PRINCIPAL ADVERSE IMPACT STATEMENT

BANOR CAPITAL LIMITED

Under the Sustainable Finance Disclosure Regulation ("SFDR" or the "Regulation") Banor Capital Limited ("Banor" or "we") must publish on its website information about its policies on the integration of sustainability risks in its investment decision-making process, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics and sustainable investment. This document addresses Article 4 of the Regulation:

- *"Financial market participants shall publish and maintain on their websites a statement on due diligence policies with respect to principal adverse impacts of investment decisions on sustainability factors, taking due account of their size, the nature and scale of their activities and the types of financial products they make available".*

SUMMARY

Banor acknowledges the responsibility of the asset management industry towards climate change risks and other principal adverse impacts through the investment decisions that we make and the contact we have with investee companies and other institutions. Banor considers principal adverse impacts of its investment decisions on sustainability factors. In particular, Banor uses the definition of principal adverse sustainability impacts as described in Article 20 of the Regulation:

- *"Those impacts of investment decisions that result in negative effects on sustainability factors, with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters."*

Banor has developed due diligence policies to identify and prioritise relevant adverse impacts and indicators on sustainability factors. The degree and way the principal adverse impacts are considered in the investment process depends on various factors, such as on the type of fund or strategy, asset class, and availability of reliable data. The exact application can differ between financial products and will be documented in the financial product disclosures in line with the requirements and timelines of the Regulation.

DESCRIPTION OF PRINCIPAL ADVERSE IMPACTS

Banor's investment approach takes into consideration a range of adverse impacts and we are continuously seeking additional ways to mitigate adverse impacts in a robust and meaningful way. Our Responsible Investment policy provides additional information on our overall approach to responsible investing.

We use a number of methods to mitigate principal adverse impacts depending on the nature of the topic, as well as on the specific context of the investment that is causing the adverse impact. Our methods could include engagement, voting and restrictions. In addition, we have implemented due diligence policies, as described below, to identify and prioritise relevant adverse impacts and indicators on sustainability factors.

Please refer to the Appendix 1 below for an overview of the adverse impacts that we structurally consider and aim to mitigate in our current Responsible Investment approach, including more information about what they entail and the key mitigation methods that we apply for each of them.

The Regulation stipulates 18 mandatory Indicators on greenhouse gas emissions, biodiversity, water, waste, and social indicators applicable to companies, sovereigns and supranationals, and real estate assets. In addition, there are 22 additional climate and other environment-related indicators defined, as well as 24 additional indicators related to social factors and employees, respect for human rights, anti-corruption and anti-bribery matters on which reporting and integration is encouraged. While various of the mandatory principal adverse impact indicators are already part of our Responsible Investment approach, others are not, or are only partially included in our current approach. For the mandatory principal adverse impact indicators that are not yet included in our current Responsible Investment approach Banor is in the process of acquiring additional data from external data providers to meet the reporting obligations under the Regulation. Once the relevant data become available, the methodologies to measure principal adverse sustainability impacts can be finalised and will be added to this statement. Following the publication of methodologies and measurements, Banor will provide historical comparisons with previous reference periods by 30 June 2023 at the latest, based on financial year 2022. Banor will also seek to detail actions taken and actions planned for the future, as well as targets set for each PAI indicator to avoid or reduce the PAI identified where possible.

Furthermore, Banor will select at least one additional indicator related to principal adverse impacts on a climate or other environment related sustainability factor that qualifies as principal as set out in Table 2 of Regulatory Technical Standards ("RTS") Annex I, as well as at least one additional indicator related to principal adverse impacts on a social, employee, human rights, anti-corruption or anti-bribery sustainability factor that qualifies as principal as set out in Table 3 of RTS Annex I. Banor will select these additional indicators based on the probability of occurrence and severity of adverse impacts (including their potentially irremediable character).

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ("PAI")

Banor has developed and implemented stringent policies/procedures to identify, prioritise, and address principal adverse impacts. In this section a summary is provided of these policies which are also described in our Responsible Investment policy.

Banor's mission is to generate positive risk adjusted returns with responsibility through fundamental analysis, operational excellence, and by being Environmental, Social and Governance ("ESG") proactive. At this point in time, the ownership of the PAI statement lies within the ESG Board. The purpose of the ESG Board is to oversee, coordinate and drive sustainability matters from a company-wide perspective.

Banor has fully integrated sustainability risk assessment in its investment decision-making processes and Banor takes into account PAI indicators per strategy. Prioritisation of PAI is aligned with our portfolios and funds ESG priorities and sustainable objectives and meet our general expectations of companies to commit to good governance principles, act in accordance with the United Nations Principles for Responsible Investment ("UNPRI"), the UN Global Compact and in observance of existing laws and regulations, international humanitarian law and international conventions, as well as, standards for sound environmental, social and governance performance.

