

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means 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.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: East Capital China A-Shares

Legal entity identifier: 529900KED9WWE0DZQ174

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> Yes</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%</p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No</p> <p><input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments</p> <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with a social objective <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>



What environmental and/or social characteristics are promoted by this financial product?

The Investment Manager believes that long-term returns benefit from considering relevant and material risks and opportunities related to ESG factors. While the Sub-Fund does not have a sustainable investment objective, the Sub-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 Sub-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 Sub-Fund include providing healthcare services and improving access to financial services.

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

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

To structure the review of relevant and material ESG risks and opportunities, the Investment Manager has 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 (SDGs).

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 Analysis and the ESG 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 companies' 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) 2019/2088.¹ This so-called "Three-Step-Test" is outlined in detail in the section on binding elements of the investment strategy below.

¹ **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.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The objectives of the sustainable investments that the Sub-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 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, or by themselves being part of the transition through changing their practices and policies (for example, by reducing greenhouse gas emissions).

As a long-term investor, active ownership is also an important component of the investment process and of contributing to the Sub-Fund's sustainability related objectives. The Investment Manager believes that the active ownership on behalf of the Sub-Fund has a key role in implementing and enforcing improved ESG standards and strengthening the chain of accountability in portfolio companies through monitoring capacity and constructive engagement or in the worst case, through litigation or divestment of the portfolio company when it is deemed that an engagement has not resulted and will not result in the desired change. One important theme in the active ownership efforts on behalf of the Sub-Fund is ESG related strategy and disclosure, addressed in company dialogues and through participation in collaborative investor initiatives.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Investment Manager ensures that any other sustainable investments do not cause significant harm through the 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 about binding elements of the investment strategy.

The Red Flag Analysis consists of a set of questions which the Investment Manager deems 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

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standards, as well as severe and/or systematic environmental or social controversies. The Investment Manager has 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 the PAI indicators, the Investment Manager uses a tool from an external service provider that compares the PAI indicators for each company with a range of peer companies.

Given the market context, not all PAI Indicators are available for each company, though the Investment Manager makes best efforts in order to ensure there are no unacceptably high risks of causing environmental or social harm.

— — — *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Indicators for adverse impacts are included in the Management Company's and the Investment Manager's proprietary ESG Scorecards, which are completed by the Investment Manager and verified by the ESG function, and in the norms-based screening. Key adverse indicators for the portfolio holdings are periodically reviewed and will be discussed if there are any clear outliers. More information on how the Investment Manager considers principal adverse impacts (PAI) on sustainability factors is found in the section on PAI below.

— — — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

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 also verifies the compliance of the Sub-Fund portfolio quarterly, this process highlights any company identified on the Watchlist or assessed as Non-Compliant. This 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 the attention of the Investment Manager.

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

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

✘ Yes, the Sub-Fund considers principal adverse impacts (PAI) on sustainability factors.

The norms-based (controversy) screening, described above, covers PAI indicators such as: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises, or lack of processes and compliance mechanisms to monitor compliance with those regulations, and exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons).

Analysts and portfolio managers are responsible for considering PAI indicators when holistically assessing company quality and for answering the PAI-related question in the Red Flag Analysis. In case the PAI indicators are not available, analysts and portfolio managers are expected to make their best efforts to ensure that there are no unacceptably high risks related to principal adverse impacts on sustainability factors. Analyses are done for all companies prior to investment.

In addition to this, PAI consideration is necessary for filling in the Investment Manager’s proprietary ESG Scorecards. The ESG Scorecard questions address PAI indicators such as: indicators on GHG emissions and intensity, exposure to the fossil fuel sector, activities negatively affecting biodiversity sensitive areas, deforestation, board gender diversity, and social and employee matters. Analysts and portfolio managers fill in the scorecards, which are thereafter calibrated and discussed with the ESG function to ensure that PAI indicators are sufficiently considered and that any potential outliers are discussed. Scorecards are updated on an annual basis.

Following the requirements of Regulation (EU) 2019/2088, and the information to be disclosed pursuant to Article 11(2) of that Regulation, the information on principal adverse impacts on sustainability factors will be published in the Annual Report referred to in Article 69 of Directive 2009/65/EC in line with regulatory requirements.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

■ No



What investment strategy does this financial product follow?

The investment objective of the Sub-Fund is to achieve long-term capital appreciation and to outperform competitors over a market cycle by picking high quality companies with clear selection criteria in the People's Republic of China. Aside from stock picking, company engagements are also used to drive ESG improvements in companies that will lead to the re-rating of companies' equities and therefore capital growth.

