
- *social objectives,* including tackling inequality as outlined in Article 2(17) of Regulation (EU) 2019/2088,
- *other environmental and social objectives,* as outlined in the UN's Sustainable Development Goals (SDGs).

The sustainable investments contribute to the environmental and social objectives by directly addressing any of the objectives in their operations, by enabling such activities through their goods and services, or by themselves being part of the transition through changing their practices and policies (for example, by reducing greenhouse gas emissions).

Investment strategy

Investment criteria

The investment objective of the Fund is to achieve long-term capital growth through active management of listed equities. Aside from stock picking, active ownership is also used to drive ESG improvements in the company that will lead to the re-rating of the company's equities and therefore capital growth.

The Fund applies East Capital's Six Criteria to ensure the Fund has a quality/growth tilt whilst remaining focused on reasonable valuations. East Capital's Six Criteria involve assessing companies on (1) access to structural growth, (2) long term competitive position and strong management, (3) strong FCF or highly profitable investments, (4) areas where there is difference from consensus, (5) reasonable valuation or significant upside, and (6) high East Capital ESG Score.

Investment Process

In the first step, the investment universe is screened by market cap, liquidity filters and free float percentages. This creates an investable universe. This step is crucial in funneling down the universe to a sub-sample that the analysts focus their fundamental research on, especially since the Fund is index and sector agnostic in idea generation.

In the following step, the focus list is further narrowed based on East Capital's Six Criteria. Proprietary research is performed on revenue drivers, cost drivers, competitive strength, financial capabilities, management and on ESG factors such as ownership, management, placements, dividends, extraordinary events, accounting, audit, environmental and social factors, corruption, and ethical issues. Company meetings are an integral part of this step to support and complement the fundamental analysis.

Portfolio Construction

The portfolio weights are set based on level of conviction with final weights determined relative to benchmark with consideration to the overall portfolio positioning. Active underweight and overweight positions reflect the level of conviction on how the stock is expected to perform. Key Active Overweight Positions are the primary positions in the portfolio that determine most of the alpha generation. These positions are typically high conviction names with significant upside, high quality, strong management and owners, and high ESG standards.

Binding elements

At the initial stage of the investment process, ESG exclusion criteria are used, specifically investments are not made (or considered to be made) in companies that derive >5% of their revenues from weapons, tobacco, commercial gambling, or pornography industries. The threshold is 0% for unconventional weapons. At the fundamental research level, the Fund does not invest in companies that have more than 3 Red Flags in our Red Flag Analysis. Finally, the Fund is committed to have a minimum proportion of 10% sustainable investments.

To be classified as a sustainable investment, i.e., an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices, as outlined in Article 2(17) of Regulation (EU) 2019/2088, a company must satisfy all of the following criteria:

East Capital Group's Three-Step-Test for Sustainable Investments	
Step 1: ***Contribution to E and/or S***	>60% scores in the E and S sections of the ESG scorecard, which includes sustainability indicators and other information related to E and S objectives
Step 2: ***No significant harm to E or S***	No Red Flag related to environmental or social issues AND

	Compliant in controversy (norms-based) screening and in sector-based screening[1]
Step 3: ***Good governance practices***	>60% score in the G section of the ESG scorecard, which includes questions related to sound management structures, employee relations, remuneration of staff, and tax compliance AND No more than 2 Red Flags related to governance issues

The environmental and social sections of the ESG Scorecard consider how well a company manages the material environmental and social risks and opportunities it is exposed to. It contains specific questions on key areas such as biodiversity, climate change, water usage, supply chain management, and labour rights. As such, if the company scores >60% in both of these sections, it is considered as contributing to the relevant environmental and/or social characteristics through effective management of such risks or opportunities.

Good governance practices

Good governance practices of the investee companies are assessed in the Red Flag Analysis, which includes questions on management structures, accounting standards, audit quality, social factors, and tax compliance. In addition, the proprietary ESG Scorecard is used to assess good governance practices at an even more granular level. The Scorecard's Governance section contains 40 questions on topics such as capital allocation, board and management structure, and transparency. The Red Flag Analysis and the ESG Scorecards are filled in by analysts and portfolio managers; they are also reviewed by and regularly discussed with the ESG team.

