SUSTAINABILITY RISK POLICY

BANOR CAPITAL LIMITED

The Sustainable Finance Disclosure Regulation ("SFDR" or the "Regulation") entered into force on 10 March 2021. The Regulation requires fund managers like Banor Capital Limited ("Banor", the "Firm" or "we"), as an authorised Alternative Investment Fund Manager ("AIFM"), to provide information to investors with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment.

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."*

PRUPOSE AND SCOPE

The purpose of the Sustainability Risk Policy (the "Policy") is to describe the framework governing the approach of Banor to integrating sustainability risks within its investment decision-making process.

This Policy applies only to Banor funds that are classified as Article 8 under the SFDR. This policy is expected to be reviewed annually and is otherwise subject to change as deemed necessary.

SUSTAINABILITY RISK

Banor recognises that sustainability risks can lead to outcomes that have negative impact on the values of financial products. We therefore aim to incorporate all material sustainability issues within our investment processes.

Banor uses the definition of sustainability risk as described in Article 2 (22) of the Regulation: "an environmental, social or governance 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; and
- 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, by (i) using negative screening by excluding issuers involved in controversial activities and (ii) a best in class approach to identify those companies and/or issuers with the best practice and standards in terms of ESG characteristics.

Exclusion List

First, Banor applies a strict exclusion list, identifying companies whose revenues come mainly from the sales of nuclear weapons or landmines, from gambling, from sales of electricity produced by coal-fired power stations.

In that respect, Banor refers to publicly available lists of companies which are allegedly exposed to activities detrimental for the environmental and human rights.

Best in Class

Secondly, when selecting investments, Banor adopts a best-in-class approach which seeks to invest in securities of companies with low sustainability risks while avoiding those with high sustainability risks, reducing the investment universe further.

For these investments to be in the investment universe, a minimum score, from an industry leading ESG data provider will be required to achieve eligibility. We provide below details of the data providers we consider as industry experts and our acceptable minimum scoring criteria from each provider:

- MSCI: B or above
- Sustainalytics: Below 40 risk score
- Bloomberg: 2 and above
- ISS (Factset) C- and above

As such, all companies in line with the above minimum scoring criteria will be accepted. Banor considers companies below these scoring thresholds as not aligned with the environmental and social characteristics promoted by its funds.

Relevant Sustainability Risks

Banor relies on the indicators used by the selected rating agency, to screen the ESG risks that are the most material accordingly to the sector or industry.

Environmental sustainability risks may include but are not limited to:

- GHG emissions, energy management, waste production, ecological/human health risks, carbon dependency and climate change risks.

Social sustainability risks may include but are not limited to:

- Human rights, data security and privacy, labour market conditions and practices, employee health and safety, diversity and inclusion, subjective well-being indicators and poverty.

Governance sustainability risks may include but are not limited to:

- Business ethics, competitive behaviours, management of legal and regulatory environment, risk management.

Monitoring

Banor selects a dedicated proportion of the portfolio companies by using the ESG scoring generated from MSCI, Sustainalytics, Bloomberg or FactSet. We select and review the rating agency every year and maintain this information up to date in the Responsible Investment Policy available on our website.

By reviewing the rating agency every year, we aim to diversify the ESG investment universe and mitigate the potential risk rising from an inconsistency of data provided by the different rating agencies.

REPORTING

Investors in Banor funds are provided with an annual Environmental, Social and Governance Report (ESG Report). The report highlights the key material ESG themes, which may or may not include sustainability risks, where relevant, and assesses their performance on those themes.

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.