

Website Disclosures

DC Developing Markets Strategies plc - Vietnam Equity (UCITS) Fund (VEF).

SFDR Classification: **Article 8**

Reference benchmark: **No**

a) Summary:

No sustainable investment objective	The Fund promotes environmental and social characteristics but does not have as its objective sustainable investment.
Environmental or Social ("E/S") characteristics of the financial product	The Fund actively promotes environmental and social (E&S) characteristics by implementing a holistic approach that encompasses exclusion criteria, as well as favourable environmental and social performance.
Investment strategy	The Fund pursues a strategy aimed at achieving medium- to long-term capital appreciation of its assets while integrating ESG factors throughout its investment process to optimise risk-adjusted performance. The strategy used to meet the E&S characteristics promoted by fund encompasses exclusion criteria, ESG integration and positive tilt, as well as actively promoting sustainability and engagement with investee companies and policymakers.
Proportion of investments	90% of investments are allocated for securities with #1 Aligned E/S characteristics. 10% of investments are for #2 Other.
Monitoring of environmental or social characteristics	The Fund actively monitors the ESG performance of its investees as part of its risk management process. This helps assess existing and emerging ESG risks associated with their operations and identifies opportunities to improve ESG performance and reduce risk during the investment duration. Additionally, the ESG core team meets with the investment team quarterly to review holdings against the sustainability indicators.
Methodologies	Four sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the Fund.
Data sources and processing	Data collected from investee companies is the main source for ESG assessment. The entire screening, scoring, and rating process is documented in DC's internal digital system called IRIS – Integrated Resources and Intelligence System to regularly update and monitor the ESG

	data/performance of the companies to reflect the latest information available
Limitations to methodologies and data	Lack of quantitative sustainability data, e.g. greenhouse gas emission, water emission, waste generation, is the key limitation.
Due diligence	Using both bottom-up and top-down analysis when screening for securities.
Engagement policies	The Fund's engagement policies encompass various strategies to promote sustainable practices and drive positive change. These include ongoing interaction with companies to ensure their strategies align with our expectations, engagement for ESG knowledge sharing and encouraging disclosure of material ESG issues, and targeted engagement with the management of companies where sustainability risks are identified.
Designated reference benchmark	No specific ESG index has been designated.

b) No sustainable investment objective:

The Fund promotes environmental and social characteristics but does not have as its objective sustainable investment.

c) Environmental or Social (“E/S”) characteristics of the financial product:

The environmental and social (“E&S”) characteristics promoted by the Fund consist of:

- **Society and human rights:** avoiding business activities involving weapons and munitions, gambling and casinos, illegal products.
- **Public health:** avoiding business activities involving alcoholic beverages, tobacco.
- **Protecting the environment:** avoiding business activities involving unsustainable fishing methods, hazardous substances, radioactive materials, unbonded asbestos fibres.

In promoting the above E&S characteristics, the Fund also focuses on investing in securities with favourable or acceptable environmental and social performance, based on the E&S score calculated by the Investment Manager.

d) Investment strategy:

The Fund pursues a strategy aimed at achieving medium-to-long-term capital appreciation of its assets while integrating ESG factors throughout its investment process to optimise risk-adjusted performance.

- i) The Fund applies the following investment strategies to meet the promoted environmental and social characteristics.

Exclusion:

The Fund does not invest, or finance companies involved in:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceutical, pesticides/herbicides, ozone-depleting substances, PCB, wildlife or products regulated by CITES.
- Production or trade in weapons and munitions¹
- Gambling, casinos and equivalent enterprises¹
- Production or trade in alcoholic beverages (excluding beer and wine)¹
- Production or trade in tobacco¹
- Drift net fishing in the marine environment using nets in excess of 2.5km in length.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibres. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Activities involving harmful or exploitative forms of forced/harmful child labour.

ESG integration and positive tilt:

- The Fund conducts a comprehensive ESG analysis of all eligible companies, covering 100% of issuers in the portfolio.
- Potential companies undergo pre-screening against the Fund's exclusion list. If they pass the eligibility criteria, the proprietary ESG Management System (ESGM) developed by Dragon Capital Group (DCG) (of which the Investment Manager is a group company) evaluates the potential companies' ESG performance. Based on the screening results, these companies receive managed risk ratings of E&S performance: Excellent, Good, Average, Need Improvement, or Inadmissible.
- Companies rated as "Inadmissible" are excluded from investment.
- The Fund focuses on investing in securities of companies with favourable or acceptable E&S performance, specifically targeting companies with a rate of Excellent, Good, Average or Need Improvement ESG management system rating.

¹ This does not apply to sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations (less than 15% of total revenue)

- The Fund seeks investment opportunities in companies that demonstrate strong financial results and good ESG ethics, aligning with its investment objectives and values.

Active ownership:

The Fund actively exercises its voting rights and engages with investee companies to ensure compliance with ESG obligations. Its ongoing engagement focuses on managing ESG risks, enhancing sustainability practices, and collaborating with policymakers for positive impact. Through these efforts, the Fund aims to drive positive change, enhance long-term value, and align investments with its clients' values.

