

Sustainability-Related Disclosure:

JKC Fund

- La Française JKC China Equity
- La Française JKC Asia Equity

March 2021

Article 10 of Regulation (EU) 2019/2088

Transparency of the promotion of environmental or social characteristics and of sustainable investments on Websites

1. Financial market participants shall publish and maintain on their websites the following information for each financial product referred to in Article 8(1) and Article 9(1), (2) and (3):

- (a) a description of the environmental or social characteristics or the sustainable investment objective;
- (b) information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product;
- (c) the information referred to in Articles 8 and 9;
- (d) the information referred to in Article 11.

The information to be disclosed pursuant to the first subparagraph shall be clear, succinct and understandable to investors. It shall be published in a way that is accurate, fair, clear, not misleading, simple and concise and in a prominent easily accessible area of the website.

2. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content of the information referred to in points (a) and (b) of the first subparagraph of paragraph 1, and the presentation requirements referred to in the second subparagraph of that paragraph.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their characteristics and objectives as referred to in paragraph 1 and the differences between them. The ESAs shall update the regulatory technical standards in the light of regulatory and technological developments.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 30 December 2020.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Full text of the regulation (EU) 2019/2088: [here](#)

This document covers the Sub-funds “La Française JKC China Equity” and “La Française JKC Asia Equity”, two compartments of JKC Fund SICAV.

By promoting, among other characteristics, environmental and social characteristics, these sub-funds fall under the definition of Article 8 of regulation (EU) 2019/2088 mentioned above.

For more information about the two Sub-funds, the prospectus of JKC Fund can be accessed through the following link:

<https://jkcapitalmanagement.com/documentation/>

The present document was prepared in compliance with the Final Report on draft Regulatory Technical Standards (the “RTS”) published on 2nd February 2021, and more specifically in reference to “Article 32” with regards to Website product disclosure for financial products referred to in Article 8(1) of Regulation (EU) 2019/2088:

The full text of the RTS is accessible [here](#)

The articles referenced below are references to the RTS, except otherwise stated.

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a. Summary

Based on Article 33

La Française JKC China Equity and La Française JKC Asia Equity sub-funds promote, among other characteristics, environmental and social characteristics, provided that the companies in which the investments are made follow good governance practices.

ESG (Environmental Social Governance) characteristics are assessed and integrated into the investment manager's analysis of the target companies. Once the investment is made, these ESG characteristics are monitored over time as long as the sub-funds remain invested.

b. No sustainable investment objective

Based on Article 34

The sub-funds promote environmental and social characteristics, but do not have sustainable investment as a stated objective.

c. Environmental or Social characteristics of the financial product

Based on Article 35

The investment manager believes that avoiding companies engaged in activities increasingly inconsistent with societal standards of conduct and that performing a thorough analysis of ESG related issues are crucial to understand a company's long-term sustainability and profitability, which in turn helps to generate alpha.

The following environmental and social characteristics are promoted during the investment consideration:

- The prospect's footprint on society and how it aligns with environmental protection and climate change issues,
- The measures taken in terms of diversity, inclusion, corporate responsibility, and respect for human rights.

d. Investment Strategy

Based on Article 36

To attain the environmental and social characteristics promoted by the sub-funds, the investment strategy includes a five interconnected pillars approach to assess the ESG profile of any company invested by the sub-funds:

- Negative screening
- Materiality analysis
- The ESG picture and its trajectory
- The governance emphasis

- Active engagement

By essence, the negative screening pillar binds the investment manager through strict exclusion lists at the universe filtering stage. The four other pillars are implemented at a later stage of the investment analysis process and are incorporated and monitored pre- and post-investment.

To ensure the good governance practices of our investee companies, we systematically establish a dialogue with the management that brings over time our level of confidence to optimum levels. If such a dialogue proves to be impossible to establish, the investment will be sold.

More information about our Governance Emphasis can be found in our Holistic ESG Inclusion Approach [here](#)

e. Proportion of investments

Based on Article 37

The ESG characteristics analysis is applied to our investments in a proportion of the sub-funds' portfolios (cash not considered) that is greater or equal to:

- 90% for equities issued by large capitalisation companies whose registered office is in developed countries,
- 75% for equities issued by large capitalisation whose registered office is in emerging countries, and equities issued by small and medium capitalisations (in terms of the capitalisation of the net assets of the sub-fund).

f. Monitoring of environmental or social characteristics

Based on Article 38

The quantitative and qualitative information keeps being updated following new companies' disclosures, on-site due diligence or any new information picked up by our investment team.

