

ESG Investment Policy

1. Introduction and Objective

Harmony Capital Investors Limited (“**Harmony Capital**” or the “**Asset Manager**” or the “**Company**”) is an established asset manager with offices in London, Hong Kong and Singapore that has a history of generating excess returns throughout market cycles. Harmony Capital is the Investment Manager to Jade Road Investments Limited (“**Jade Road**” or the “**Client**”), which is focused on providing growth capital and financing to emerging and established Small and Medium-Sized Enterprises (“**SMEs**”) throughout Asia, well-diversified by national geographies, instruments, and asset classes.

Harmony Capital believes that Environmental, Social, and Governance (“**ESG**”) principles¹ should be an integral part of the Company’s Investment Management Process. Underpinning this belief is the principle that through selectively investing in assets and proactively managing them, the Company can not only target attractive returns for its clients but be a steward of betterment in the ecosystems and communities within which its clients’ portfolio companies operate.

The Company’s objective, therefore, is to implement a Policy that clearly demonstrates its commitment to ESG principles to both the investors it represents and new investee companies. Such a Policy states the Company’s intention to pursue opportunities that do not contravene its ESG principles from the beginning of the Investment Process and throughout the lifecycle of a particular investment.

The scope of the ESG Policy is binding to the Company’s Investment Management Process in its entirety. It applies to all geographies where the Company may invest in the future as well as across both debt and equity-type of investments.

A similar Policy has also been formally adopted by Harmony Capital’s client, Jade Road.

This Policy is built on Harmony Capital’s belief that the integration of ESG considerations into its investment management processes and ownership practices is an expression of the Company’s fiduciary duty towards its clients, and it can have an impact on financial performance. It also underlines the Company’s belief in the tenet that mutual exclusivity does not exist between performance and ESG principles, and an overlapping of the two positively impacts returns.

2. Governance

2.1 This Policy describes how the Company incorporates sustainability considerations and ESG risks as part of its fiduciary investment management obligations.

2.2 The Policy is consistent with the investment objectives of the Company and its risk tolerance. Harmony Capital recognises ESG factors and sustainability as important considerations in driving both long-term investment returns and reducing risk.

¹ As defined in Appendix II

2.3 The Policy is explicitly forward-looking and applies to new investments from the date of adoption. Harmony Capital has made reasonable efforts to ascertain that the assets under its management, including those of its Client’s Legacy Portfolio (defined as investments made prior to Harmony Capital’s appointment as its Client’s Investment Manager) comply with its Exclusion List as listed in Appendix I. Furthermore, in its management activities, the Company will continue to monitor and, to the best of its ability, address any issues which may arise from its Client’s Legacy Portfolio resulting from the adoption of this Policy.

2.4 The following section in this Policy outlines how Harmony Capital implements responsible investment throughout its investment management processes. It executes outsourced responsible investment-related services on behalf of its Client. Additionally, where deemed appropriate, an external ESG consultant may be engaged. Harmony Capital’s Board has the ultimate oversight of responsible investment activities.

3. Transparency and Accountability

In December 2019, Harmony Capital became a signatory of the United Nation’s Principles for Responsible Investment (“**UN PRI**”). The Organisation is a United Nations-supported international network of investors working together to implement its six aspirational principles. These Principles are:

P 1 - 6	Core Principle	Principle Description
P1	Integration	We will incorporate ESG issues into investment analysis and decision-making processes.
P2	Ownership	We will be active owners and incorporate ESG issues into our investment policies and practices.
P3	Disclosure	We will seek appropriate disclosure on ESG issues by the entities in which we invest on behalf of the Client.
P4	Best Practice	We will promote acceptance and implementation of the Principles within the investment industry.
P5	Collaboration	We will work together to enhance our effectiveness in implementing the Principles.
P6	Communication	We will each report on our activities and progress towards implementing the Principles.

In 2021 and each year going forward, Harmony Capital has committed to publicly reporting on its responsible asset management activities.

4. Implementation

Harmony Capital’s revised Investment Process features five key additions and revisions to comprehensively integrate ESG principles into its investment decision process. Also, upon completion of a new investment, the Company commits to conducting ongoing monitoring and compliance through an ESG Questionnaire and subject to annual reporting by the investee company.

5.1 ESG Evaluation

After sourcing a deal through the Company's extensive network of contacts and advisors, Harmony Capital will screen opportunities against an ESG Exclusion List featured in Appendix I.

By excluding companies that are misaligned with sustainability principles at the ESG Evaluation stage, Harmony Capital can more accurately identify companies that represent opportunities for value as well as a positive interaction with ESG principles.

5.2 Term Sheet

Once a potential investee has been cleared against the Exclusion List, a negotiated and non-binding Term Sheet may be offered. The Term Sheet includes an ESG Clause detailing the obligations a potential investee must undertake including adherence to the ESG Sections in Harmony Capital's Due Diligence ("**DD**") Request, adhering to ESG Clauses in Legal Documentation, and agreeing to provide an internally produced ESG DD Questionnaire ("**ESG DDQ**") tendered by the Company.

Any Term Sheet offered by the Company on behalf of its Client will include a Clause similar to the wording below:

"The company will answer on a best effort basis to the questions of the Due Diligence Request document. Additionally, Harmony Capital will undertake internal ESG monitoring in the form of an ESG Questionnaire on an annual basis which will be completed by the Investee Company on a best-efforts basis and sent to the Asset Manager upon completion at year-end."

5.3 Due Diligence

Further to excluding opportunities that contravene the Company's prescribed list, the Company integrates ESG principles into its DD process. Harmony Capital sees this as an important step that allows it to assess the asset for any ESG risks alongside momentum, revenue projects, volatility, etc, and to increase ESG factor returns or lower risk or do both to secure risk-adjusted returns.

