

# CLSA Asset Management Limited

(“CLSAAM”, “the Company”, “we”)

## SFC Climate Risk Disclosure

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### **Scope and Applicability**

*The following disclosure has been prepared by CLSA Asset Management Limited in reference to the requirements set out in the Circular to Licensed Corporations on the Management and Disclosure of Climate-related Risks by fund managers responsible for the overall operation (“ROOF”) of Collective Investment Schemes (“CIS”) funds, which was published by the Securities and Futures Commission (“SFC”) in Hong Kong.*

*The climate-related processes and procedures apply to all our actively managed CIS funds. It is irrelevant to our quantitative-driven strategies, given that the investment process is purely based on mathematical factor models.*

# 1. Governance

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## a. Board

As the most senior decision-making body, the Board of Directors (“Directors”) of CLSAAM assumes the duty to review, approve, and supervise climate-risk-related matters across our investment and operations.

The Directors are also accountable for delegating climate responsibility among different teams and overseeing progress against goals for addressing climate issues. Hence, the Directors have delegated the responsibility of executing the climate strategy and policies approved by the Directors to the Investment Committee.

To factor in the climate risks and opportunities into CLSAAM’s investment and risk management process, climate-related discussions are embedded in the Director Meetings which are held quarterly.

## b. Management

Reporting to the Directors, the Investment Committee (“the Committee”) is in charge of investment management of CLSAAM. Therefore, the firm-wide roll-out of climate risk management is primarily carried out by the Committee.

The Committee reports to the Directors quarterly, where progress in climate-related risk management on investments will be discussed.

Moreover, the Committee meets at least annually to discuss internal developments on climate-related issues and the progress against the climate goals and inform the Directors of the discussion results.

## 2. Investment Management and Risk Management

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### a. Relevance and Materiality

Climate risk is considered relevant to our investment strategy, and we proactively identify and assess climate-related factors in our investment decision-making.

At CLSAAM, the materiality of climate risk is informed by both the sectoral and geographic exposure of our assets, with climate-sensitive positions carefully monitored post-investment.

To strengthen our firm-wide capacity for climate materiality assessment, we have adopted a climate materiality dashboard for assessment at both security and portfolio levels.

### b. Climate integration into investment and risk management processes

CLSAAM adopts a four-step approach to integrating relevant and material climate considerations throughout our investment and risk management processes:

#### ***Step 1: Pre-investment screening for climate-related risk***

With our proprietary climate risk screening tool, the investment team evaluates both the physical and transition risk levels of the target investment opportunity by evaluating its industry classification, sector list and country-based location of operations against independent climate data sources.

#### ***Step 2: Climate risk threshold check***

For investment targets deemed to be climate-related risk material, the investment team will further investigate the target by checking whether the investment size is substantial to exceed the pre-determined climate risk threshold. The result will be further reviewed.

#### ***Step 3: Post-investment monitoring and engagement***

For the ongoing climate risk management, the investment team would actively monitor climate-related news, reports, and KPIs. For top holdings deemed climate material, we also adopt a

bespoke climate engagement checklist to strengthen the climate resilience of our portfolio companies.

**Step 4: Annual portfolio re-assessment**

CLSAAM monitors and re-assesses the climate-related physical and transition risks of our portfolio at least annually. An aggregated portfolio-level climate risk score is reviewed, and the portfolio overview will be submitted to the Investment Committee and Directors for their perusal. Any major revisions to the climate risk management would be timely communicated to CLSAAM's investors.