- ii) The Fund evaluates and assesses the corporate governance practices of investee companies based on the OECD Corporate Governance Principles, focusing on five key areas:
 1. Rights of shareholders
 2. Equitable treatment of shareholders
 3. Role of stakeholders
 4. Disclosure and transparency
 5. Responsibilities of the board

A company is considered to have good corporate governance practices if it satisfactorily adopts the elements outlined in the OECD principles. The Fund utilises a governance rating system, categorising companies as having either medium or low corporate governance risk. Companies categorised as medium and low risk will be reviewed on an annual basis and their ratings will be updated if necessary.

Companies categorised as high risk are placed on a watch list for semi-annual review. The Fund's engagement with these high risk companies has a two-fold approach. Firstly, it presents an opportunity for these companies to improve their governance compliance. Secondly, if there is no noticeable improvement or a lack of willingness to align with national governance compliance standards, the Fund may consider divestment from such companies.

This approach helps identify companies that prioritise transparency, accountability, and the protection of shareholder rights, aligning with the Fund's commitment to sound governance practices.

e) Proportion of investments:

#1 Aligned with E/S characteristics includes 90% of investments of the Fund used to attain direct exposure to the environmental or social characteristics promoted by the Fund.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

f) Monitoring of environmental or social characteristics:

Monitoring is an integral part of the Fund's ESG risk management process. The purpose of monitoring the investees' ESG performance is to assess both existing and emerging ESG risks associated with their operations. This allows the Fund to identify opportunities to mitigate risks and improve ESG performance throughout the duration of the investment transactions.

Following the approval of a transaction, the ESG core team meets with the investment team on a quarterly basis to review the holdings and ensure their alignment with the Fund's commitments. Specifically:

- Quarterly meeting between the ESG core team and the Portfolio Manager to review holdings against the sustainability indicators which are used to measure the attainment of each environmental or social characteristics.
- Annually reviewing investee companies' business activities and screening any expansion against the exclusion list.
- Annually reviewing the E&S scores and rates based on DCG's ESG management system.

All the ESG screening, scoring and rating results are documented in DCG's internal digital system called IRIS - Integrated Resources and Intelligence System.

g) Methodologies:

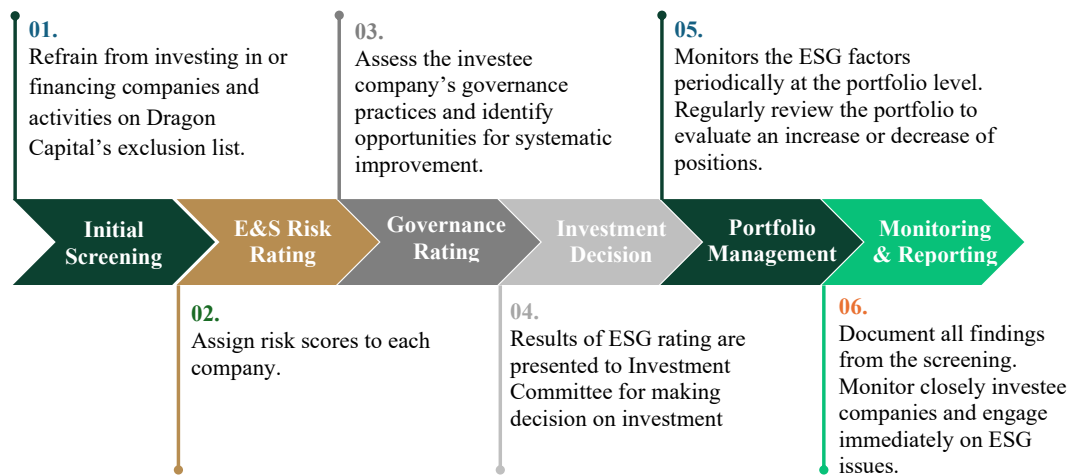
The Fund utilizes the following sustainability indicators to assess the attainment of environmental and social characteristics:

- All investee companies are covered by the ESG score calculated by the Investment Manager with reference to the proprietary ESG management system developed by Dragon Capital Group (DCG), as described below.
- None of investee companies in the Fund are exposed to the exclusion list mentioned in investment strategy section above.
- At least 90% of investee companies in the Fund are rated with favourable or acceptable E&S performance, i.e. with a level Excellent, Good, Average or Need Improvement of ESG management system rating.
- Exercising voting rights in as many investee company meetings as possible.

The ESG management system of Dragon Capital Group, as depicted in the diagram below, is employed to guide the Fund's investment strategy, encompassing exclusion and ESG integration.

Exclusion involves screening investee companies' activities against an exclusion list.

ESG integration comprises five steps designed to evaluate and incorporate ESG factors into the investment decision-making process. These steps involve scoring and rating the ESG performance of investee companies and managing, monitoring, and reporting at the portfolio level.



