嘉實國際資產管理
Harvest Global Investments

Management and Disclosure of Climate-Related Risks

April 2026

i. Introduction

Regulators around the world are introducing new laws, rules or regulations which require asset managers to take into account environmental, social and governance related factors in making investment decisions.

The Hong Kong Securities and Futures Commission (SFC) is no exception. Following extensive consultation with the asset management industry, Harvest Global Investments Limited (HGI or we), as an asset manager licensed by the SFC, is now required to assess whether climate-related risks is relevant and material to the collective investment schemes which we manage.

Broadly speaking, if climate-related risks are relevant and/or material to the collective investment schemes which we manage, we will need to comply with additional (i) governance; (ii) investment management; (iii) risk management; and (iv) disclosure requirements as set out in the SFC's Fund Manager Code of Conduct and SFC's Circular to Licensed Corporations – Management and Disclosure of Climate-Related Risks by Fund Managers (Circular).

The purpose of this document is to disclose HGI's governance arrangement for exercising oversight over climate-related risks and how we take climate-related risks into account in our investment and risk management processes, including the tools and metrics which we use to identify, assess, manage and monitor climate-related risks. We encourage you to read this document in conjunction with our Sustainable Investment Statement.

ii. Sustainability Governance

HGI's Board of Directors (Board) aims to integrate management of climate-related risks and opportunities into our business strategies as part of our sustainability governance. The Chief Executive Officer (CEO) supports the Board in this regard.

The Board strongly believes that achieving sustainable growth extends beyond generating profits. HGI has an active role to play as a corporate citizen. Specifically, we recognise that climate change is one of the most pressing issues of our age and we strive to accelerating clean economic growth and supporting communities to transition into a low-carbon economy.

The Board's key functions as it relates to HGI's sustainable development strategy include:

- overseeing the incorporation of climate-related considerations into investment and risk management processes;
- approving climate-related goals in line with global and/or local developments for addressing climate-related issues and overseeing such goals are being achieved. If the goals are not being achieved, the ESG team (as defined below) will escalate to the Board as soon as practicable;
- in addition to the CEO's role as described below, either the Board or the CEO will assign specific roles and responsibilities to the environmental, social and governance (ESG) team;
- ensuring there are sufficient human and technical resources for the proper performance of the duty to manage climate-related risks. These include, but not limited to, provide training to staff, engage subject experts and acquire climate-related data from external sources;
- establishing satisfactory internal controls and written procedures to ensure

compliance with internal policies and procedures and regulatory requirements relating to the management of climate-related risks; and

- developing or approving action plans for managing climate-related risks.

The CEO is responsible for leading our sustainable development strategy. The CEO also provides support to our Board in fulfilling its responsibility to shareholders and investors regarding HGI’s sustainable growth and also guides our senior management team regarding our strategic direction on sustainability. The Board and the CEO oversee HGI’s senior management who is responsible for the management of climate-related risks and opportunities.

The CEO evaluates the effectiveness of our sustainability programs and initiatives and endorses our model of sustainability, priorities, and key indicators. The CEO is supported by a dedicated ESG team that develops approaches to identify, assess, monitor, and report on climate-related risks with solutions, as appropriate.

Where possible, HGI aims to limit its exposure to climate-related risks both at the investment and business levels.

HGI’s ESG team will, on an annual basis, prepare written reports to inform the Board of HGI's exposure to climate-related risks, and the potential effects of climate-related developments on HGI’s sustainable development strategy. These reports will also be presented to the CEO for review. The Board will meet annually or as more frequently as needed to evaluate, deliberate and approve the climate-related goals which the CEO proposes.

iii. Investment Management

Investment Division

At HGI, the CIO (Chief Investment Officer), oversees the integration of climate-risks related considerations, supported by the ESG team. The investment committee, which is established as a formal process to manage our investment funds and to implement our investment strategies, includes the CEO, the CIO and head of ESG team. The investment committee holds regular meetings to discuss all relevant strategic issues and risk department comments affecting HGI's investment decisions. The ESG team also shares their views on climate-related risks and opportunities during the meeting.

