

Shenwan Hongyuan Asset Management (Asia) Limited

Climate-related Risk Management Report

Preface

The challenges posed by climate change are becoming increasingly urgent on a global scale and have become an important issue today. Along with the intertwined global challenges, it is time to actively address climate change and to reduce the risks it may cause.

As an investment manager, Shenwan Hongyuan Asset Management (Asia) Limited (“SWAM” or the “Company”) has its responsible stewardship for its clients who are asset owners. The Company always striving for green value creation, keeping long-term investment in mind and take climate risks into account.

In the future, the Company will constantly improve its climate-related risk management. By fully releasing the potential of responsible asset managers in promoting low-carbon transition and further directing capital flows to greener industries, the Company is committed to creating long-term investment value and stable investment returns for its clients.

About SWAM

Founded on 19 November 1996, Shenwan Hongyuan Asset Management (Asia) Limited is a wholly-owned subsidiary of Shenwan Hongyuan (H.K.) Limited (the “Shenwan Hongyuan Group”, or the “Group”, Stock code 218.HK).

At present, SWAM is licensed by the Hong Kong Securities and Futures Commission (the “SFC”) for Type 4 and Type 9 regulated activities.

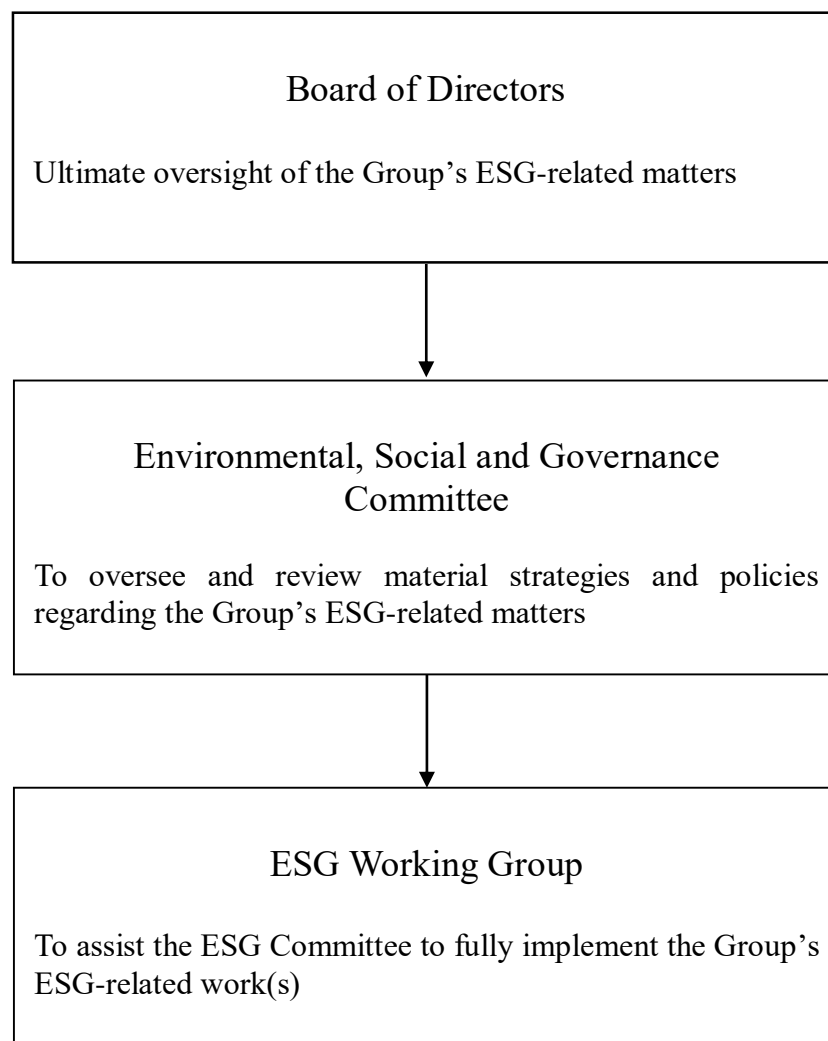
Relying on both external support from the professional research team of our parent company (and internal support from our experienced asset management team, SWAM is striving to become one of the leading asset management companies in Hong Kong. The Company provides a full range of investment services, aiming to help its customers to achieve their investment goals and optimal returns.

About This Report

This report is prepared in accordance with the Fund Manager Code of Conduct and the requirements of Circular to Licensed Corporations-Management and Disclosure of Climate-related Risks by Fund Managers issued by the SFC, and with reference to the framework of the recommendations of Task Force on Climate-related Financial Disclosures.

