

## Principles for Responsible Investment

PYN Fund Management Ltd's (hereinafter referred to as "PYN") principles for responsible investment define PYN's operating practices for responsible investment in the management of the PYN Elite Fund (non-UCITS). These principles are approved by PYN's Board of Directors.

We believe that taking the principles for responsible investment into account in investment activities can have a positive impact on the long-term return potential of investments. In our view, responsibility is a precondition for sustainable value growth and therefore an important factor in our pursuit of the best possible return on investment.

From the perspective of sustainable development and the mitigation of climate change, every country and company must take these issues better into account in their operations. PYN Elite's investments are currently allocated to Vietnam, which is one of the world's fastest-growing economies. However, it is clear that Vietnam's starting point concerning its economy, society's stage of development, and consideration of ESG issues lag far behind Western Europe and other developed nations. Nevertheless, economic growth makes it possible for the Vietnamese state and companies to take the goals of sustainable development better into account. As the development and internationalization of Vietnam and Vietnamese companies continue, the more their economic success is determined by their capacity to operate responsibly and take sustainability requirements into account. As the significance of international investors increases in the Vietnamese market, it can be assumed that investors will particularly favor companies that operate responsibly and report transparently on their sustainability.

At PYN, we have incorporated the assessment of responsibility into our investment activities. When we evaluate the long-term return potential of target companies, we also take the responsibility perspective into account. This includes assessing the company's governance, the environmental impacts of its operations and products, and its approach to social responsibility. As these factors influence the long-term return potential of the share and the risks associated with the company's business, it is natural to take these matters into account in investment decisions.

The Portfolio Manager is responsible for implementation of PYN's principles for responsible investment. Analysts providing data for PYN also play a central role in the collection of information, as the general availability of structured ESG data on Vietnam and Vietnamese listed companies is limited. We recognize that, due to Vietnam's stage of development, financial information and other information available on companies should be viewed with skepticism. Accordingly, in spite of our diligence, our ESG assessments of each company involve substantially higher uncertainty compared to corresponding analyses of companies operating in the developed markets.

We do not invest in companies that we know to manufacture controversial weapons (anti-personnel mines, cluster weapons, nuclear weapons, depleted uranium, chemical weapons, and biological weapons).

In our view, certain industries are more sensitive than others concerning sustainability risks. Investments in sectors defined as sensitive are monitored regularly to support the identification and quantification of potential sustainability risks. Similarly, whenever new investments in sensitive sectors are considered, we always take into account the sustainability risks associated with the investment. Investments in companies operating in such sectors are excluded if the sustainability risks are significant and, in our view, the company cannot credibly manage the risks in question. We maintain a separate list of sensitive sectors and our exposure to them.

Additionally, companies that are observed to violate the applicable legislation, international norms or agreements pertaining to human rights, labor, corruption and sustainable development may be excluded from investments by the Portfolio Manager's decision if the company in question is not found to change its operating practices or respond to attempts to influence them.

In the event that we observe material deficiencies in a target company's operations with regard to governance, environmental issues or social responsibility, we aim to influence the situation primarily through direct and genuine dialogue with the company's executive management. Where necessary, this can be combined with exercising influence as a shareholder in a shareholders' meeting in accordance with PYN's principles of ownership control. The aim of dialogue and exercising influence is to support the company in reaching its objectives and achieving success as well as to safeguard and improve long-term returns on investment for shareholders. However, if such dialogue does not lead to the desired outcome, we may decide to divest our holdings in the company in question.

When we meet with company executives, we also aim to highlight ideas that the companies could use to develop their operations and reduce their sustainability risks. Similarly, we encourage company executives to participate in training and certification programmes concerning good governance practices as well as focus on transparent and high-quality investor relations, including the reporting of ESG information.

The realization of these principles for responsible investment is reported to PYN's Board of Directors regularly on an annual basis.

PYN has also incorporated sustainability targets into its remuneration policy. Remuneration in any individual case may not, for example, be based on actions that are contrary to the principles of sustainable development.

#### **Addressing negative sustainability factors**

In spite of the aforementioned principles, PYN has decided to classify itself, in accordance with Article 4(1), Paragraph (b) of EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"), as a financial market participant that does not consider the adverse impacts of investment decisions on sustainability factors. The reason for this classification decision is the inadequate availability of reliable information on companies in our main target market, Vietnam, with regard to the reporting indicators required by the SFDR and the technical regulatory standard issued on the basis of the SFDR as regards, for example, greenhouse gas emissions, carbon footprint, energy consumption and the equal treatment of employees. For example, MSCI, which is one of the most widely used providers of ESG data, does not have any of PYN's target companies in its database as of 3 March 2021.