The Sub-Fund applies East Capital's Six Criteria to identify high quality investment opportunities. 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 Sub-Fund is index and sector agnostic in idea generation.

In the following step, the focus list 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 Positions (overweight) are the key positions in the portfolio that determine typically more than half of the year-end alpha. These positions are backed by a strong conviction, significant upside, quality company, management and owners, and high ESG standards.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

At the initial stage of the investment process, ESG Exclusion criteria are used, specifically investments are not made (or considered to be made) in weapons, tobacco, commercial gambling or pornography industries. At the fundamental research level, investments are not made in companies that have more than 3 Red Flags in the Red Flag Analysis. Finally, the Sub-Fund is committed to have a minimum proportion of 10% sustainable investments.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

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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	
<i>Step 1:</i> <i>Contribution to E and/or S</i>	>60% score in the E and S sections of the ESG scorecard, which includes sustainability indicators and other information related to E and S objectives
<i>Step 2:</i> <i>No significant harm to E or S</i>	No Red Flag related to environmental or social issues AND Compliant in controversy (norms-based) screening and in sector-based screening ²
<i>Step 3:</i> <i>Good governance practices</i>	>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.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investment universe. However, sector exclusions, norms-based considerations, and ESG quality standards requirements do entail a reduction of the investment universe.

² 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 purposes of this Test: weapons, tobacco, pornography, gambling, alcohol and fossil fuels.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

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. Both the Red Flag Analysis and the ESG Scorecards are filled in by analysts and portfolio managers, and are reviewed by the Investment Manager's ESG function.



What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

While the Sub-Fund does not have making sustainable investments as its objective, the Sub-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. At least 20% of the investments of the Sub-Fund will be aligned with the environmental and social characteristics promoted. 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.

The Investment Manager strives for a balanced distribution between environmental and social objectives for sustainable investments, since the UN SDGs address both of these 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 characteristics or social characteristics are, respectively, 5%.

Investments categorised as "#1B Other E/S characteristics" are defined as investments in companies which do not currently meet the criteria for sustainable investments (the "Three-Step-Test"), however, the company is actively engaged with and it is believed that the company has a reasonable chance of meeting the criteria for sustainable investments in the next few years. The Management Company and the Investment Manager believe that the active ownership efforts on behalf of the Sub-Fund can lead to a significant 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.

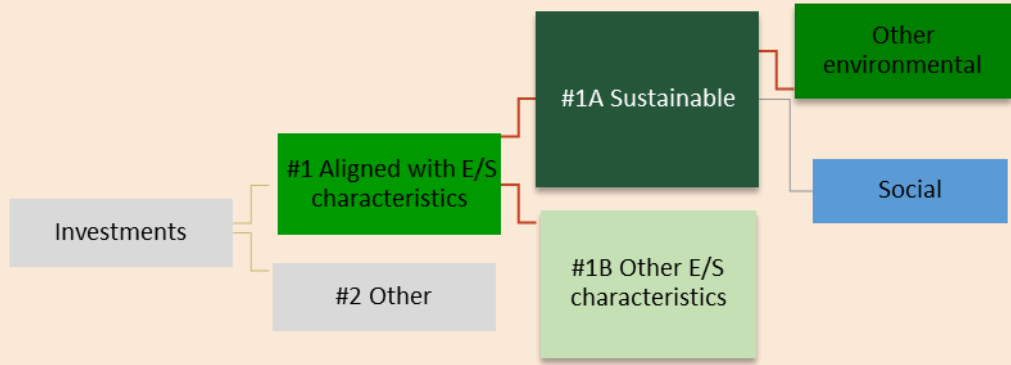
The purpose and minimum safeguards of investments classified as "#2 Other" are described in detail in the section about such investments below.

#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.



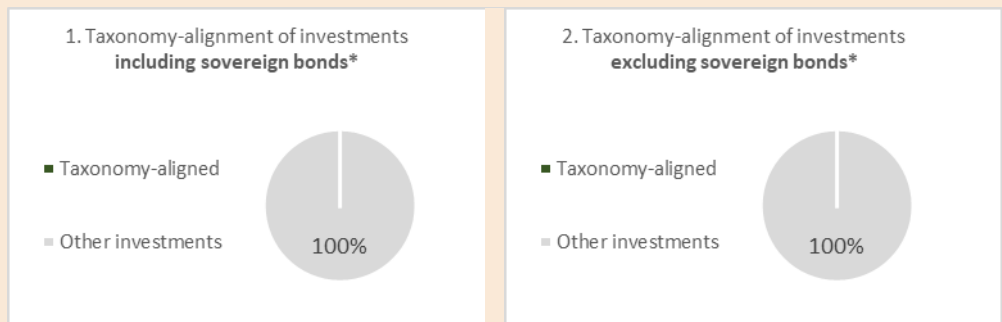
- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The use of derivatives does not help to attain the environmental or social characteristics promoted by the Sub-Fund.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