Governance

The Board of Shenwan Hongyuan (H.K.) Limited has overall responsibility for the oversight of the Group's ESG-related issues. It delegates the ESG Committee to oversee and review important strategies and policies. The ESG Committee is currently composed of three executive directors and two independent nonexecutive directors. An ESG Working Group is formed to implement and execute the Group's ESG-related strategies and policies. It is composed of heads of related functional departments.



Risk Management

ESG-related risks have been included/to be included into the Group's risk management system. The Risk Committee is responsible for identifying and reviewing from time to time the ESG related risks, to ensure the Group has appropriate and effective risk management and internal control systems.

As the first line of defense of the asset management business of Shenwan Hongyuan Group, SWAM is responsible for organizing and implementing the daily management and report disclosure of climate-related risks in the asset management business, ensuring internal systems and procedures and regulatory requirements related to the management of climate-related risks to be complied with: (i) identifying relevant climate-related risks; (ii) assessing the potential impact of identified risks on each investment strategy and each fund; and (iii) monitoring and managing such risks on an ongoing basis. The asset management risk control post assists Shenwan Hongyuan Group in reporting the climate-related risk management of asset management business.

SWAM's investment decision-making committee, which is responsible for guiding, supervising and coordinating the implementation of climate-related risk management in the asset management business, reviewing the climate-related risk exposures of all investment portfolios of asset management, and updating climate-related risk management to the senior management.

Identification of Climate-related Risks

Major climate-related risks		Risk description	Potential financial impact	Coping measures
Transition Risks	Policy and legal risk	With the tightening of national environmental protection policies, the company may be unable to meet the policy and	Decrease in operating revenue Increase in operating costs	Closely track policy trends including environmental and climate-related risks During the due diligence process of the

		regulatory requirements, which may affect its business qualification, or face default, punishment or litigation.		invested companies, the investment research team and the asset management risk control team pay close attention to the climate resilience and climate-related risk management of the invested companies.
	Credit risk	The introduction of the low-carbon policy will affect the supply and demand structure of the market and may have an impact on the company's business Or lead to the decline of the debt paying ability of the investee enterprise and eventually increase the credit risk.	Decrease in operating revenue	
	Reputation risk	If the company is unable to make a reasonable response to	Decrease in operating revenue Increase	

		climate change, the reputation of the company will be affected to a certain extent The damage to the reputation of the investee companies may also lead to the decrease of debt paying ability, that is, the increase of credit risk.	in operating costs Impairment of brand value	
Physical Risks	Acute physical risk	The company or the investee companies may suffer property loss or operation interruption due to extreme weather events such as typhoons, floods and storms.	Decrease in operating revenue Increase in operating costs Decrease in fixed assets	In accordance with the group's Business Continuity Plan, properly deal with typhoons and rainstorms.
	Chronic physical risk	The company or the investee companies' normal production and operation may be affected due	Decrease in operating revenue Increase in operating	

		to chronic climate events such as temperature rise and sea level rise.	costs Decrease in fixed assets	
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Climate-related Risk Assessment

After preliminary assessment of the climate-related risk exposure level of the underlying investment of certain fund or investment strategy, it is considered that climate-related risks have an impact on a specific fund managed by the Company or the Company's investment strategy. The Company will review and evaluate the relevance and materiality between climate-related risks and the funds or investment strategies managed by the Company on an annual basis or in case of major changes such as changes in the investment strategies of the funds, information will be updated and disclosed timely when necessary.

Climate-related Risk Management and Monitoring

SWAM's Investment Research Team is responsible for incorporating related and significant climate-related risks into the scope of investment management, ensuring that climate-related risks are taken into account when formulating the overall investment strategy and management strategy of the product. Specifically implemented in:

1: In the process of research and analysis of the covered industries or specific investment targets, the investment research team will examine the climate that has a significant impact on industry trends, market environment and corporate finance in combination with the identification and assessment results of climate-related risk exposure levels and major issues. related risks, and where necessary, incorporate the results of analytical research into investment research recommendations.

2: On the basis of the recommendations of the research staff, investment managers should implement adequate risk management procedures to properly identify measure, manage and monitor relevant risks under the supervision of risk management staff. Identify and assess the climate-related risks of investee companies, construct investment portfolios, and make daily adjustments to the

portfolios. In the process of investment portfolio management, the investment research team and investment manager communicate with the investee companies as appropriate to understand the climate-related risk management performance of the investee companies, and incorporate relevant information into investment decision-making considerations.

Future goals

In response to climate change, global regulators have successively released climate risk management related guidelines. Regulators are stepping into action. SWAM will actively adopt climate risk management and participate in climate information disclosure to reduce systemic risks, enhance investor's confidence, and enhance the company's competitiveness. Regularly disclose climate-related risks and adjust the proportion of high-carbon and low-carbon assets in the investment portfolio, the Company will actively provide consulting services and innovative transformation financial products for high-carbon corporate clients, and help corporate client to realize the transformation.