Advantage Partners

Private Equity Funds

Environmental, Social and Governance (ESG) Policy

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1. Purpose

The purpose of this policy is to define the approach of Advantage Partners (H.K.) Limited ("AP") to integrating the consideration of environmental, social, and governance (ESG) risks and value creation opportunities into investments made through the private equity funds that AP serves ("Funds").

AP recognises that ESG issues can have significant impact on both AP's own operations and those of the portfolio companies of the Funds and the effective management of ESG issues is integral to the investment process of the Funds. Furthermore, AP became a signatory of the Principles for Responsible Investment in 2016, and is committed to implementing its six Principles.

Accordingly, AP commits to consider material ESG issues in the course of its due diligence and in the monitoring of portfolio companies of the Funds to the extent reasonably practical under the circumstances, in a manner consistent with its fiduciary obligations to act in the best financial interests of investors in the Funds.

AP strives to assist the portfolio companies to thrive under our management while being ESG conscious with proactive on-going dialogue and create positive ESG influences through stewardship, nurturing the portfolio companies into sustainable and competitive firms even after they have left our funds.

For the purposes of this policy, "material" ESG issues are defined as those issues that AP in its sole discretion determines to have, or to potentially have, direct substantial impact on an organization's ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its stakeholders.

2. Scope

This policy applies to all the investment activities of the Funds throughout the investment cycle, as well as AP's own operations. The policy is interpreted in accordance with the relevant local laws and regulations. In cases where AP determines it has limited ability to conduct diligence or to influence and control the integration of ESG considerations in an investment—for example, in cases where AP is a minority shareholder, or where other circumstances affect AP's ability to assess, set, or monitor ESG-related performance goals —, reasonable efforts are to be made to encourage these private equity portfolio companies to consider relevant ESG-related principles.

3. Roles and Responsibilities

The board of directors of AP has oversight and accountability for the implementation of this policy and is responsible for overall decision-making including approval of action plans for ESG initiatives based on recommendation by the ESG Committee.

The ESG Committee reports to the board of directors of AP on ESG performance across the Funds. Its primary responsibilities include facilitating the implementation of this policy in private equity investment analysis of the Funds, maintaining and updating this policy to ensure its continued relevance, arranging periodic internal audit on AP's responsible investment processes, and assessing the responsible investment capabilities and training needs among AP investment professionals at least twice a year.

AP's private equity professionals report to the ESG Committee on portfolio level ESG issues. They are primarily responsible for ensuring the incorporation of ESG issues and stewardship activities into private equity investment analysis in collaboration with the ESG Committee. Where additional subject matter expertise is needed, the ESG Committee recommends utilizing external resources when relevant and necessary.

4. Goals

In connection with the Funds and subject to the scope described in Section 2, AP seeks to:

1. Incorporate environmental, social, and governance considerations associated with investment opportunities during due diligence (pre-investment) phase, as well as during ownership period through stewardship (post-investment).
2. Be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
3. Grow and improve the companies in which the Funds invest for long-term sustainability and to benefit multiple stakeholders, including on environmental, social, and governance issues. To that end, AP works through appropriate governance structures (e.g. board of directors) with portfolio companies with respect to environmental and social issues, with the goal of improving performance and minimizing adverse impacts in these areas.
4. Use governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest, and to implement compensation and other policies that align the interests of owners and management.
5. Remain committed to compliance with applicable national and local labour laws in the countries in which the Funds invest; to support the payment of competitive wages and benefits to employees; to provide a safe and healthy workplace in conformance with national and local law; and, consistent with applicable law, to respect the rights of employees to decide whether to join a union and to engage in collective bargaining.
6. Encourage strict policies that prohibit bribery and other improper payments to public officials.
7. Respect the human rights of those affected by AP's or the Funds' investment activities and seek to confirm that the Funds do not invest in companies that utilize child or forced labour or maintain discriminatory policies.
8. Provide timely information to the Funds' limited partners on the matters addressed herein, and work to foster transparency about ESG-related activities of AP and the Funds.

9. Encourage portfolio companies to advance these same principles in a way that is consistent with their fiduciary duties.
10. Move towards relevant climate change standards together with AP's portfolio companies (e.g. The Paris Agreement and Task Force on Climate-Related Financial Disclosure)

5. AP's approach to ESG integration in private equity investments

AP seeks to integrate the consideration and thoughtful management of ESG issues throughout the investment cycle.

5.1 Pre-investment:

Undertake ESG due diligence:
AP follows the robust evaluation process using the AP standard assessment format. AP ensures that the Funds do not invest in companies which are principally engaged in businesses in any Excluded Sectors or Excluded Activities (as listed in Appendix A). AP involves both internal and external subject matter experts with ESG-related competence to conduct assessments of ESG value creation opportunities or risks for potential private equity investments considered through the investment advisory process.

Key ESG factors are determined and discussed at pre-investment phase. Prioritization of important ESG factors is set. AP will discuss and plan stewardship activities and escalation strategies on each investment respectively.

When material ESG issues are identified, they may be included in discussions with the relevant committee, and external advisors may be engaged to carry out additional ESG-related due diligence as needed.

