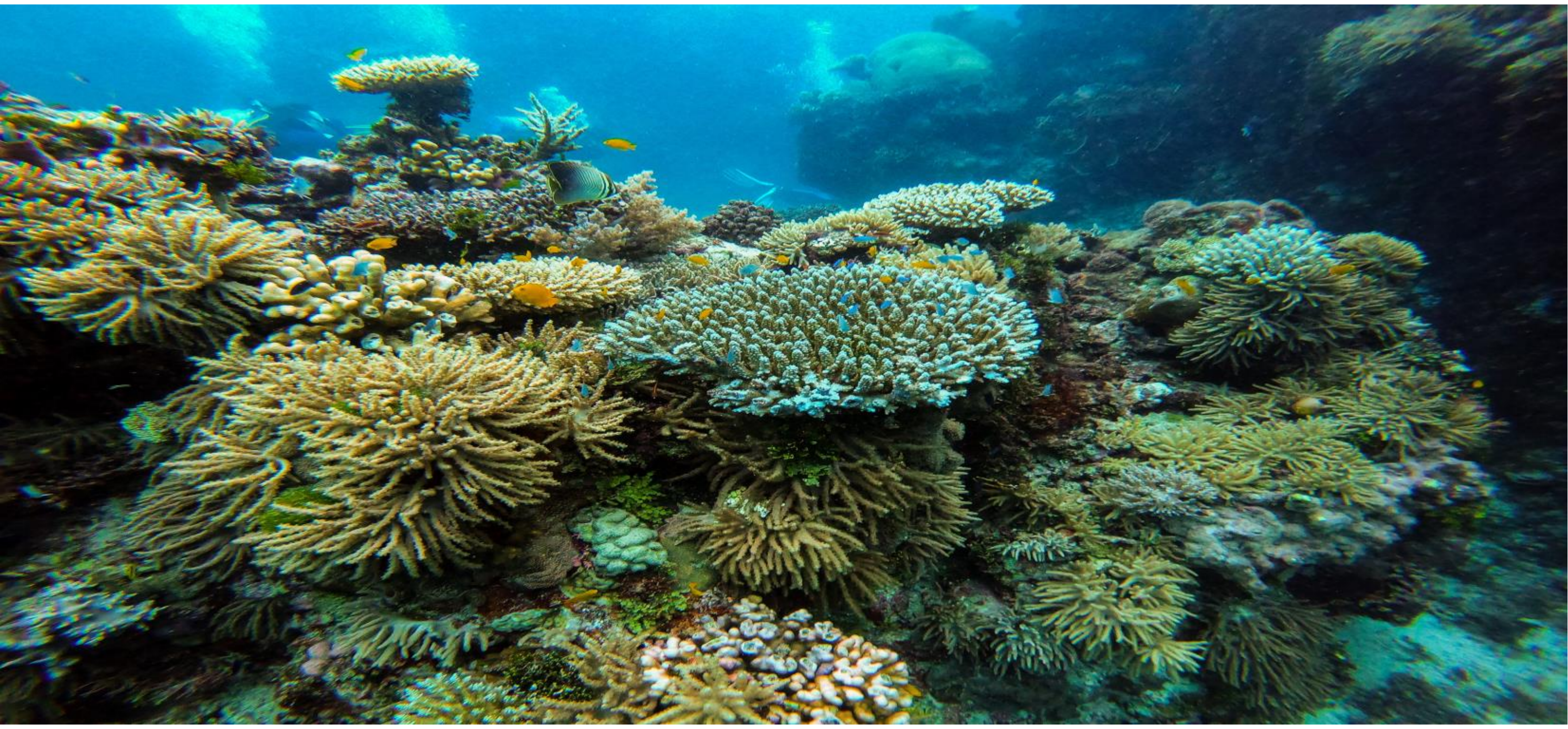
AvantFaire
Investment Management Ltd.

Operating Principles for Impact Management

June 2023 Disclosure Statement



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Disclosure Statement

AvantFaire Investment Management Limited (AvantFaire) is a signatory to the Operating Principles for Impact Management (Impact Principles). This disclosure statement affirms that AvantFaire continues to have the necessary policies and procedures in place to manage a private equity discretionary mandate[1], focusing on the impact theme of sustainable cities and rural areas. Since China has lifted Covid-19 curbs early this year, we have been actively seeking collaboration within the mainland for rural revitalization investment opportunities, and we are currently in the process of establishing direct investment funds for rural revitalization with the Impact Principles as the guiding framework. We expect to have the fund up and running by the end of this year. As the 100th signatory, AvantFaire is committed to promoting the Impact Principles' standard in Asia particularly in the Greater China Region. We look forward to working with peer signatories and the broader impact investing community to foster the growth and recognition of the Impact Principles.

