

China International Capital Corporation Hong Kong Asset Management Limited

Statement for Responsible Investment and Climate-related Risk Management Disclosure

Version: V.02

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Background

At China International Capital Corporation Hong Kong Asset Management Limited ("CICCHKAM"), we are committed to achieving long-term sustainable returns for our clients. Climate change presents important risks and opportunities to investors, and we recognize the impact it has on humans, ecosystems, economies and assets under management, and our responsibility in managing climate change issues. We believe that considering and managing ESG issues (including climate-related risks) will lead to more informed investment decisions, resulting in better investment outcomes for our clients.

Our management of climate-related risks is guided by our Responsible Investment Policy and relevant internal guidelines which outline our overarching management approach and commitment to climate-related risks integration and considerations.

CICCHKAM is subject to the Securities and Futures Commission's ("SFC") Circular to licensed corporations on the management and disclosure of climate-related risks by fund managers ("the Circular") issued on 20 August 2021. The Circular requires disclosure on our approach to climate risk management including governance, investment management and risk management related disclosures. In this Statement, we will discuss how we incorporate climate-related risks in our governance and management structures and the procedures taken to incorporate relevant and material climate-related risks into our investment and risk management processes.

Governance

Board Roles and Responsibilities

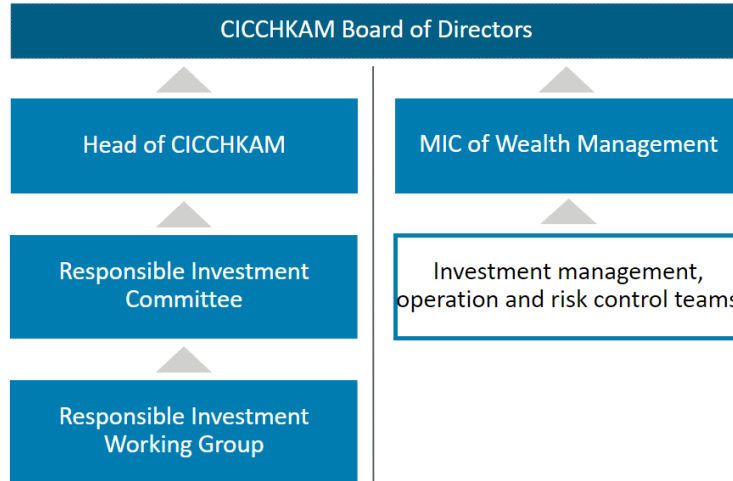
The Board of Directors ("the Board") of CICCHKAM has the overall responsibility for responsible investment and provides oversight on senior management and the respective business lines' activities and controls. The oversight covers ESG-related matters, including the incorporation of climate-related considerations into the investment and risk management processes.

For Asset Management business, the Board delegates the responsibility for managing climate-related risks to the Head of CICCHKAM who also holds concurrently the post of the Manager-In-Charge ("MIC") of Asset Management. The Head of CICCHKAM appoints and chairs the Responsible Investment Committee to oversee climate-related risk management and objectives for the asset management business. The chair of the Responsible Investment Committee shall report to the Board during board meetings at least once a year.

For Wealth Management business, the Board delegates the responsibility for overseeing climate-related risk management and objectives to the MIC of Wealth Management. The MIC shall report to the Board during board meetings at least once a year. The investment management, operation and risk control teams are responsible for executing the incorporation of climate-related risk into the investment and risk management processes, and report to the MIC of the wealth management business regularly.

During the board meetings, the Board will review the risk management framework covering climate-related risks presented by the Head of CICCHKAM and the MIC of Wealth Management.

Graph 1: CICCHKAM's governance structure on the oversight of climate-related risks



Management Roles and Responsibilities

The management of CICCHKAM are assigned with roles and responsibilities in monitoring and managing climate-related risks. Established in 2022, the Responsible Investment Committee is chaired by the Head of CICCHKAM and comprised of heads of various teams including equities, quantitative, fixed income, asset allocation, ETF, products, risk management, and mid and back offices, ensuring effective implementation on responsible investment-related work.

