

Our ESG Approach

JK Capital Management Ltd, a Hong Kong based asset manager specialised in Asian equities and fixed income investments since 1997 built its reputation and track record on a seasoned and thorough investment process. Its expertise relies on a rigorous Due Diligence process through on-site visits, a careful attention paid to corporate governance, numerous channel checks combined with a bottom-up process combining quantitative filters and qualitative analysis. Quality of Corporate Governance has always been the bedrock of JK Capital's investment approach. We have increasingly incorporated an E and S consideration to claim a full ESG integration.

Starting with Corporate Governance, we aim to analyze in depth the quality of management by looking for potential conflicts of interest, related parties transactions, board diversity, balance of powers and corporate culture. On environmental impact, we look at the company's footprint on society and how it aligns with environmental protection and climate change issues. Socially we aim to promote diversity, inclusion, corporate social responsibility and respect for human rights.

I. Engagement Strategy

- **Our Company engagement**

Effective and Efficient collaboration - We are working with companies when they seek buy-side assistance to elaborate their ESG strategy

Asking the right questions - There are several ways to ask questions and multiple objectives in doing so. It is often the case that questions we ask highlight issues we wish to bring up and would like to see being addressed not only in the interest of minority shareholders but often in the interest of society as well.

Being witness - By visiting companies on-site and doing factory tours, we are getting as close to companies as we could. It is always the opportunity to see things we would have never expected to see, positive or negative. There are questions relating to E, S and G that are systematically asked during these factory visits with management, such as sources of energy used, disposal of effluents, workers employment conditions, request for a visit of dormitories, storage conditions of dangerous goods, among many others. Analysts are requested to fill in a Due Diligence tracker with all ESG information that had been gathered, which is then filed in our ESG data bank.

- **Our Initiatives**

Board Diversity Hong Kong¹: As a signatory of the Board Diversity Hong Kong Initiative, JK Capital Management is committed to engaging on an ongoing basis with companies listed in Hong Kong on matters of diversity in order to ultimately improve corporate governance and inclusive growth.

United Nations Principles for Responsible Investmentⁱⁱ:

JK Capital Management became a signatory of the United Nations Principles for Responsible Investment (UN PRI) in 2017. The company publishes every year a Responsible Investment Transparency Report that compiles all actions relating to ESG and Responsible Investments. This report is directly available from JK Capital's website and from the UN PRI's website.

II. Coverage and Materiality

• **Materiality impact**

ESG does not follow the principle of “*one size fits all*”. We believe at JK Capital that it is not relevant to look at the same indicators to assess all companies' sustainable performance. We use an adaptive framework to drive our ESG research. We use the SASB Materiality Mapⁱⁱⁱ tool and we adapt it to Asia's specificities to base our Materiality assessment.

• **Markets specificities**

JKCM covers 15 markets across Asia. The ESG standards and approaches can differ from one country and one regulator to another. Indeed we cannot avoid the fact that requirements from regulators and stock exchanges across Asia differ in terms of ESG disclosure.

Therefore, having a specific understanding of the ESG framework of each country JK Capital invests in is a key element to develop relevant analysis that will be different from one invested company to another. Hence, both local regulations and local market practices have to be taken into account when analysing company's disclosure and when performing on-site visits.

• **Negative screening**

JK Capital Management applies exclusion filters to its equity investment universe. Such filters include controversial weapons, thermal coal production and tobacco.

III. Our ESG integration

JK Capital's idea of ESG integration follows the concept introduced by the UN PRI and defined as “the explicit and systematic inclusion of ESG factors in investment analysis and investment decisions.” It is a holistic approach to investment analysis, where material factors—ESG factors and traditional business and financial analysis factors—are identified and assessed to form an investment decision. Our integration process starts from the pre-investment stage and moves along towards reaching an on-going engagement with companies post-investment.

The four steps of such integration are:

- Analysis of sustainability information with the intent to form the ESG profile of a company
- Engagement with companies on issues raised by JK Capital's ESG due diligence
- Investment Committee prior to any investment decision

- Follow-up and participation in the company's activities through active voting and engagement

ⁱ <https://www.boarddiversityhk.org/>

ⁱⁱ <https://www.unpri.org/>

ⁱⁱⁱ <https://materiality.sasb.org/>