Our investment team runs more than a thousand company meetings per year through on-site visits, conference calls and corporate events.

When we perform on-site due diligence, it is always the opportunity to see things we would have never expected to see, positive or negative. Certain questions relating to Environmental, Social and Governance issues are systematically asked during management-led factory visits, such as sources of energy used, disposal of effluents and workers employment and living conditions. For instance, we typically request a visit of dormitories, canteens and of warehouses used for the storage of dangerous goods.

g. Methodologies

Based on Article 39

To measure the attainment of the social or environmental characteristics promoted, an ESG committee is held between the Portfolio Managers and the Risk Manager to analyse and monitor the indicators, and among them the scoring coming from external ESG data providers. ESG indicators are updated and compared on a quarterly basis.

h. Data Sources and processing

Based on Article 40

The data sources used to assess environmental and social characteristics include the following:

- Publications and disclosures from the investee companies,
- In-house and external research,
- Corporate access,
- Data providers (Bloomberg, CDP)

Data trends are monitored to identify inconsistent information as well as to acknowledge efforts made by companies to improve their ESG profile over time.

Over the years we have built an internal library of thousands of discussions held with executives, site visits and channel checks. We can use this database to confirm, assert or contradict our stance on specific topics.

i. Limitation to methodologies and data

Based on Article 41

In evaluating a security or an issuer based on ESG characteristics, the investment manager may be dependent upon information and data published by third-party ESG data providers, which may be incomplete, inaccurate, or unavailable. As a result, there is a risk that the investment manager may incorrectly assess a security or an issuer. There is also a risk that the investment manager may not identify correctly the relevant ESG characteristics of a company and that, as a result, the sub-funds end up having exposure to issuers which did not go through a proper ESG assessment analysis. Neither the sub-funds, the management company of the sub-funds nor the investment manager of the sub-funds make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness, or completeness of such ESG assessment.

The sub-funds may use ESG characteristics in their investment strategies, as determined by the investment manager set out above.

The use of ESG characteristics may affect the sub-funds' investment performance. As we take into account ESG criteria, it may lead to the sub-funds performing differently from similar sub-funds that do not use such criteria.

ESG based exclusion screens used in the sub-funds investment policy may result in the sub-funds foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to their ESG characteristics when it might be disadvantageous to do so.

j. Due Diligence

Based on Article 42

When doing field level due diligence by visiting a company's premises, the investment manager's portfolio managers and analysts are trained to identify ESG strengths and weaknesses, hence bringing up questions about the firm's operations. Some enquiries related to environmental, social, and governmental aspects are systematically made to management during those on-site checks such as sources of energy used, disposal of solid and liquid waste and workers employment conditions among others. Visits of sales branches, headquarters, dormitories, inspection of factories and of the storage conditions of dangerous goods are typically requested.

For quantitative data, the investment manager uses Bloomberg ESG tools that gather listed companies' sustainable profiles. When available, information from third-party ESG data providers is extracted from Bloomberg and compared with the peers' average scores. Key metrics such as environmental release per sales metrics (Energy, Waste, Water, GHG), social (gender diversity in workforce, human rights concerns, donations) and governance (board composition, executive compensation, connected transactions among others) are systematically analysed and monitored over time.

k. Engagement Policy

Based on Article 43

Voting responsibility: Shareholders voting rights are a powerful tool to provide feedback to the management of our investee companies. In certain instances, we may decide to vote against resolutions that we believe are controversial topics that may negatively impact the economic development of a company, let alone its ESG profile. In accordance with UN PRI recommendations, we systematically inform the senior management of the investee company of the reasons why we may decide from time to time to vote against certain proposed resolutions. More information about our Proxy Voting Policy can be obtained by clicking the link [here](#)

On-going dialogue: Our Investment team runs more than a thousand company meetings per year through on-site visits, conference calls and corporate events.

Over the recent years we have seen a growing number of listed companies reach out to us to draft their own ESG strategy or to request feedbacks on initiatives they have undertaken. We always welcome such approach and systematically reply in the most constructive way possible.

Collaborative and investor engagement: We seek to be responsible investors and to make a difference through the way we operate. To expand our influence, we have joined several collaborative and investor initiatives including:

- Board Diversity of Hong Kong
- United Nations Principles for Responsible Investment (UN PRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- CDP

- I. **where an index is designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product, 'Designated reference benchmark'.**

No index has been designated for the sub-funds.

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