Catherine Chen
Founder and CEO
AvantFaire Investment Management Limited
June 2023

[1] The AUM of DM is zero as of June 2023 due to Covid-19 curbs which suppressed the business and investment activities in the Greater China Region.

Principle 1: Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

AvantFaire Investment Management Limited (AvantFaire) is an impact investment firm licensed in Hong Kong SAR. We currently offer various impact investment opportunities to investors, such as discretionary mandates service to investors in both the private equity and listed equity space, as well as partnering with private banks and platforms to offer bespoke investment/custodian services focusing on impact investing. AvantFaire is a signatory to the Operating Principles for Impact Management (Impact Principles), and Principles for Responsible Investment (PRI). As the first Asian equity investment manager to receive the B-Corporation Certification, our vision is to serve as a forerunner to other houses in the Asia Pacific region by specializing in impact investing and incorporating best-in-class industry standards into our investment process. Going beyond the integration of ESG considerations into the screening of our direct investments, we aim to invest in companies that can create a net positive social impact.

AvantFaire specializes in impact investments that deliver both positive social impact and financial return, with a conviction that social well-being and financial benefit reinforce each other and converge in the long run. Our impact investment objectives are multifold, and we aim to address the needs of people, improve the quality of living, drive sustainable economic growth, bring positive changes to the world, encourage multilateral collaboration, and last but not least, create long term sustainable returns on behalf of our investors. We are committed to helping our investors to invest with purpose.

AvantFaire is the manager of AvantFaire Private Equity Discretionary Mandate (DM) which invests in a portfolio of investee companies within the overarching theme of Sustainable Cities. To facilitate our investment thought process and investor communication for the above-mentioned impact investment theme, we make reference to the SDGs and commit to investing in SDG 11 – Sustainable Cities and

Communities with interrelated SDGs of 6 - Clean water and sanitation, 7 - Affordable and clean energy, 9 - Industry, innovation and infrastructure, 12 - Responsible consumption and production and 13 - Climate action.

Source: United Nations Sustainable Development Goals, March 2022

These SDGs are then translated into our impact investment theme of Sustainable Cities to target investments that:

- Utilize natural resources more efficiently
- Pollute less and recycle more
- Enhance the living quality in cities, communities, and villages

Using this approach, impact contribution can be monitored against our objectives and contributions to the Sustainable Development Goals (SDGs) set out by the United Nations Summit in 2015 using relevant impact metrics and frameworks.

Our regional footprint in China, Hong Kong SAR and Singapore enables deal sourcing through local networks on the ground to identify potential positively aligned companies with impact-led commercial solutions that can meet our environmental, social and governance requirements and impact objectives.

Principle 2: Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

We are guided by our Investment Process Policy in terms of our decision-making process for the DM's impact investments. Our investment approach into the Sustainable Cities theme of the DM is to identify technologies and innovative business models that are a good fit, before commencing the due diligence process. We aim to offer our investors long-term financial returns and multi-faceted social and environmental impacts from each of the investee companies and at the overall portfolio level to ensure the creation of net positive impact.

From the initial stage, the business model of a potential investee company is assessed for alignment with the impact thesis of the DM. Potential impact metrics is discussed and mapped to relevant SDGs ensure meaningful tracking against a pre-defined baseline. Throughout the holding period of investments, the investment team works closely with the investee to realize the impact strategy and monitor impact and financial performance.

To measure overall portfolio impact, we aggregate the various impact metrics from investee companies and compile them into a report together with relevant financial information through an integrated reporting model.

Some of the common metrics attributable to similar impact themes include the amount of Carbon Dioxide (CO_2) reduction or avoided; the amount of alternative power generated or energy saved; and the weight of hazardous material reduction. Other examples include:

- Metric tons of CO_2 avoided
- Jobs creation
- Direct beneficiaries
- Women employment
- Benefits to Rural Communities
- Productivity gains
- Amount of renewable energy deployed

In cases when the actual impact portfolio company cannot be reliably obtained, we will estimate the impact of their products and services and make appropriate disclosure in the reporting. After reviewing, investigating and verifying the validity of inputs and assumptions provided by the portfolio companies, we will compile and provide an official impact report to investors on an annual basis. In the context of rural revitalization investment opportunities, benchmarking presents a unique challenge given the rapid pace of change, diverse ownership, and inconsistent use of benchmarking tools across the overall sector.