The main responsibilities of the Responsible Investment Committee are:

- Approve the Responsible Investment Policy and relevant internal guidelines to ensure completeness and effectiveness;
- Guide and supervise the responsible investment-related staff on the implementation of responsible investment-related work;
- Formulate response measures to ESG-related risks (including climate-related risks); and
- Make decisions on other responsible investment-related work.

To better implement responsible investment-related work, CICCHKAM set up the Responsible Investment Working Group under the Responsible Investment Committee. The Responsible Investment Working Group is led by the Working Group leader and comprised of the staff from each relevant team, who are tasked to implement the relevant internal guidelines.

The main responsibilities of the Responsible Investment Working Group are:

- Assist the Responsible Investment Committee in managing the daily work of responsible investment;
- Manage and coordinate relevant teams to implement responsible investment-related work (including climate-related risk management), consolidate relevant information and progress and report to the Responsible Investment Committee regularly;
- Conduct specialized research on responsible investment; and
- Organize training related to responsible investment regularly.

In addition to Responsible Investment Committee and Responsible Investment Working Group, various teams are also assigned with responsibilities in implementing responsible investment-related work (including climate-related risk management). These include but are not limited to the investment and research team (research analysts and portfolio managers), risk management team and product team.

Relevance and Materiality of Climate-related Risks

Relevance of Climate-related Risks

CICCHKAM has developed a proprietary Climate Risk Relevance Assessment Framework ("Relevance Framework") to facilitate our assessment of the relevance of climate-related risks to funds under management and their investment strategies. The Relevance Framework is applicable to Collective Investment Schemes ("CISs") in which fund managers have discretion over the investment management process. Multiple characteristics are used to assess whether climate-related risks are relevant to CICCHKAM's existing funds, which include the fund nature, asset class and time horizon.

Guided by the Relevance Framework, we have identified climate-related risks to be irrelevant for some funds and investment strategies. For passively managed index tracking (full replication) funds, passively managed index tracking (representative sampling) funds and quantitative funds that meet specific circumstances¹ in which the fund manager's management and control over the fund portfolio composition is limited, climate-related risks are determined as irrelevant. For funds that invest in asset classes such as cash and cash equivalents (including but not limited to money market instruments and currency), climate-related risks are determined as irrelevant due to limited exposure to climate impacts and their short-term investment maturity. For multi-asset funds, climate-related risks are determined as irrelevant if a significant amount of the Net Asset Value ("NAV") of the fund is identified as irrelevant. Lastly, climate-related risks are determined as irrelevant for funds with short investment horizons.

For Fund of Funds ("FOF"), climate-related risks are first examined from the underlying fund level. If the underlying fund managers define climate-related risks as irrelevant or there is limited access to the underlying portfolio compositions and climate-related data, climate-related risks are determined as irrelevant. The assessment result of each individual underlying fund is aggregated to an FOF portfolio level by NAV, and if a significant amount of the NAV of the fund is identified as irrelevant, climate-related risks are determined as irrelevant to the FOF.

For funds in which relevant climate-related risks have been identified, we further assess the materiality of climate-related risks. For funds or investment strategies in which climate-related risks have been identified as irrelevant, we have maintained appropriate records of explanation. Portfolio managers are expected to re-evaluate the relevance assessment periodically and when there are any major changes, such as changes to a fund's investment strategy.

Materiality of Climate-related Risks

CICCHKAM has developed a proprietary Climate Risk Materiality Assessment Framework ("Materiality Assessment Framework") to provide fund managers with guidance in identifying material climate-related risks to investment strategies and funds in which climate-related risks were determined to be relevant according to the Relevance Framework.

¹ Specific circumstances and reasons for irrelevance of climate-related risks are detailed in CICCHKAM's Relevance Framework

We identify material climate-related risks of funds by using MSCI Climate Value-at-Risk ("Climate VaR") to assess the materiality of the impact from physical and transition risks. We utilize Climate VaR, which provides a forward-looking and return valuation assessment to measure the potential impact of different climate-related risks under different scenarios on individual securities' valuation, which are further aggregated at the portfolio level.

Relevant and material climate-related risks are monitored and taken into consideration throughout the investment and risk management processes.