<u>Preliminary Screening</u>

Banor conducts a pre-due diligence screening with the aim of identifying and excluding investments in any company which is currently, or likely to in the future, generate a significant share of its revenue connected to the below harmful activities/products. Additional details can be found within our Responsible Investment Policy:

- Companies involved in the production, development or maintenance of Illegal or mainly nuclear weapons, land mines, cluster munition
- Companies that deny human rights or engage child or forced labour directly or within their supply chain
- Companies that do not support our climate change standards or cause serious environmental damage
- Companies that produce products that are illegal under UK or local law

Through this preliminary due diligence exercise, Banor aims to filter out potential investments that are likely to have significant adverse impacts on sustainability factors.

<u>Due diligence</u>

We use both third-party research and proprietary tools to evaluate ESG sustainability when selecting securities. This focus of our research is designed to identify "best-in-class" practices in the sectors concerned. We analyse the companies' sustainable financial statements and we meet periodically the management of the businesses in which we invest. After the analysis, we will weight an investment based on a wholistic approach to the portfolio whist comparing our analysis of the company with the ratings assigned by the international rating agencies.

Examples of sustainability risks assessed include, where relevant, inter alia risks related to environment, health and safety, people, suppliers and customers, community and charity, and governance.

Ownership

Banor’s ownership activities are aimed at promoting sustained profitability and risk management in portfolio companies in order to protect shareholder value and enhance long-term returns. We believe a sound corporate governance structure is essential for creating long-term shareholders value. The board of directors and senior management are accountable to investors for protecting and generating value over the long term. We expect the board of directors of investee companies to oversee and monitor the effectiveness of the company’s governance of environmental, social and business ethics related issues and risk, and protect shareholder rights.

ENGAGEMENT POLICIES

Banor protects and manages our clients' investments by actively engaging with investee companies, inclusive of liaising with company management or brokers, regarding principal adverse impacts on sustainability factors. We believe that our active engagement promotes a positive impact on our investment results and society. Within our engagement program, we consider the principal adverse impacts in relation to greenhouse gas emissions, biodiversity, water and social and employee matters. Our engagement is focused on two primary aspects in relation to ESG:

- Long-term sustainable value: We encourage high standards of corporate governance when we meet with senior management of a company as part of our long strategy. In our periodic company meetings and/or calls, we will discuss strategy and corporate responsibility issues, as we believe that these factors affect the potential for a company to deliver long-term sustainable value to shareholders and ultimately our investors. Such factors include financially material ESG opportunities and risks that can affect companies' valuation and ability to create value.

- Adverse behaviour: We evaluate the effectiveness of investee companies' management in areas such as environment, anti-corruption, human rights and labour with the goal to address any reported shortfalls against existing laws and regulations, international humanitarian law and international conventions, the UNPRI and UN Global Compact.

Voting

Banor recognises its responsibility to carry out its fiduciary duties and make use of voting rights. We try to be as proactive as possible to get companies, if possible, to alter proposals in line with our ESG principles. We believe that sound corporate governance contributes to shareholder value and adds value to equity investments. ESG issues are high on our agenda, and we strive to put extra emphasis on companies which we own in our sustainability tilted products. The Firm expects to fulfil its fiduciary obligation to the client by voting in a manner that is consistent with the best interest of that client and does not subordinate the client's interests to its own.

REFERENCE TO INTERNATIONAL STANDARDS

Banor's Responsible Investment approach has incorporated and aligned with several recognised global standards for responsible business operations and investment practices which include, but are not limited to, the following:

- United Nations Global Compact
- OECD Principles of Corporate Governance
- OECD Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- UN Guiding Principles on Business and Human Rights
- Children's Rights and Business Principles
- ILO conventions on labour standards
- UN Convention on Corruption
- Convention on Cluster Munitions
- Paris Agreement under the United Nations Framework Convention on Climate Change

In relation to the alignment with the Paris Agreement, our application of PAI aims to target investee companies that are active in the most climate-critical sectors to demonstrate a credible transition strategy that is compatible with the Paris Agreement's climate objectives. This includes assessments of their decarbonization pathways as well as their positive contributions to climate mitigation. As the methodologies for assessing this progressively reach greater maturity for a greater number of sectors, the number of companies subject to this requirement will grow.

In addition, Banor is a signatory of UNPRI since 13 December 2018.

