

Carbon Footprint Report

Year 2020

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Background

JK Capital became a United Nations Principles for Responsible Investment (UNPRI) signatory in 2017 with the belief that investing in companies with a sustainable framework in all matters relating to Environmental, Social and Governance (ESG) contributes to building a better society. JK Capital also joined the CDP and TCFD initiatives in 2021 to expand our network and deepen our knowledge of sustainability and climate change challenges.

Many of the firm's ESG commitments rely on engaging with our investee companies to identify, assess and manage ESG-related risks and opportunities. We believe that convincing investee companies to change and adopt best practices can only be achieved by applying the same values and principles to ourselves first.

When assessing the sustainable practices of a company, one of the critical components remains the level of transparency regarding its disclosures, including its carbon footprint. We believe that a high level of disclosure demonstrates a strong commitment to sustainability. Carbon footprint, while it should not be seen as the be-all and end-all of a company's ESG strategy, is still one of the most efficient ways to evaluate a firm's impact on the environment. For these reasons, we decided to publish our own carbon inventory for the Year 2020.

Scope and Methodology

Scope 1 –direct emissions produced by our company:

- None

Scope 2 –indirect emissions related to our activities:

- Electricity consumption

Scope 3 –other indirect emissions related to our activities:

- Employees’ commute
- Business trip flights
- Paper consumption

For any of these categories, we estimated our yearly consumption and translated it into kilograms of Carbon Dioxide (CO₂) per unit through available emission factors using the following formula:

Total Company Carbon footprint: $\sum \text{Consumption}_i * \text{Unit}_i * \text{Emission Factor}_i$ (in kg of CO₂ per Unit)

For emission intensity, we calculate it on a per full-time employee (FTE) basis to enable comparisons.

Results

a. Electricity Consumption

Regarding the emissions related to our electricity consumption, our Hong Kong utility provider publishes emissions factors¹ on a yearly basis. In 2020, 12,634 kg of CO₂ were emitted because of our electricity consumption, which accounts for approximately 76.7% of our total emissions.

b. Work Commute

We surveyed our staff for commute distance and methods (walking, bus, subway, ferry, passenger car) to calculate the carbon footprint of their daily work commute. Due to the Covid outbreak in Hong Kong in 2020, there were approximately 10 weeks during which our staff was working from home or having shifts among team members to ensure social distancing. Then we expect this metric to naturally increase if conditions in Hong Kong allows staff to come to the office all along the year.

Based on these assumptions, the carbon emissions from our daily work commute was estimated at 2,480 kg of CO₂ in 2020, which accounts for approximately 15.1% of our total emissions.

c. Flights related to on-site due diligence and marketing

As frequently highlighted, the crux of our investment approach is a thorough on-the-ground due diligence process. It implies constant dialogues with our investee companies combined with on-site due diligence.

In 2020, because of the global pandemic, we adapted our practices by doing online meetings. No business travels could be carried out during the year except in the early weeks of 2020 before the global shutdown of borders. Two members of our investment team did a research trip in India in January 2020. By using the emission calculator tool from the International Civil Aviation Organization (ICAO)², we estimated that trip resulted in 977 kg of CO₂ emissions, which accounts for approximately 5.9% of our total emissions.

We expect this section of our carbon footprint to rise significantly as soon as borders re-open throughout Asia and physical due diligence resumes. On-site due diligence is one of our fiduciary duties, and we strongly believe that it provides us with an edge when it comes to investment decisions.

d. Office Paper

Our yearly consumption of office paper stood at approximately 37,560 sheets of A4 80gsm paper in 2020, which represented approximately 187.8kg of office paper.

Using the emissions factor³ of 1.96 kg CO₂ per kg of office paper, we broadly estimate our carbon footprint related to office paper at 371 kg of CO₂, which accounts for approximately 2.3% of our total emissions.

