CLIMATE CHANGE POLICY

Due to the inertia in the climate system the carbon dioxide emitted today will remain in the atmosphere for decades, thus climate change is the result of accumulative rather than annual emissions. As the frequency of extreme climate events increases, issues of inequality and sustainable development become more acute. In order to reach the target of keeping the average global temperature rise within 2°C, it is imperative for global emissions to reach zero in the next 30-40 years, and the longer this process is delayed, the more negative emission technologies will be required in future, which as current technologies stand, are extremely expensive. Therefore an annual rate of carbon reduction is important to meet the objectives of the Paris Agreement.

Polunin Capital Partners Limited acknowledges the need for asset managers to play a role in promoting awareness of climate change and in making a contribution to the ambition of the Paris agreement, namely to limit global warming to below 2°C compared to pre-industrial levels. Therefore we target net-zero emissions for all assets under management by 2060 or sooner, in line with China's commitment which accounts for a substantial portion of Emerging Market assets. We aim to review this target at least every 5 years.

The ESG & Stewardship Committee will oversee reporting in compliance with Task Force on Climate-related Financial Disclosure ("TCFD") recommendations. In 2019 we commenced calculation of the carbon footprint of our main strategy. In the coming year we shall determine an intermediate 2030 target of carbon reduction, taking into account Scope 1, 2, and where material, 3 portfolio emissions. The overriding aim is to effect change in traditional industries and encourage innovation, rather than excluding carbon intensive sectors for the sake of meeting reduction target. We will engage with investee companies to request coal exit plans by 2030 in OECD countries, and 2040 in rest of the world, and those that do not align with global warming of 1.5°C deadlines as defined by IPCC will be excluded. In addition to our active engagement with investee companies, we aim to engage more actively with regulators and policy makers in future, who can influence societal change, and incentivise corporate behaviour and investment.

To ensure the resilience of our investment strategy, we are in the process of identifying climate-related risks. The TCFD final recommendations have identified two types of climate-related risks and opportunities relevant to investors:

Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns or other long-term changes such as sea level rise. This can be further separated into **direct physical climate risk**, risk of damage or impairment to assets as a result of extreme weather events and sea-level rise, and **indirect physical climate risk**, risk of damage or impairment to assets as a result of second- or third-order impacts of climate change, such as disruption to trade as a result of an extreme weather event or impact on food prices as a result of prolonged drought.

Transition risks are associated with the transition to a low and ultimately zero carbon global economy, most commonly related to technological change, government policy development, market responses, change in consumer preferences, and reputational damage from shifting public opinion. Such changes could prompt a re-valuation of a range of assets as costs and opportunities shift.

Identification of climate-related risks has recently been incorporated into our internal company scoring system, and particular focus will be on identifying potential stranded assets in 2°C or below scenarios, and targeting engagement and adaptation discussion with high risk companies.

The ESG & Stewardship Committee will be reporting progress to the Board of Directors on a semi-annual basis, and revisions to our Climate Change Policy will be made in due course as we develop our targets and implementation strategy.