

Sustainability Risk Policy

1. Regulatory provision

The European Council and European Parliament have reached a political agreement on the Disclosure Regulation regarding sustainability-related disclosures in the financial services sector (EU Regulation 2019/2088, "SFDR"). In seeking to establish a pan-European framework to facilitate Sustainable Investment, the SFDR framework provides a coherent approach for sustainability related disclosures to financial market participants and advisers. Covering a broad range of financial products, its objective is to promote transparency regarding the integration of Sustainability Risks into investment decisions and consideration of adverse sustainability impacts in the investment process. For the purposes of the SFDR, ZENKYOREN EUROPE LIMITED (or "ZEL") meets the criteria of a "financial market participant", whilst each Fund qualifies as a "financial product".

2. Identification of Sustainability Risks

ZEL considers sustainability risk to mean events or conditions in the environmental, social or governance areas (ESG), that if it occurs, could cause an actual or a potential material negative impact on asset value.

ZEL believes that considering these risks in the investment decision-making process is important for improving the value of client assets, therefore, ZEL considers non-financial information including ESG factors to the investment decisions in addition the financial information.

3. Investment process considering Sustainability Risks

Sustainability risk arising from ESG factors is considered in the following investment decision process. The most suitable process is selected according to asset types. Transparency is ensured through communication with AIFM.

- Exclude investment candidates that execute cluster bomb manufacturing. For the fund that promotes environmental or social characteristics, exclude investment candidates that are not able to promote those characteristics.
- Conduct analysis and evaluation including ESG factors by company's disclosure and information from external data providers, and select investment candidates.
- Select investee companies considering such as valuation of the company, and construct portfolio.
- Monitor whether any negative events occur in the investee companies using information from external data providers. For the fund that promotes environmental or social characteristics, confirm whether the investee companies are not on the exclusion list at the timing of investment execution and on a monthly basis.
- Decide whether the portfolio should be rebalanced when sustainability risk is increased and have an impact on long-term growth of the investee companies. For the fund that promotes environmental or social characteristics, sell investee companies that are not able to promote those characteristics.

4. Adverse sustainability impact

ZEL has decided not to take into account the adverse sustainability impacts as defined in Article 4 (1) of the Disclosure Regulation EU 2019/2088 as of March 10, 2021. When additional regulatory provisions are established and the data quality is sufficient, ZEL will review its current position and plan for any implementation in order to consider the principal adverse sustainability impacts on investments.

5. Remuneration Policy

The ZEL's approach to remuneration, as set out in its remuneration policy, does not encourage excessive risk-taking with respect to sustainability risks.