The E&S performance of non-financial companies is assessed against 33 E&S indicators, which are derived from The United Nations Global Compact (UNGC) principles and international standards, such as IFC performance standards. The indicators include topics on environmental and social risk management system, transparency and disclosure, pollution impacts, labour conditions, resource efficiency, greenhouse gas disclosure and reduction plan, community health and safety, land acquisition, biodiversity conservation, indigenous rights, and cultural heritage. Additionally, the E&S performance of financial companies is evaluated against 4 key topics: i) the company's E&S management system in its investment and financial services, ii) transparency and disclosure, iii) working conditions, and iv) customer rights. The indicators for financial sectors are derived from the UNGC principles, Sustainability Accounting Standards Board (SASB), and the Sustainable Banking Assessment (WWF-SUSBA) tool.

The ESG management system ultimately rates the companies' performance at 5 levels:

- i. **Excellent:** A company has excellent E&S performance which is in alignment with international standards.
- ii. **Good:** A company has good E&S performance which is in alignment with national standards and to some extent to international standards.
- iii. **Average:** A company has average E&S performance according to national standards but may have some minor controversies in low-risk sectors.
- iv. **Need Improvement:** A company's E&S management system is not adequate to manage its risks and impacts, and is involved in multiple minor controversies.

- v. Inadmissible: A company is involved in one or more major controversies which materially harm the environment, human rights, biodiversity, and potentially impact the reputation of the company and its shareholders.

Excellent and Good companies are defined as favorable E&S performance. Average and Need Improvement companies represent an acceptable E&S performance, where the sustainability risk is moderate or some weak E&S management capacity indicating the need for improvement. Inadmissible companies are deemed non-investible due to their poor E&S performance.

Corporate governance performance is assessed against the OECD Corporate Governance Principles and global best practices. The assessment rates companies based on low, medium, and high-risk levels.

h) Data sources and processing:

The Investment Manager utilises its in-house capacity, including staff from the Research and ESG teams, to gather data from the following sources:

- Company disclosure information from annual and sustainability reports.
- Direct meetings/communication with the company.
- Other public information available through media/press release, studies and research from non-governmental organizations, industry associations, and trade unions.

The collected data and information are then sorted, verified by the ESG team against ESG standards and practices, such as IFC guidelines, good practice notes. In cases where a company is exposed to sectors with complex E&S material issues, consultation with experts is also employed. Additionally, the data and information collected from public media are verified by communicating with investee companies.

Research analysts, assisted by in-house ESG specialists, utilize the collected and verified data and information to assess the company's ESG performance. The assessment involves evaluating 39 environmental and social questions and indicators, as well as 24 Governance questions. The entire screening, scoring, and rating process is documented in DCG's internal digital system called IRIS. All E&S data, assessment and monitoring are recorded in IRIS, allowing for the tracking of a company's E&S improvement over time.

A company's E&S score is influenced by the presence of an element called a knowledge gap. When there is limited information available about a company's E&S performance in relation to its business activities, this lack of information can result in a worse E&S score and rating for the company.

Data from third party providers (e.g., Bloomberg) is still limited for the Vietnam market, thus the ability of DCG to cross check the information that it sources itself in order to ensure the quality of this data is limited.

i) Limitations to methodologies and data:

The main limitation lies in the absence of quantitative sustainability data, such as greenhouse gas emissions, water emissions, and waste generation, particularly in frontier and emerging markets.

To ensure such limitations do not affect the attainment of environmental and social characteristics promoted by the Fund, the knowledge gap element was designed to integrate into a total E&S score of a company. In cases where the Investment Manager is unable to access or collect ESG data for certain companies or certain indicators, this leads to a larger knowledge gap. As a result, worse ESG score and rate are associated with these companies, thus investment opportunities in these companies may be limited.

j) Due diligence:

The investment due diligence process combines both bottom-up and top-down analyses when screening companies. In both cases, the Investment Manager screens companies against the exclusion list and evaluates their financial profile and corporate governance. Once these initial filters have produced results, the Investment Manager proceeds to conduct a comprehensive fundamental analysis of the company, taking into account sustainability factors related to the environment and social aspects.

As stated above, in emerging and frontier markets, such as Vietnam, there is an absence of quantitative sustainability data produced by companies and data from third party providers is still limited. Therefore, the Investment Manager is reliant on the information that it receives from the investee companies and the information that it sources itself.

k) Engagement policies:

The Investment Manager engages with companies through various means like one-to-one discussions, meetings, roadshows, and calls. This helps the Investment Manager assess organisations, monitor strategy implementation, and track their progress towards goals.

Engaging with companies for ESG knowledge sharing is vital, especially in emerging markets. The Investment Manager encourages companies to disclose ESG issues, report actions, and share knowledge for improving ESG performance.

When needed, the Investment Manager engages with companies on material ESG issues, including controversies, to ensure their understanding and effective resolution over the short, medium, and long term. The Investment Manager's engagement activities primarily involve in-house discussions, but the Investment Manager also utilises collaborative initiatives and third-party services as appropriate and if available.

l) Designated reference benchmark:

No specific ESG index has been designated.