APPENDIX 1: PRINCIPAL ADVERSE IMPACT INDICATORS

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS			
ADVERSE SUSTAINABILITY INDICATOR		**METRIC**	**TARGETS AND/OR PLANNED ACTIONS**
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	Banor is developing methods to measure the materiality of greenhouse gas emissions and energy performance for our portfolios and their impact. Based on such measures we will set quantified targets in order to combat these adverse impacts. We support the TCFD recommendations and we want to continue to promote increased transparency, development of tools and methods to manage climate related risks and opportunities and contribute to best practice in the industry. We will also aim to align our portfolio with the Paris agreement in the long term as well as further reduce the financial risk related to climate change in our portfolios.
		Scope 2 GHG emissions	
		Scope 3 GHG emissions	
		Total GHG emissions	
	2. Carbon footprint	Carbon footprint	
	3. GHG intensity of investee companies	GHG intensity of investee companies	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non- renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Banor is developing methods to measure the materiality of biodiversity for our portfolios, and the impact of our portfolios on biodiversity. Based on such measures we will set quantified targets in order to combat biodiversity loss.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	Banor is developing methods to measure the water footprint for our portfolios. In case we find a company with significant negative impact on local water supply or waste issues, which is a breach of UN Global Compact principle 7, we will engage with the company and in case of insufficient remediation, we will decide whether to exclude it from our investment universe.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	Banor is developing methods to measure waste footprint for our portfolios and their impact.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS			
ADVERSE SUSTAINABILITY INDICATOR		**METRIC**	**TARGETS AND/OR PLANNED ACTIONS**
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Banor acts in accordance with the UNGC Principles and OECD Guidelines for Multinational Enterprises to assess the behavior of companies. An engagement process is applied with companies

	and Development (OECD) Guidelines for Multinational Enterprises		that have severe breaches of these principles and guidelines. If this engagement does not lead to the desired change, Banor will decide to exclude a company from its investment universe.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	These are excluded from all investments.

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS			
ADVERSE SUSTAINABILITY INDICATOR		**METRIC**	**TARGETS AND/OR PLANNED ACTIONS**
Environmental	15. GHG intensity	GHG intensity of investee countries	We support the TCFD recommendations and we want to continue to promote increased transparency, development of tools and methods to manage climate related risks and opportunities and contribute to best practice in the industry. We will also aim to align our portfolio with the Paris agreement in the long term as well as further reduce the financial risk related to climate change in our portfolios.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Social violations scoring data will be part of our screening process and companies may be excluded based on scoring data.

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS			
ADVERSE SUSTAINABILITY INDICATOR		**METRIC**	**TARGETS AND/OR PLANNED ACTIONS**
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy- inefficient real estate assets	

APPENDIX 2: ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

ADVERSE SUSTAINABILITY INDICATOR		METRIC	TARGETS AND/OR PLANNED ACTIONS
Emissions	1. Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent per million EUR invested, expressed as a weighted average	
	2. Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average	
	3. Emissions of ozone-depleting substances	Tonnes of ozone- depleting substances equivalent per million EUR invested, expressed as a weighted average	
	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	
Energy performance	5. Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source	
Water, waste and material emissions	6. Water usage and recycling	1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies 2. Weighted average percentage of water recycled and reused by investee companies	
	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	
	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	
	9. Investments in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006	
	10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing	
	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies	
	12. Investments in companies without sustainable oceans/seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies	
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	
	14. Natural species and protected areas	1. Share of investments in investee companies whose operations affect threatened species	

		2. Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas	
	15. Deforestation	Share of investments in companies without a policy to address deforestation	
Green securities	16. Share of securities not issued under Union legislation on environmentally sustainable bonds	Share of securities in investments not issued under Union legislation on environmentally sustainable bonds	
INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS			
Green securities	17. Share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds	
INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS			
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets	
		Scope 2 GHG emissions generated by real estate assets	
		Scope 3 GHG emissions generated by real estate assets	
		Total GHG emissions generated by real estate assets	
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	
Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	
Resource consumption	21. Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations	
Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets	

APPENDIX 3: ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

ADVERSE SUSTAINABILITY INDICATOR		METRIC	TARGETS AND/OR PLANNED ACTIONS
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	
	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	
	6. Insufficient whistle-blower protection	Share of investments in entities without policies on the protection of whistle-blowers	
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average	
	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual	
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	
	11. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings	
	12. Operations and suppliers at significant risk of incidents of child labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour in terms of geographic areas or type of operation	
	13. Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of geographic areas and/or the type of operation	

	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	Companies that are engaged in severe human rights issues will become part of our Engagement program and we will decide on whether to exclude such companies in the event of no remediation controls.
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery	Poor performing companies under this PAI will become part of the Engagement program and we will decide on whether to exclude such companies in the event of no remediation controls.
	17. Number of convictions and amount of fines for violation of anti-corruption and anti- bribery laws	Numbers of convictions and amount of fines for violations of anti- corruption and anti-bribery laws by investee companies	
INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS			
Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator explained in the explanation column	
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column	
Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column	
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column	
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes	
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator explained in the explanation column	
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column	