The DD process is undertaken via an ESG DDQ being sent to a potential investee where they are required to fill out sections covering general aspects of ESG, such as whether the investee has an ESG policy in place, among others. Moreover, it asks a variety of detailed questions about the investee's environmental, social, and governance policies and practices. Harmony Capital may conduct site visits, resource utilisation analysis, and can offer advice on improvements the investee can undertake.

For consistency purposes, Harmony Capital uses an extensive standardised ESG DDQ which it applies to all of its investment evaluation processes. It is compiled in line with global best practice standards and guidelines from international standards organisations, such as the Global Reporting Initiative ("**GRI**"). The ESG DDQ also outlines detailed verification procedures which are undertaken by Harmony Capital to verify the accuracy of responses, including but not limited to interviews with senior management and employees, reviewing audit reports, and performing on-site visits. In addition, Harmony Capital recognises that some ESG issues might be material for a company in a specific sector but not for other sectors. Therefore, it may tailor the ESG DDQ dependent on the sector in which the potential investee operates.

This aims to ensure that a thorough materiality assessment is conducted where Harmony Capital aims to identify the ESG issues that are likely to have an impact on the investee's ESG profile and financial performance. In such cases, the Company seeks guidance from the materiality assessment framework developed by the Sustainability Accounting Standards Board ("**SASB**").

Harmony Capital is committed to always refining its due diligence processes to be best in class via regular reviews of market practices and adhering to the UN PRI guidelines on DD.

5.4 Investment Committee

The Investment Memorandum will discuss ESG principles and findings in DD specifically. Moreover, the Company's Investment Recommendation to its Client will take into account findings on ESG issues from the DD findings when assessing a potential investment.

Once a potential investment has passed the previous steps to a level that is deemed acceptable by the Company, it will proceed to the Client's Investment Committee. This stage includes ESG integration into the Investment Memorandum through the input of the DD findings. These findings will be integral to the investment decisions undertaken by the Client's Investment Committee.

5.5 Documentation & Closing

Upon receiving the mandate to proceed with a potential investment from the Investment Committee of its Client, Harmony Capital will engage with legal counsel who will procure relevant transactional Documentation which includes representations and/or undertakings from the investee related specifically to the adherence, monitoring, and reporting on ESG related criteria. The reporting will be in the form of an ESG DDQ covering the investee's environmental, social, and governance practices and policies.

As the deal proceeds to its Documentation and Closing Stage, Harmony Capital will expect potential investees to adhere to ESG principles during the life of the investment. This requirement may be agreed upon in several ways including in the form of legal representations and/or undertakings that stipulate that the investee cannot act in a way that contravenes the core ESG principles as defined by the Company.

5.6 Ongoing Monitoring

Harmony Capital will monitor the compliance of each of the portfolio companies under its management concerning their ESG principles through the completion of an ESG Monitoring Questionnaire ("**ESG MQ**") which will be required from the investee on an annual basis.

It is the investee's responsibility to complete the ESG MQ covering their ESG policies, which will be agreed upon by the transacting parties. The ESG MQ focuses on several compliance matters which inform Harmony Capital of the investee's ESG position on an ongoing basis. The ESG MQ also seeks to identify any material changes to the state of compliance by the target from the initial investment and/or foreseeable changes that may impact the business in an adverse manner.

Whilst the Company commits to using reasonable efforts to monitor for ESG compliance across its Client's entire portfolio, given the need for legally binding agreements to be put in place, the obligation to report



annually only strictly applies to the new investments which Harmony Capital executes as part of its investment management responsibilities.

Appendix I – Exclusion List

The list below illustrates the Exclusion List which the Company formally utilises in its Investment Process and when sourcing new investment opportunities.

1. Forced labour² or child labour³
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - Ozone-depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - Wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); or
 - Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
4. Destruction⁴ of High Conservation Value areas⁵
5. Radioactive materials⁶ and unbounded asbestos fibres
6. Construction of new and extension of any existing coal-fired thermal power plants
7. Pornography and/or prostitution
8. Racist media
9. In the event that any of these following products form a substantial part of a project's primary financed business activities⁷
 - Alcohol beverages
 - Tobacco
 - Weapons and munitions; or
 - Gambling, casinos, and equivalent enterprises

Harmony Capital has made reasonable efforts to ascertain that none of its Client's Legacy Portfolio falls within the scope of the Exclusion List. However, given the uncertainty of historical investments inherited from the Client's previous Investment Manager, the Exclusion List is explicitly forward-looking and applicable to investments made from the date of adoption of this Policy.

² Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by the International Labour Organisation ("ILO") conventions.

³ Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.

⁴ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

⁵ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance.

⁶ The purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded is excluded.

⁷ For companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio.

Appendix II – Definitions

The ESG principles are defined as follows:

Environmental Considerations	Considerations relating to the quality and functioning of the natural environment and natural systems. These include but are not limited to: biodiversity loss; greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution; waste management; stratospheric ozone depletion; changes in land use; ocean acidification and changes to the nitrogen and phosphorus cycles.
Social Considerations	Considerations relating to the rights, well-being, and interests of people and communities. These include but are not limited to: human rights, labour standards (including in the supply chain), child, slave, and bonded labour, workplace health and safety, freedom of association and freedom of expression, human capital management, and employee relations; diversity; relations with local communities, activities in conflict zones, health and access to medicine, HIV/AIDS, consumer protection; and controversial weapons.
Governance Considerations	Considerations relating to the governance of companies and other investee entities. These include but are not limited to: board structure, size, diversity, skills and independence; executive pay; shareholder rights; stakeholder interaction; disclosure of information; business ethics; bribery and corruption; internal controls and risk management; and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues and how the strategy is to be implemented.