

Taiping Assets Management (HK) Company Limited

Climate Risk Management Disclosure Statement

Green finance and ESG have been topics promoted by governments worldwide in recent years. Through carbon peak and carbon neutral goals, green finance and ESG investments focus on long-term factors such as the environment (E), society (S), and corporate governance (G), with controllable risks and sustainable business considerations. It adopts the concept of green and sustainable investment for investment purposes. Taiping Assets Management (HK) Company Limited ("**Taiping Assets (Hong Kong)**") recognizes that green finance and ESG investments contribute to better serve the development of the green economy, favoring the allocation of green and low-carbon related assets to optimize overall investment structure, promote high-quality development of investment business, and create long-term value for clients, society, and the environment.

Taiping Assets (Hong Kong) must comply with the Circular to Licensed Corporations – Management and Disclosure of Climate-related Risks by Fund Managers issued by Securities and Futures Commission ("**SFC**") on August 20, 2021 ("**Circular**"). To more effectively address climate-related risks, Taiping Assets (Hong Kong) uses various tools to identify, evaluate, manage, and monitor climate-related risks and incorporates climate-related risk factors into corporate governance, investment management, and risk management.

Corporate Governance

To establish an efficient green finance and ESG management framework and process, the Board of Directors of Taiping Assets (Hong Kong) has established the Investment Committee ("**Committee**"), which is composed of the senior management team and other departments of Taiping Assets (Hong Kong) and is the investment decision-making management body, which includes green finance and ESG relevant matters. The Committee is responsible for promoting the development of green economy, creating long-term value for customers and implementing the

climate-related risk management regulations of the SFC, including but not limited to:

1. Reviewing climate-related risk indicators regularly.
2. Reviewing the assessment of relevancy and materiality of climate-related entities and their transformation risk and the climate risk management disclosure statement as well as reporting the climate-related risk management situation to the Board of Directors annually.

Investment Management

The investment team of Taiping Assets (Hong Kong) shall, under the identifiable, measurable and comparable principles, base on its business characteristics to establish a long-term ESG investment mechanism that is suitable for its own business from the strategic perspective of promoting high-quality development. The mechanism shall comprehensively adopt ESG investment strategies while maintaining stable returns on investment portfolios. It should gradually increase support for green, low-carbon and circular economy, prevent environmental, social and corporate governance risks and continuously enhance its ability to invest in green and sustainable development. The investment team of Taiping Assets (Hong Kong) should establish and continuously improve ESG

investment strategies according to national and regional laws and regulations, industrial policies and industry access rules. Key investment areas should be clearly defined and investment policies and risk management systems should be differentiated and dynamically adjusted.

Specifically, in the investment process, the investment team of Taiping Assets (Hong Kong) refers to ESG risk tolerance standards or scores and uses quantitative methods to manage climate risks and their impacts, keeping the overall climate risk level of the fund within the range of risk tolerance standards or scores. The investment team must incorporate the climate risk management into the investment process according to the fund's investment strategy and objectives, identify climate-related risks that are relevant and significant in the fund portfolio through correlation and significance assessment, take reasonable measures to evaluate the impact of these risks on the portfolio performance, and manage climate risks properly. The investment team also regularly reassesses the correlation between the fund portfolio and climate risks, retains appropriate written records, submits reports and summaries to the Committee. Climate risks will also be reassessed

when there are any significant changes in the fund's investment strategy and objectives.

Risk Management

The relevant risk management department of Taiping Assets (Hong Kong) is responsible for monitoring the risk management of funds, including formulating and reviewing Taiping Assets (Hong Kong)'s climate risk management mechanisms, continuously monitoring climate-related risks in funds or investment portfolios, and keeping an eye on the latest climate change related policy implementation and trends of regulatory authorities to ensure timely responses to climate-related risks. The fund managers and functional departments of Taiping Assets (Hong Kong) must comply with relevant regulations in the SFC's Circular as well as establish, implement, and maintain climate-related risk management policies and procedures, integrate climate-related risk factors into investment risk management, and formulate relevant internal management policies. Taiping Assets (Hong Kong) has adopted appropriate tools and indicators to identify, quantify and evaluate the relevant entities and transitional risks that are climate-related and significant in funds or investment portfolios, as well as whether the entity has developed a transition plan or mitigation measures.

If climate risks are assessed as being significantly related to the investment strategy and objectives, Taiping Assets (Hong Kong) will calculate the carbon footprint for the fund or investment portfolio and conduct due diligence on the entity in accordance with the climate risk investment strategy to assess the impact of climate risks on the fund or investment portfolio.