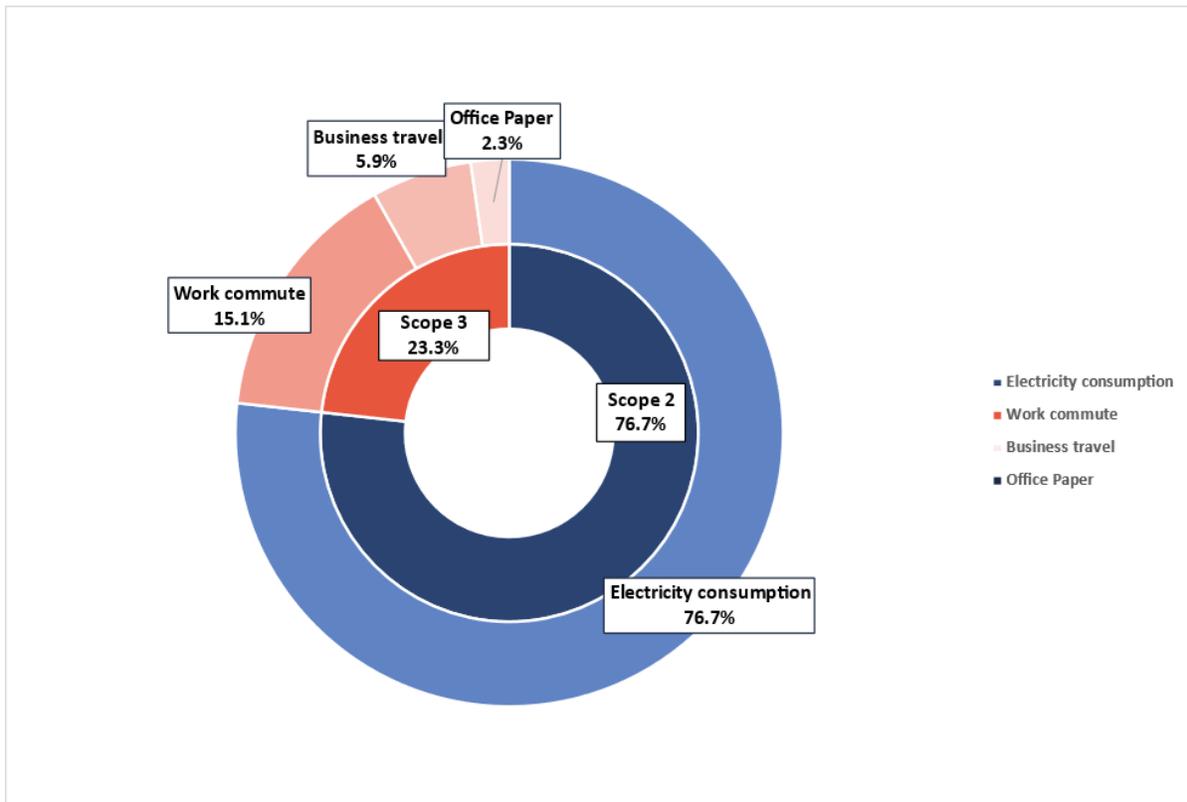
¹ [Carbon Calculator - HK Electric](#)

² <https://www.icao.int/environmental-protection/Carbonoffset/Pages/default.aspx>

³ [Printing and Writing papers – Life-cycle assessment summary report from American Forest & Paper association](#)

In line with our Firm Responsible Policy, we strongly encourage our staff to avoid as much as possible documents printing. When it is unavoidable, we recommend them to use double-side printing and print two-pages per side of paper whenever possible.

e. Emissions Breakdown



Total emissions of CO₂ in 2020 was 16,462 kg.

Please find calculations details in Appendix I.

f. Others

There are also areas of consumption and stationary replacement that are difficult to accurately quantify in a carbon context, which nonetheless remain part of our environmental footprint, and which JK Capital is also trying to actively manage and reduce.

Consumption	Indicator Unit	Data
Purified water	Liter	2722
Printer toners	Unit	11
Replacement ⁴	Indicator Unit	Data
Smartphones	Unit	4
Desktops/Laptops	Unit	5

⁴ Based on the assumption that smartphone replacements are made every 3 years, and desktop/laptop replacements are made every 5 years.