[1] The **norms-based screening** captures severe, systemic and structural violations of international norms as enshrined by the UN Global Compact Principles. Assessments are underpinned by references to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions.
The **excluded sectors** are, for the purpose of this Test: weapons, tobacco, pornography, gambling, alcohol, and fossil fuels.

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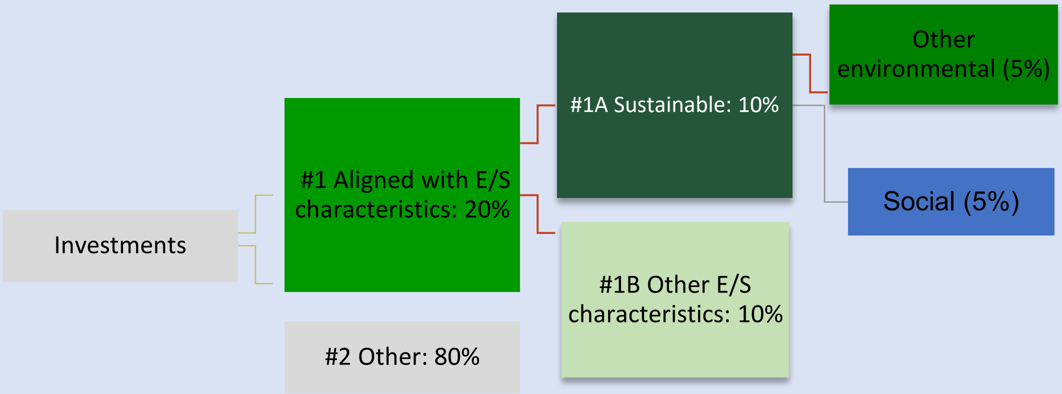
Proportion of investments

***#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.*

***#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.*

*The category **#1 Aligned with E/S characteristics** covers:*
*- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.*
*- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.*



Investments classified as "Sustainable"

While the Fund does not have making sustainable investments as its objective, the Fund seeks to promote environmental or social characteristics, or a combination of those, provided that the companies in which the investments are made follow good governance practices. As such, a minimum proportion of 10% of total investments are classified as "Sustainable" in the "Three-Step-Test", in accordance with the binding elements of the investment strategy.

We strive for a balanced distribution between environmental and social objectives for sustainable investments, since the UN SDGs address both kinds of factors, and it is believed that both environmental and social characteristics must be promoted in order to achieve long term sustainable development. As such, the minimum proportion of investments that promote environmental or social characteristics, respectively, is 5%.

The Fund only has direct exposures in investee entities.

Investments classified as "Other E/S Characteristics"

Investments categorised as "Other E/S characteristics" are defined as investments in companies which do not currently meet one or several of the criteria for sustainable investments although it is believed that the company has a reasonable chance of meeting some or all of these in the future. This is in part due to the engagement efforts of investors such as us. We believe that the active ownership efforts on behalf of the Fund can help to generate positive impact on ESG related objectives, for example by reduced carbon emissions, improved production processes, waste management and labour safety practices, and more transparent and accountable corporate governance.

Investments classified as “Other”

Up to 80% of investments could be classified as “Other”. Cash positions, necessary for ancillary liquidity, are included under “Other” in the planned asset allocation for the Fund. We will also consider investments that do not classify as sustainable investments or as aligned with E/S characteristics, where there is a very compelling investment rationale to do so. We do consider various ESG related risks that such companies will be exposed to and favour companies that manage such risks well.

Minimum safeguards

There are several tools for ensuring minimum environmental or social safeguards for all investments, including:

- As stated in the section on binding elements of the investment strategy, no investments will be made into certain sectors, and we do not invest in a company that has more than 3 Red Flags in the Red Flag Analysis.