In addition to the official impact reporting, we will continuously track the impact performance of our underlying portfolio companies and the market conditions relevant to their impact investment themes, and hold regular meetings with them to ensure their impact investment strategies are adhered to, impact monitoring processes are intact and potential risks are mitigated. AvantFaire will also provide impact knowledge sharing and technical assistance to the portfolio companies if necessary. As best practices emerge, incentives will be aligned closely with achievement of impact as well.

Principle 3: Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

AvantFaire as a firm is committed to the impact investment industry in Asia. Our investment process is aligned with international standards and our firm is a signatory to Principles of Responsible Investment (PRI) and Operating Principles for Impact Management (Impact Principals). We have also put our vision of creating positive impact to practice as a certified B Corporation (B Corp) to operate ethically in a sustainable fashion in our society. To further strengthen our identity in impact investment, we are proactively involved in green advocacy, speak regularly in industry conferences and publish articles on impact investments, sustainability and Environment, Social and Governance (ESG) topics.

We continue to establish long-term relationships within the impact investment industry to facilitate partnerships in exclusive direct and co-investment opportunities. Throughout the past year, we have also been actively expanding our deal sourcing and business network, while concurrently formulating synergetic strategies with one another (e.g. through joint research) to generate greater impact and social awareness with the government, regulators, academic institutions, non-profit organizations, and investee companies.

We provide our investee companies with the right support in the form of regular communication and collaborative discussion, as well as access to our network and experience. Other forms of support include but are not limited to:

- Leverage on partnerships in the industry – Our business partners consist of real estate developers and property management companies and we maintain close ties with them. We encourage them to adopt our investee companies' products and services to create synergistic benefits.
- Provide ESG / impact support – As a champion of impact investment in the industry, we will provide relevant guidance to investee companies on how to improve their respective ESG and other relevant frameworks that are compliance, disclosure and reporting related. We also work with the investee companies to develop with key performance metrics specific to impact measurement. We also encourage our investee companies to become B-Corp certified companies.

- Search for key management personnel - We utilize our extensive network to look for appropriate key management personnel (e.g. CEO and other C-suite) to aid the investee companies in scaling the business.
- Additional strategic initiatives- We work with our investee companies on follow-on investments by seeking interested parties (such as PE funds and other professional investors). If necessary, we will assist the investee companies in seeking bank financing and government subsidies.

To institute proper governance in the investment process, a "Deal Team" and a "Support Team" are assigned for each of the investment case to manage the overall investment process. The Deal Team consists of one managing partner and a junior to lead and manage a deal through the investment process. The Support Team, which consists of another managing partner and another junior, will function as the checks and balances in the investment process. Both managing partners in the Deal Team and Support Team are in the investment committee to ensure all investment information is comprehensively presented during decision making. The assignment of the Deal Team and the responsible managing partner is dependent on the person's area of expertise, availability and the number of companies in the person's current portfolio. The involvement of any junior staff is optional and is dependent on the complexity of the deal.

Principle 4: Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions:
(1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

The DM's anticipated positive outcome will be the achievement of the investment objectives as stated earlier above. The aim of impact assessment is to ensure the DM is consistent in its deliberate and purposeful approach to investing for impact which goes beyond negative screening or seeking to minimize negative impacts / externalities of an investment.

When assessing the investee companies during the due diligence process, we will wherever possible quantify and measure the potential positive impact potential deriving from the investment in a concrete manner. This impact potential is measured against the below framework:

- The type of impact which should be the core value of the business operation;
- The amount of impact which should be proportional to the business size;
- The relative size of the impact created within the targeted geographical context;
- The identification of impact beneficiaries;
- The transparency, availability and authenticity of impact data;
- The probability for the business operation to create the intended impact;
- The sustainability of impact created by the business operation; and
- The risk factors which change the assumption of impact creation

While we do not mandate application of any specific processes or metrics for impact measurement, we look for evidence showing that the investee company has a systematic approach to identify and assess the intended impact created by their business to ensure the impact investment logic is followed through, and to align with industry standards and best practice. Some examples of the metrics used as reference include HIPSO, IRIS+ and Joint Impact Indicators (JII).

In addition to monitoring the performance and risk, we take an active approach to add value by providing advice on funding and co-investment sources and other relationship support to the investee companies with the goal of enhancing the financial return and social and environmental impact for our stakeholders.

Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

We have a strong conviction that a company with robust ESG elements is likely to generate positive investment returns over the long run. We will assess the below list of ESG elements against the impact metrics of the company and assess alignment.

