SUSTAINABILITY RISK POLICY

BANOR CAPITAL LIMITED

Under Article 3 of 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. This document specifically addresses Article 3 of the Regulation:

- "*Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process*".

SUSTAINABILITY RISK

Banor recognises that sustainability risks can lead to outcomes that have negative impacts on the values of financial products. We therefore aim to incorporate all material sustainability issues within our investment processes. We support the UN Global Compact and we are signatories of the United Nations Principles for Responsible Investment ("UNPRI"). Banor believes that integration of sustainability risk considerations in the investment decision-making process is an important part of risk management.

Banor uses the definition of sustainability risk as described in Article 2 (22) of the Regulation: "*an Environmental, Social or Governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment*". Sustainability risks include (but are not limited to) the following:

- Operational risk such as impacts of environmental events on operations
- Governance risk such as inadequate management oversight of sustainability risk
- Regulatory risk such as violation of ESG-related laws and regulations

INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES

Banor has fully integrated sustainability risk assessment in its investment decision-making processes, as further described below. Banor is committed to promoting and utilising ESG best practices. Banor is a signatory of UNPRI since 13 December 2018 and is thus committed to integrating ESG factors into its investment analysis, decision-making processes and active ownership practices.

Preliminary Screening

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 weapons, land mines, cluster munition. In addition, Banor will apply a filter which excludes investments in financial

instruments issued by companies whose revenues derive mainly from the sales of nuclear weapons, from gambling, from sales of electricity produced by coal-fired power stations
- 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.

Due diligence

We apply a model that we developed in-house to evaluate ESG sustainability when selecting securities. This "best-in-class" model is designed to identify best 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 appoint an internal rating to each stock using a statistic model and comparing our rating with the one 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.

ESG INTEGRATION AND GOVERNANCE

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.

We set clear expectations on corporate ESG management and performance in our investments and ownership activities and communicate these expectations to companies we are invested in and other stakeholders. As a responsible investor, we expect that investee companies to operate in line with our commitment to the UNPRI 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.

Sustainability risks are often interconnected and evolve and change over time. As such, Banor monitors the landscape to ensure sustainability risks are being managed appropriately, ensuring that any emerging risks are taken into consideration. Additional information related to Banor's approach to ESG can be found within the following policies:

- Principal adverse impact statement
- Remuneration policy in relation to the integration of sustainability risks
- Responsible Investment Policy