- In addition to the controversy (norms-based) screening done for each company prior to investment, the portfolio is screened quarterly; companies appearing on the Watchlist or with Non-Compliant status are highlighted, and all Non-Compliant companies require engagement.

- For all companies identified as ESG laggards[2], rationales for why they are held in the portfolio are documented and presented to the Investment Committee on a quarterly basis.

Monitoring of environmental or social characteristics

Following investment, we monitor how our holdings (and hence the Fund) are promoting environmental and/or social characteristics by updating our proprietary ESG tools (the Red Flag Analysis including PAI indicators, and the ESG Scorecard) when new information has come to the attention of the investment team, for example when a company updates its sustainability disclosures, when there are news about the company or when we have company meetings.

The portfolio is annually reviewed by the investment management team to confirm compliance with the sector-based and norms-based screening criteria. The portfolio is also reviewed quarterly by the ESG team, and the results are reported to the Board and to the Investment Committee. The quarterly review includes measurements of the proportion of sustainable investments and the proportion of investments that are aligned with other environmental or social characteristics, as to ensure compliance with the minimum proportion of sustainable investments.

[2] **The following guidelines apply for identifying ESG laggards:** For *Key Active Positions* (KAPs), a maximum of 2 Red Flags; and a minimum overall ESG score of 70, unless a specific reason to accept higher ESG risk is warranted, accepted and documented. For *other positions*, a maximum of 3 Red Flags, unless a specific reason to accept higher ESG risk is warranted, accepted and documented; and a minimum overall ESG score of 60, unless a specific reason to accept higher ESG risk is warranted, accepted and documented.

Methodologies for environmental or social characteristics

To structure the review of relevant and material ESG risks and opportunities, as well as to measure how the environmental and social characteristics promoted by the Fund are met, we have developed an ESG Scorecard which comprises a Red Flag Analysis and additional ESG related questions, some of which consider the principal adverse impacts (PAI) indicators. The Scorecard also has an SDG module to assess revenue alignment with the UN's Sustainable Development Goals.

The Red Flag Analysis consists of a set of questions which we deem to be crucial to consider for ensuring that investments do not cause significant harm. The questions are related to corporate governance, ethics, and corruption, and also covers international norms and standards, as well as severe and/or systematic environmental or social controversies. We have introduced one question specifically addressing the Principal Adverse Impact (PAI) indicators, as outlined in Annex I of Regulation (EU) 2019/2088. In order to assess the PAI indicators, we use a tool from an external service provider that compares the PAI indicators for each company with a range of peer companies.

The sustainability indicators in the ESG Scorecard address, for example, disclosure according to relevant standards and support for key initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD), CDP, the Sustainability Accounting Standards Board (SASB), the UN Global Compact and the Science Based Targets initiative (SBTi); understanding and management of environmental risks and opportunities (among others, ESG competence at board level, relevant policies, and value chain management); support for social, employee and human rights; revenue exposure to the UN SDGs; and corporate governance indicators (among others, capital allocation, board quality, auditor tenure, management structures, employee relations, remuneration of staff and tax compliance).

The Red Flag Analyses and the Scorecards are filled in by research analysts, portfolio managers and portfolio advisors. This helps ensure that the entire investment team integrates relevant and material risks and opportunities in their fundamental analysis, providing a holistic analysis of company quality and assessing the company's environmental and social contributions.

Proprietary tools, in combination with a norms-based (controversy) screening from an external service provider, are used to test whether investments are sustainable in the meaning of Article 2(17) of Regulation (EU) 2019/2088.[3] This so-called "Three-Step-Test" is outlined in detail in the section about the investment strategy of this disclosure.

[3] **Sustainable investment**, as defined in Article 2(17) in Regulation (EU) 2019/2088, means 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 labour 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.

Data sources and processing

We use a variety of data sources, including company reports and other ESG related disclosures, as well as external data sources such as Bloomberg and Refinitiv. We also receive information by having calls with company representatives and doing company visits.