Investment Management

We incorporate climate-related risks that have been identified as relevant and material to our investment management process. We integrate ESG factors (including climate-related risks) into our investment research, analysis and decision-making, and provide additional guidelines to ensure smooth implementation.

To facilitate the implementation of ESG integration, we have developed and continue to refine our ESG evaluation system in CHAMPs, an internal investment analysis and management system. Third-party ESG data (including climate-related metrics) are gradually incorporated into the CHAMPs system. Investment teams can utilize the insights from the ESG evaluation results and other relevant data analysis into the traditional investment and research process.

Research analysts utilize the ESG evaluation results from the CHAMPs system and combines traditional research methods to analyze industries and companies, and conduct ESG-related fundamental research for industries and companies that they are responsible for. Based on the ESG evaluation results and the ESG research analysis prepared by the research analysts, investment managers will assess the ESG performance and material ESG issues (including climate-related risks) of companies and industries as an important consideration factor in the investment decision-making process.

For externally managed assets, CICCHKAM will actively communicate the philosophy of responsible investment to external managers and encourage them to incorporate ESG factors into their research and investment process, and invest in a manner that is aligned with our responsible investment philosophy.

Engagement

CICCHKAM believes that stewardship and engagement with investee companies can improve their ESG performance including climate-related risk management and will bring better risk-adjusted returns.

With the objectives to contribute to sustainable development and promote our responsible investment philosophy, we will strive to increase our engagement with investee companies and improve their awareness and practices on ESG and climate-related topics over time.

We also consider voting on climate-related shareholder proposals as another important way of communicating with investee companies our views and expectations on climate actions. Our investment teams will make our best effort to exercise our proxy voting rights on management and shareholders' resolutions, where appropriate, particularly on climate-related topics. We will engage third-party proxy voting service providers and/or advisors to support our proxy voting process and provide recommendations, while the final decisions are subject to CICCHKAM's proprietary assessment. The

voting application will be prioritized based on a number of criteria including the number of shares held and current participation.

Risk Management

CICCHKAM has developed processes for identifying, assessing, managing and monitoring climate-related risks, further integrating climate-related risks into its general risk management framework.

Risk Identification and Assessment

Given the difference in investment strategies and objectives of our portfolios, we identify and assess climate-related risks based on the relevance and materiality of climate-related impacts under different scenarios. Various elements are considered in the determination of climate-related impacts including geographical locations, sectors and industries of underlying investments. The materiality assessment results serve as the foundation in building a robust climate-related risk management and monitoring system. For more details about the climate-related risk identification and assessment efforts, please refer to the sections "Relevance of Climate-related Risks" and "Materiality of Climate-related Risks".

Risk Management and Monitoring

CICCHKAM's risk management and monitoring efforts are incorporated in the ESG integration implementation process. In the ESG evaluation system in CHAMPs, ESG and climate-related metrics from external data providers are consolidated to assess individual securities' and/or portfolios' ESG and climate-related performance of which research analysts, portfolio managers and risk management team are able to monitor the risk position of the securities and portfolios, whenever applicable. CICCHKAM is also planning to incorporate an automated function in the ESG evaluation system in CHAMPs to facilitate the overall ESG and climate-related risk monitoring and management, based on the regular updates of external ESG and climate-related data.

Based on the predefined ESG and climate-related metrics, for example ESG scores, Climate VaR and carbon emissions², the risk monitoring system will trigger Risk Notifications and Risk Alerts when respective and applicable criteria, including ESG and climate-related performance changes, ESG negative screening and comparisons with benchmarks, are met. The Risk Notifications and Risk Alerts will be sent automatically to research analysts and portfolio managers for subsequent actions, ranging from documentation, review, reporting and escalation, as well as investment decision making, such as asset reallocation and divestment, whenever necessary.

The procedures are developed to maintain a reasonable climate-related risk position of our investment portfolios catering to the comparative benchmarks varying amongst investment strategies and objectives, whenever applicable. CICCHKAM will conscientiously consider the impacts of climate-related risks identified and formulate appropriate management plans based on the changing regulatory requirements.

² The portfolio carbon footprints of the funds with climate-related risk deemed as relevant and material will be disclosed in the near future according to the regulatory requirements.