Environment	Social	Governance
▪ Climate Change	▪ Customer satisfaction	▪ Composition of the board of directors
▪ Carbon emission	▪ Relations with unions	▪ Structure of the audit committee
▪ Biodiversity	▪ Data protection	▪ Enterprise policy
▪ Depletion of natural resources	▪ Relations with civil society	▪ Anti-corruption policy
▪ Energy efficiency	▪ Equal pay	▪ Compensation committee
▪ Waste management	▪ Policy regarding the hiring of disabled people	▪ Lobbying policy
▪ Water / air pollution	▪ Diversity and non-discrimination of minorities	▪ Whistle-blower protection
	▪ Health and well being	▪ Diversity and inclusion policy

Besides the actual impact, the potential impact of the investee companies will be taken into account as well. For instance, a fossil fuel-based power producer that targets to improve the current energy mix towards net zero by implementing carbon capture and switching to renewable energy usage will have a higher impact potential. We are cognizant that there is no "one-size-fits-all" ESG assessment framework across multiple industries, and hence we will tailor the assessment framework to fit the investee company's industry. For instance, the metal industry may have a higher risk of an environmental impact in terms of air pollution compared to the retail industry.

AvantFaire employs a stringent monitoring process on the overall impact investment portfolio. Depending on the complexity of the investment as well as the extent of impact creation, we may collaborate with local partners with recognized capabilities and proven experience to manage project execution risks, create social and environmental awareness in order to achieve the expected financial returns.

The commitment of our investee companies to impact and ESG risk management is one of the key factors during the evaluation process. To identify, avoid, monitor, and manage impact and ESG risks, investee companies are scrutinized for demonstrated strength in their impact and ESG practices or, if appropriate, a commitment to improve such in future.

For each of the investee companies, we will establish the necessary impact metrics, monitor them over the investment holding period and compare them against a pre-defined baseline. The sources of impact data may come from a myriad of sources, including on-going dialogues with the management, board seat, advisory role, periodic data submission and scheduled reporting. The collected impact data is then compared against impact key performance indicators (KPIs) pre-agreed upon with the investee company at the inception of investment.

Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

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As stated earlier, impact metrics and measurement requirements are discussed with each investee company at an early stage to understand and examine investees' different views and approaches, and also to ensure alignment between both parties. Timing requirements and measurement methodology is also agreed upon, with the flexibility to adjust in light of new findings and information with the proper justifications.

At the portfolio level, reviews take place to discuss if the anticipated impact is in line with the investment team's baseline assumptions. Regular engagement with the investee companies in the form of face-to-face meetings or conference calls are held for current business updates and impact performance. To facilitate efficient discussions, we also hold informal conversations with senior management from time to time to analyze data outcomes and discuss appropriate corrective actions. When a portfolio company is not meeting expected progress on anticipated impact, the investment team may consider exiting under extenuating circumstances. With that said however, it is our firm belief that active engagement in supporting and educating investee companies in properly managing their impact risks and opportunities will result in positive spillover benefits and will contribute to an overall healthy and positive ecosystem.

Principle 7: Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

AvantFaire takes into account the sustainability of impact into consideration when making investments and divestments. Any changes or discontinuation of such impact may reduce the business value or even affect the viability of the business over the long run. We will identify buyers who are committed to upholding impact value after the acquisition, use an exit checklist to scrutinize if the impact will discontinue or be diluted in the potential exit, and put down a divestment memorandum to document the exit decision making process with impact consideration. Exit with impact continuity is a fiduciary duty of AvantFaire, and the firm proactively discuss the impact implication of anticipated exits on an ongoing basis.

Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

AvantFaire will conduct an official impact performance review for each investment before the annual impact reports are issued. We meet with our underlying investee companies, go through their impact strategies and results, and have them justify their financial and impact performance compared with expectations. Our first level of review focuses on their financial and impact performance as well as their adherence to the impact investment, measurement and reporting processes. The second level review focuses on the management style, stakeholder communication, impact research and continuous commitment as a company. In addition to issuing an annual financial and impact performance report, we will hold regular meetings with our investors and corporate advisors to discuss the management and performance of the DM and solicit for comments and suggestions. Such feedback engagement will guide us to improve our impact strategy development, investment process, assessment methodology and reporting practices. We will formally document our learning and experience into our improvement goals. Our underlying investee companies will have their own review and documentation processes to summarize their performance and lesson learned. Typically, the review and documentation process occur annually for each portfolio company through its lifetime until exit.

Principle 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This disclosure statement dated June 2023 reaffirms the alignment of AvantFaire's impact management systems on the DM's operation with the Impact Principles. The first independent verification of the alignment with the Principles was carried out in June 2022.