Industry best practice

So far, few companies in the asset management industry have adopted the practice of actively disclosing and managing their environmental footprint. Below are the best practices adopted by JK Capital as well as those adopted by peers that disclosed such information.

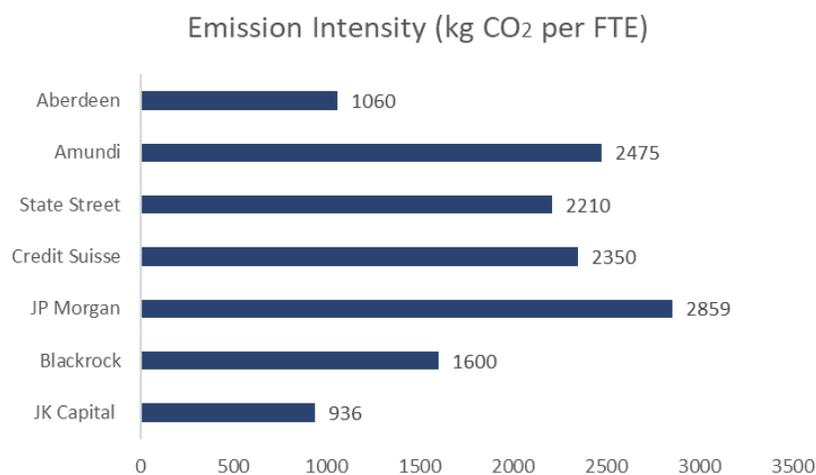
JK Capital

- Establishment of *Firm Responsible Policy*⁵
- Monthly ESG awareness sessions
- Materials consumption reduction measures
- Energy conservation measures
- Waste reduction measures

Peers:

- Publication of annual ESG report
- Setting environmental impact reduction target
- Offsetting emissions through voluntary carbon offsets
- E-delivery advocacy
- Portfolio asset carbon neutrality target

Due to the lack of consistent reporting standards within the industry, assumptions and scopes adopted by each firm could vary widely. Despite limited comparability, the comparison⁶ chart of Scope 1 & 2 emissions could be compiled below. It is for reference only.



⁵ [Firm responsible policy](#)

⁶ Emissions intensity data was obtained from public disclosure (ESG report, carbon footprint report, etc.) of peer companies.

What next?

It is the first time we conduct a calculation of our company's carbon footprint. We keep in mind that these numbers are estimates and that our scope could not be exhaustive. Nevertheless, having a starting point will make it easier for us to adopt better practices, according to our Responsible Firm Policy, and monitor their impact going forward.

As discussed above, we believe in the importance of meeting physically with our investee companies. It is fair to assume that our carbon footprint related to physical due diligence and marketing trips will only increase as soon as we could resume travel overseas. We will closely track our emissions records and plan our trips as efficiently as possible.

We are also dependent on reliable emission factors to provide good estimations of our carbon footprint. As the ESG theme proliferates in Asia, we believe the level and quality of disclosures provided by utility companies, by transportation companies as well as others will significantly improve, empowering JK Capital, our peers and our investee companies to better measure and manage their environmental footprint.

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Appendix I – Emission data

Emissions Source	Emission Factor (kg CO ₂ per Unit)	Emissions	Emission Intensity (kg CO ₂ per FTE)	Source
Scope 1&2				
Electricity consumption	0.71 per kWh	12,634	936	HK Electric calculator
Total Scope 1&2		12,634	936	
Scope 3				
Work commute	Depends upon transportation method	2,480	184	2020 Gas Reporting conversion factors (UK Government)
Business travel	Based on ICAO's calculator tool	977	72	ICAO carbon calculator
Office Paper	1.96 per kg	371	27	Printing & Writing papers - life cycle assessment
Total Scope 3		3,828	284	
Total Emissions		16,462	1,219	