5.2 Post-investment:

Monitor progress:
Where there are material issues identified during the due diligence process, AP includes the management of these issues in a 100-day plan post-close, or otherwise monitor the ongoing progress on ESG issues, as applicable. Where AP considers the management of, or performance on, a material issue that needs improvement, AP supports the company management to develop a corrective action plan and provides incentives for timely improvement by incorporating ESG outcomes as part of management KPI. Investment professionals are to report the progress and outcome of the stewardship activities to ESG Committee on a regular basis for on-going monitoring and discussion.

Engage during investment:
- AP encourages the management teams of portfolio companies to identify and raise material ESG issues to relevant decision-makers, including board-level individuals where appropriate.
- Where appropriate and subject to the scope described in Section 2, AP assists portfolio

companies in the development of action plans by sharing best practices of respective industry to adequately address the identified ESG-related risks and opportunities. Where applicable, this may be part of the 100-day plan. In addition, where relevant, AP invites portfolio companies to participate in its proactive ESG programs. These programs focus on managing ESG risks and opportunities that span across sectors.
- Where appropriate and reasonable, AP supports portfolio companies to report externally and internally on their ESG approach and performance as related to material ESG issues. AP communicates its commitment to responsible investment with portfolio companies, as well as information on AP's programs for partnering on ESG issues.
- In most cases, at least one investment professional sits on the board being responsible for monitoring and implementing ESG programs in portfolio companies. These investment professionals will work with management of the portfolio companies and report ESG update to the ESG Committee annually on key ESG developments during the relevant period.

5.3 Transparency and stakeholder engagement

AP seeks to be transparent in its approach to incorporating ESG considerations in its private equity activities by reporting on its progress and outcomes at the firm level. AP proactively reports ESG information to UNPRI, regulatory bodies and fund investors upon invitation. AP also discloses portfolio specific ESG information in periodic financial statements. In case of serious ESG incidents, AP will report to stakeholders as soon as applicable.

Where appropriate, AP seeks to actively engage relevant stakeholders in an effort to make informed decisions that may affect these stakeholders throughout the investment cycle.

6. Performance standards

6.1 Use of checklist

Internal and external experts created a general ESG checklist, which includes various ESG items. Items are selected based on international and local ESG related standard.

When making an investment decision regarding a company, AP utilises investment information, and hold ESG Committee meeting to discuss company-specific ESG opportunities and risks. The highlighted items are then discussed and agreed with the investment team. Investment team members assess those prioritised ESG items and fill in result in the ESG checklist.

A completed ESG checklist clearly shows the specific risks, magnitude of impact and controllability of the risks.

The ESG checklist is circulated among Investment Recommendation Committee members. It is also a reference to monitor ESG compliance during the post-acquisition management ("PAM") phase.

6.2 Applicable standards

When making an investment decision regarding a company that AP determines to be a high- priority company through the review and categorization process described in Section 6.1, globally recognized ESG performance standards, as well as any additional ESG guidance that AP considers to be applicable, are being considered, as a guide, during the AP investment model. This policy does not, however, strictly adopt any external policy or set of standards.

When making an investment decision regarding a company that AP determines to be lower- priority through the review and categorization process described in Section 6.1, the assessment process includes the consideration of ESG issues that AP considers to be material.

6.3 Prioritization and Focus

To prioritize and focus its ESG assessment and management efforts during due-diligence and PAM, AP considers the magnitude, unpredictability and controllability of ESG-related risks and impacts associated with each individual company as follows:

Magnitude, unpredictability and controllability of impact:
When a company is being evaluated for investment, AP, as part of its due diligence, assesses potential ESG issues based on what AP considers to be material on magnitude, unpredictability and controllability of its potential ESG risks and impacts.

Area of operation:
AP may further prioritize ESG efforts for a particular portfolio company if existing ESG standards in the portfolio company's country of operation are considered to be less robust.

Appendix A

Excluded Sectors

Any of the following sectors:

1. Production or distribution of pornography or prostitution
2. Manufacturing or trade of arms and munitions
3. Gambling, casinos and their equivalents
4. Operations violating public order and good morals
5. Manufacturing or trade of tobacco products
6. Racist and/or antidemocratic media

Excluded Activities

Any of the following activities:

1. Manufacturing or trade of radioactive substances (with the exception of medical, measuring equipment etc.)
2. Manufacturing or trade of asbestos fibre
3. Manufacturing, trade, storage or transport of large quantities of hazardous chemicals
4. International trade of waste not compliant with regulations such as the Basel Convention
5. Use of explosive substances and large-scale driftnets in fishing operations
6. Activities damaging endangered habitats and high conservation value areas
7. Commercial logging operations using primary tropical rainforest
8. Manufacture or trade of wooden goods using timber from forests other than those sustainably manages
9. Relationship with Anti-social forces (extortionists, criminal groups and their members or companies that were found to be associated with them or their equivalents)
10. Production or activities utilizing forced or child labour
11. Production or activities on lands belonging to indigenous peoples with no documented consent to use, and lands subject to dispute