We process data by adding it to our proprietary ESG tools, as discussed above. In terms of data quality, we have a strong preference for audited sustainability data, although we accept that this is not always provided. Our way of combining external providers' data with our own in-house research and on-the-ground presence also contributes to ensuring data quality.

We try to avoid using estimated data. Since our sustainability and impact analysis are mainly based on primary data sources rather than estimates, which are only used given that certain conditions are fulfilled (described above), the proportion of estimated data is 0%.

Limitations to methodologies and data

Given the gaps in companies' ESG related disclosures, we do not always have the full information set that we require regarding how companies impact our sustainable investment objective. Although company disclosure is rapidly improving, the lack of data is an important limitation to our methodologies outlined above.

Where data are not available, we will ask companies and/or endeavour to make our own assessment on impacts through a variety of sources (including other stakeholders, peer companies, and local news). We do not believe this negatively impacts the attainment of the sustainable investment objective, because we always take a conversative approach with estimations, i.e., we will not give companies the benefit of the doubt in any circumstance.

Due diligence

As fundamental public equity investors, we do extensive research on companies prior to investment. The sustainability aspects of the companies are assessed using our proprietary tools, as discussed above. Since start, we have travelled extensively to meet companies, recognising the importance of local awareness and on-the-ground presence in the investment process.

We apply a norms-based screening from an external service provider prior to investment, to ensure that the underlying holdings comply with international norms, standards, and underlying conventions, with regards to human rights, labour rights, the environment, and business ethics. On a quarterly basis, we check that our sector exclusion criteria are not breached by any holding; on an annual basis, the investment management team reviews and confirms the compliance with the exclusion criteria.

The ESG Scorecard and sustainability related research is completed by the analyst or portfolio manager covering the stock, however, the Scorecard will also be reviewed by the ESG team (typically the Chief Sustainability Officer), to ensure consistency and robustness of the research. The Scorecards are annually updated.

Furthermore, the Management and Board of Directors will receive risk reports on a quarterly basis with the inclusion of sustainability risks. Internal and external ESG research data is used for regular monitoring of sustainability risk, both on fund level and company level. Any material findings are being reported in the risk report provided to the Management and Board of Directors

Engagement policies

We consider good corporate governance as well as environmentally and socially responsible behaviour as essential in managing a company with the aim of maximising long-term shareholder value.

There are several issues that we address as owners, including but not limited to: equitable treatment of all shareholders, compliance with international conventions and norms, board and management quality, capital issues, communication and disclosure practices, reporting and auditing, environmental and social risks and opportunities, and unethical business practices.

When we have identified relevant areas of improvement on specific ESG issues or if we believe that a portfolio company has not met our expectations as owners, including in the case of sustainability-related controversies, we will evaluate if it is suitable for us as investors to initiate an engagement process where we seek to encourage and influence the company to make necessary improvements.

We aim to be constructive and supportive in our dialogue with the companies. Our experience has shown that engaging with the company, either directly or collectively with other owners, usually generates greater positive effects as opposed to immediately exiting our investment. If the company does not respond in an adequate manner or undertake the necessary changes, however, we may ultimately decide to divest our holding in the company.

We apply a range of methods to address ESG issues in our portfolio companies, including but not limited to:

- Face-to-face discussions with managements and boards in company visits,
- Letters addressed to the management of our portfolio companies, highlighting key issues of concern including explicit requests for additional information,
- Annual “CIO to CEO Letter” and “Letter from your new shareholder” upon addition to portfolio,
- Nomination or endorsement of independent board members,
- Voting in shareholders’ meetings,
- Dialogue with companies in conjunction with shareholders’ meetings,
- Collaboration with other shareholders and investor-led initiatives, and
- Providing our clients with various forums for interaction with local portfolio companies.

Engagement activities are communicated in relevant forums where applicable and in client due diligence requests in particular. For more information on our engagement policies, please see our [Active Ownership Policy, part of our ESG Policy].

Designated reference benchmark

No specific index has been designated as a reference benchmark for the purpose of attaining environmental or social characteristics.