The EU Taxonomy is a classification system, the purpose of which is to establish common criteria for environmentally sustainable economic activities. According to EU regulations, financial market participants should disclose the proportion of investments that are Taxonomy-aligned. However, the Taxonomy is currently under development, and the criteria for all the environmental

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

objectives have not yet been implemented. Further, there is not yet any clearly established model and/or standard for how to calculate the proportion of Taxonomy-aligned investments. Lastly, company disclosure related to the EU Taxonomy has yet to become widespread. Therefore, as of now, the Sub-Fund is committed to 0% as the minimum proportion of investments that are aligned with the EU Taxonomy for environmentally sustainable investments.

The Investment Manager follows the development and implementation of the EU Taxonomy closely, and will reassess this decision once all the criteria for the environmental objectives have been implemented and companies' Taxonomy disclosures have become more widespread. Having said this, it is expected that a significant proportion of the investments in the Sub-Fund will eventually be Taxonomy-aligned.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● ***What is the minimum share of investments in transitional and enabling activities?***

As the minimum share of investments in Taxonomy-aligned activities is 0%, the Investment Manager will likewise commit to 0% as the minimum proportion of investments in transitional and enabling activities, respectively.

The Investment Manager notes that the ESG momentum scores in the proprietary Scorecards (assessments of how a company is expected to develop in the next 1-3 years), accompanied by the conviction of the Investment Manager that active ownership efforts and investments in transition companies contribute to the overall environmental and social objectives of the Sub-Fund, are in the spirit of the notion of transitional activities in the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

For reasons outlined above, the minimum proportion of investments in economic activities that are defined as environmentally sustainable according to the EU Environmental Taxonomy is 0%. The disclosure is therefore only focused on investments in environmental economic activities that are sustainable according to Article 2(17) in Regulation (EU) 2019/2088.

The Management Company and the Investment Manager will generally seek a balanced distribution between environmental and social objectives among the Sub-Fund's sustainable investments. The Sub-Fund is committed to a minimum proportion of 5% of total investments that are classified as sustainable investments with an environmental objective that are not aligned with the EU Taxonomy. It is determined whether a company has an environmental or a social objective by reviewing the company's E and S scores, as well as considering the SDG revenue exposure, in the ESG Scorecard.



What is the minimum share of socially sustainable investments?

The Management Company and the Investment Manager will generally seek a balanced distribution between environmental and social objectives among the Sub-Fund's sustainable investments. The Sub-Fund is committed to a minimum proportion of 5% of total investments that are classified as



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

sustainable investments with a social objective. It is determined whether a company has an environmental or a social objective by reviewing the company's E and S scores, as well as considering the SDG revenue exposure, in the ESG Scorecard.



What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Cash positions, necessary for ancillary liquidity, are included under "#2 Other" in the planned asset allocation for the Sub-Fund. Furthermore, the Investment Manager will 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. The Investment Manager does consider various ESG related risks that such companies are exposed to and favours companies that effectively manage ESG related risks.

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

- As stated in the section on binding elements of the investment strategy, no investments will be made into certain sectors, and the Investment Manager will not invest in a company that presents more than 3 Red Flags in the Red Flag Analysis.
- In addition to the controversy (norms-based) screening completed for each company prior to investment, the portfolio is screened quarterly; companies appearing on the Watchlist or assigned Non-Compliant status are highlighted, and all Non-Compliant companies require engagement.
- For all companies identified as ESG laggards³, rationales for identification are documented and presented to the Investment Committee and to the Board on a quarterly basis.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

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

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

³ 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.

Not applicable

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

Not applicable

- *How does the designated index differ from a relevant broad market index?*

Not applicable

- *Where can the methodology used for the calculation of the designated index be found?*

Not applicable



Where can I find more product specific information online?

More product-specific information can be found on the website:

Responsible investments | Specialist in emerging and frontier markets | East Capital.

Further information is also found in the Annual Sustainable Investment Report.

For specific questions regarding this disclosure, the East Capital Group ESG function can be contacted at esg@eastcapital.com.