

CITIC Securities Asset Management (HK) Limited (“CSAM”, “the Company”, “we”)

SFC Climate Risk Disclosure

Scope and Applicability

The following disclosure has been prepared by CITIC Securities Asset Management (HK) 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. Certain funds are assessed as not climate-relevant given the nature of their underlying instruments or investment approach.

1. Governance

a. Board

As the most senior decision-making body, the Board of Directors (“Directors”) of CSAM 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 CSAM’s investment and risk management process, climate-related discussions are embedded in the Director Meetings which are held quarterly.

The Directors review the climate risk management framework, including relevant policies, tools, and metrics, at least annually to ensure it remains adequate and reflective of evolving regulatory expectations and market developments.

b. Management

The day-to-day execution of climate risk management is primarily carried out by relevant members of the Investment Team and the Risk Management Team, with oversight from the Board of Directors, the Investment Committee, and the Risk Management Committee.

Reporting to the Directors, the Investment Committee (“the Committee”) is in charge of investment management of CSAM. Therefore, the firm-wide roll-out of climate risk management is primarily coordinated by the Committee in conjunction with the Risk Management 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

a. Alignment with CSAM's Investment Philosophy and Process

CSAM's climate risk management approach is incorporated into our risk management foundation, complementing CSAM's existing processes for identifying, assessing, and managing market risk, liquidity risk, credit risk, and operational risk throughout the investment decision-making process, from pre-investment to post-investment stages.

This alignment is consistent with CSAM's holistic approach to managing risks, including climate-related risks, thoroughly and multi-dimensionally throughout the investment process.

b. 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. The relevance of climate risks to different asset classes depends on the nature of the investment, the strategy of the fund, geographic location, and the time horizon of the investments.

Part 1: Relevancy Assessment

Where CSAM determines that climate-related risks are not relevant to certain investment strategies or funds, CSAM ensures that such conclusions are justifiable based on the nature of the investments, strategy type, or time horizon, and maintains appropriate records explaining the basis of the determination. The relevancy assessment is re-evaluated at least annually and documented accordingly.

Part 2: Materiality Assessment

Once the relevant climate risks are identified, the materiality of the impact of such climate risks is assessed for each fund under management. To strengthen our firm-wide capacity for climate materiality assessment, we have developed and adopted an in-house Climate Risk Relevance & Materiality Assessment Toolkit ("Climate Toolkit"). Further details on how the Climate Toolkit is applied are set out in Section 2c below.

c. Climate integration into investment and risk management processes

CSAM adopts a three-step approach to integrating relevant and material climate considerations throughout our investment and risk management processes, driven by the Climate Toolkit:

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

With our in-house Climate Toolkit, the investment team evaluates both the physical and transition risk levels of new investment opportunities by evaluating their industry classification, sector composition, and country-based location of operations against independent climate data sources. The results are translated into a climate risk rating to inform the investment team's initial assessment of climate risk exposure prior to investment.

Step 2: Annual fund-level climate materiality assessment and portfolio re-assessment

CSAM monitors and re-assesses the climate-related physical and transition risks of our portfolio at least annually with the annual fund-level climate materiality assessment component of the Climate Toolkit. A comprehensive assessment is conducted on each fund under management to derive climate risk materiality based on the fund's underlying sector and geographic allocation. Funds are scored and rated across two key dimensions, namely transition risk and physical risk, and results are aggregated to produce a portfolio-level climate materiality summary, benchmarked against recognised market indices. The portfolio overview is submitted to the Investment Committee and Directors for their perusal.

Step 3: Post-investment monitoring and engagement

For holdings deemed to have significant materiality on climate risks, we also adopt a bespoke climate engagement questionnaire to strengthen the climate resilience of our portfolio companies. CSAM engages with investee companies and underlying fund managers on material climate-related risks through various engagement channels.