

Environmental and Social Characteristics

The fund will invest at least 50% of its total assets in equities of companies that exhibit **positive or improving** environmental, social and governance (“ESG”) characteristics.

Screening Criteria

Companies the fund invests in are classified as either:

- “Green” – by exhibiting “**Positive**” or “**Improving**” ESG characteristics; or
- “Brown” – by not meeting the criteria illustrated below

The below tables illustrates the criteria used to classify companies

Company Classification		Quality Score*	Management Score*	ESG CoE Adjustment
Green	Positive ESG	Less than 2	Less than or equal 2.5	Less than or equal to 1%
Green	Improving ESG Characteristics	Less than 3	Less than or equal 2.5	Less than or equal to 1%
Green	Improving ESG Characteristics	3	Less than or equal 2.5	Less than 1%
Company Classification		Quality Score	Management Score	ESG CoE Adjustment
Brown	Brown	More than 3		
Brown	Brown		More than 2.5	
Brown	Brown			More than 1%

* (1= strong, 5 = weak).

Investments with a Quality Score of more than 3 or Management Score of more than 2.5 or ESG CoE adjustment of more than 1% will always be considered as “brown”.

The criteria we use to determine if a company exhibits positive or improving ESG characteristics are described below. A full explanation of the criteria can be found in our ESG Integration and Active Engagement policy, [here](#).

Quality Score

The Quality Score is a rating from 1 to 5 (*1 = strong, 5 = weak*), which is an expression of our evaluation of a company's:

- Franchise;
- Management; and
- Balance Sheet

Each of these categories is assessed under nine ESG topics – as below:

Franchise	Management	Balance Sheet
1. Employee satisfaction	4. Effectiveness of supervisory/management board	7. Environmental footprint
2. Resource intensity	5. Credibility of auditing arrangements	8. Societal impact of products/services
3. Traceability/security in supply chain	6. Transparency and accountability of management	9. Business ethics

Management Score

Three of the nine key topics (*4, 5 and 6*) focus specifically on assessing the company's management. The Management Score, which also carries a rating of 1 to 5 (*1 = strong, 5 = weak*), is an expression of our evaluation of the strength of the company's management and corporate governance.

Companies with sound management structures, diverse and accessible executive teams, and remuneration policies aligned with the long-term interests of minority shareholders would generally be assigned a stronger Management score.

ESG CoE Adjustment

Finally, each of the nine key topics outlined above are rated as one of the following:

- Exemplary
- Improving
- Not Improving
- Unfavourable

Each key topic is rating is equally weighted. The average of the nine assessments corresponds with an ESG discount or premium, which is added to the cost of equity (“CoE”). The CoE is the rate of return required from the company by the investment team. An Exemplary rating will result in an ESG reduction to the company’s CoE. Conversely, an Unfavourable or Not Improving rating will result in an ESG addition to the company’s CoE.

Guideline Monitoring

The fund is monitored on a daily basis to ensure it continues to meet the minimum threshold of 50%. Where the fund falls below this threshold, due to market movements or because the companies it holds no longer meet the criteria of a “green” investment, then the passive breach will be corrected at the earliest opportunity.

In addition, prior to each trade, we ensure that the trade will not lead to the fund falling below the 50% threshold and if so, the trade will be stopped and the fund manager notified

Data Sources

Our investment decisions are based on internal research, which encompass both our proprietary financial forecasts and ESG assessment. We aim to meet with all companies in which we seek to invest at least annually and discuss a range of topics including ESG issues with management. The investment professional responsible for evaluating and valuing the company is also responsible for its ESG assessment: this is an integral part of our analysis.

Use of external sources of research remains limited and are utilised to mainly understand market consensus and as one way to gather data. To supplement our own ESG research, our

team also has access to third-party resources such as Bloomberg ESG, MSCI ESG and Sustainalytics, which provide institutional investors with issuer-specific ESG data.

Sustainability Indicators

The percentage of the fund invested in companies that exhibit positive or improving ESG characteristics.

Reference Benchmark

The fund is not managed to a benchmark, however the Manager uses the MSCI All Country Asia ex-Japan (Total Net Return) Index to assess the fund's performance.

The index's constituents are not required to exhibit positive/improving ESG characteristics. The index calculation methodology can be found on MSCI's website [here](#).