ZENNOR ASSET MANAGEMENT

ZENNOR ASSET MANAGEMENT SUSTAINABILITY, INVESTMENT & STEWARDSHIP POLICY

Zennor Asset Management LLP ("Zennor" or "the Firm") believes that Sustainability and good Stewardship of our clients' assets go hand in hand. We have therefore made the decision to formally publish our updated Sustainable Investment Policy on February 1st, 2025. These are based on our acceptance of the UN Principles for Responsible Investment to which we are signatories. We are also signatories of the Japanese Stewardship Code.

Zennor's policy covers the integration of Environmental, Social and Governance analysis throughout the investment process from idea generation through to risk control and portfolio construction and in our stewardship of client assets. As long-term oriented investors with a strong focus on capital preservation, understanding the key risks, including ESG risks, is an important part of developing our understanding of each individual investment. Zennor takes our role as a steward of client capital seriously and believes that engagement with company management can be a vital path to enhance risk adjusted returns. We aim to be transparent in our disclosure so that clients and invested companies are aware of our views and our actions taken.

These policies are reviewed and updated at least annually by the Zennor Senior Management team (specifically James Salter, Sachin Patel and David Mitchinson) with input from the Board and our external advisors. The responsibility for ensuring that the Zennor processes and systems are consistent with these policies lies with David Mitchinson.

Zennor Sustainable Investment Policy

Zennor follows a Sustainable Investment Policy that seeks to integrate the key Sustainability drivers into our assessment of a company's prospects, risks, and appropriate valuation and our portfolio construction process. Research demonstrates that incorporating sustainability into an investment process both reduces risk, and can enhance returns, significantly improving the risk adjusted performance. This is particularly true of highly engaged, value-oriented strategies such as ours.

Our process defines our acceptable investment universe, then analyses individual companies integrating sustainability considerations into the fundamental analysis and intrinsic valuation work. The fund managers also rely on these sustainability insights as part of the risk control and portfolio construction process. Companies that we believe have higher Sustainability risks will, *ceteris paribus,* have a lower position size than a stock offering equivalent upside but lower risk. In many cases we are investing in companies with poor but improving Sustainability and seek to engage with the management team, and collaborate with other investors, to ensure that the positive Sustainability momentum is maintained.

1. Exclusionary Screening

Zennor's process begins by using exclusionary screens to eliminate some companies based on ethical considerations such as those involved in the production of controversial weapons, harmful substances and human rights abuses. Whilst this may modestly reduce our potential investment universe neither we, nor our clients, wish to support these activities.

2. Integrating Sustainability into our Investment Process

Zennor does not believe that a full understanding of a company's risks and opportunities is possible without considering their environmental, social and governance strategy. The data released around these factors provides invaluable insight into the company's strategy, culture and opportunity set. No analysis can be complete without integrating this information into the investment thesis. In many cases these factors go to the heart of a company's strategy, long- term capital allocation and the competencies required to be successful not just in the near term but over many years. Zennor sees Sustainability as being aligned with shareholder value and we look at companies through the lens of 'how does this create value' and whether this long-term value creation is sustainable. Zennor believes that firms that cannot adapt or behave poorly will be punished by their customers, regulators and legislators. Inevitably this leads to low terminal value assessment, a high discount rate due to uncertainty and an unfavourable risk: reward skew. The rewards for companies that move from low to higher levels of sustainability in terms of operating and stock performance can be large. Zennor's Japan strategy is especially focused on companies with historically poor governance – not excluding other operating and strategic deficiencies - through engaging with our partners in management and alongside other investors we hope to improve governance, capital allocation and operating performance in its broadest sense increasing shareholder value.

Zennor has created its own proprietary Sustainability screenings covering more than 2,000 companies in our investment universe. This identifies multiple factors and produces a separate rating for Environmental, Social and Governance and an overall score. We utilise data available on Bloomberg but also from external third-party data sources such as Clarity AI and brokers. This is a key input into our overall Quantitative scoring tool. The granularity allows us to question companies about specific areas where their performance could be improved or where disclosure is inadequate. This ongoing engagement may be via meetings, or letters to follow up on points that we have raised with them. To track, follow up and monitor these engagements we have developed an in-house tracking tool. Taken together we form a qualitative assessment of the company's Sustainability strategy which will influence our overall assessment of the company from an earning power and valuation perspective. The Sustainability assessment is especially critical in assessing the risks that the company might face. The downside tail risk of companies with poor sustainability scores is well known. This does mean that we are likely to build extra caution into the estimates and multiples and will downsize the position sizing vs. companies with superior Sustainability positions. Zennor is happy to invest in companies with poor Sustainability scores IF we believe that there is a realistic prospect, through engagement, of improvement. We believe that this engagement process is one of the key functions of active managers and is supportive of their ability to access superior returns. Through constructive engagement with company management, we can promote stronger, sustainable growth, better governance and reduce risks to the business. All these factors are likely to create a better company and stronger share price.

Zennor's Investment Committee, assisted by our external advisors, formally reviews the portfolio positions and risks each month. Zennor subscribes to several services that provide analytical data to support this review. The portfolio managers monitor and engage with the portfolio and investee companies on an ongoing basis. As part of this ongoing stewardship, Zennor votes all its shares and will disclose its voting record. Whilst usually we and our investments are well aligned, we will oppose measures that we believe are detrimental to minority shareholders e.g. we will ALWAYS vote against poison pill proposals. Where we vote against management proposals, we will engage with them beforehand and explain our reasoning. From time to time, we may share insights with other institutional investors for collective engagement with investee companies.

As well as being a UN PRI signatory, Zennor is a supporter of the Japanese Stewardship Code. The adoption of these codes is consistent with our investing discipline and reflects our commitment to preserving capital and long-term shareholder value growth.