The investment committee decides at the meeting if any assets should be excluded from the investment universe. The list will be reviewed annually at the investment committee meeting or as and when the CIO and the ESG team consider necessary, having discussed with the CEO and/or the Board.

The investment committee also determines at the meeting what climate metrics HGI should use, and monitor these metrics accordingly. Please refer to the section entitled "risk management" which discusses the metrics in detail.

The CIO will provide the Board with investment management reports on HGI's climate-related performance metrics annually. The meeting can also be held on an ad hoc basis to discuss occasional climate-related issues.

Product Department

The Product Department is supported by the ESG team to oversee HGI's product pool. The Product Department is responsible for assessing climate-related elements for all new product launches and for managing the product portfolio in line with HGI's sustainability strategy.

Risk Division

HGI's risk management framework's includes sustainability risk management policy, which requires HGI to consider climate-related risks in our operating model across different types of risks. In this policy, we set out sustainability risk factors as well as roles and responsibilities of all relevant staff related to the management of sustainability risk factors.

iv. The processes for identifying, assessing, managing and monitoring climate-related risks

Addressing climate change must be based on identifying the climate-related risks and opportunities of assets. On one hand, we identify and assess potential risks that may affect asset quality and investment returns; on the other hand, we explore long-term green and low-carbon investment opportunities and assets, optimize asset allocation structures, enhance resilience against systemic risks, and position ourselves for future green and low-carbon economic growth drivers.

Climate change-related risks are widely recognized as one of the significant sources of risk affecting macro-financial stability. Understanding the nature, transmission channels, and scope of climate-related financial risks from different perspectives and levels, and scientifically measuring and managing them, are essential steps on the path to achieving climate goals.

As an asset management institution, we must fully recognize the role of climate risks in asset pricing and the potential systemic risks that climate factors may pose. The former primarily refers to the impact of climate risk-induced fluctuations in corporate value on asset quality and prices. Specifically, transition risks and physical risks can disrupt industry structures and business models, thereby affecting a company's revenue, costs, capital costs, and capital structure. Both types of climate risks influence asset quality and financial health, altering a company's credit risk and valuation levels, ultimately leading to a revaluation of related financial assets. For example, high-carbon companies may face challenges such as declining repayment capacity and increased default probabilities in the context of stricter climate regulations, resulting in a deterioration in the quality of corporate bonds. The latter refers to the significant impact that financial asset price fluctuations, under extreme circumstances, can have on financial stability through contagion mechanisms within the financial system.

Harvest Global primarily relies on the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD) to identify and assess the impact of climate-related risks and opportunities on target assets. Additionally, adjustments and implementations are localized based on China's climate policy requirements, industrial structure, and market development stage.

Risk/Opportunity Type		Impact	Response Measures	Timeline	Risk Level
Directly affecting Harvest Global					
Transition Risk	Policy and Legal Risk	China's ESG and climate regulatory policies are rapidly advancing. If unable to keep up with regulatory requirements, there may be increased compliance costs and risks of violations.	Closely track policy developments and compliance requirements; continuously improve climate models and data accumulation at the individual stock, portfolio, and company levels; actively explore various climate-related disclosure tools to optimize climate disclosure practices.	Short to Medium Term	Medium
	Market Risk	As public attention to climate change increases, customer behavior and preferences are shifting toward climate-friendly services and products. Failure to adapt to new demands may lead to a decline in assets under management.	Actively develop climate-related investment products, striving to cover various active and passive product strategies including negative screening, positive selection, low-carbon themes, and transition themes.	Short to Medium Term	High
	Technology Risk	The accumulation and establishment of climate risk-related data and models in the market is still in its early stages, with issues such as low disclosure rates of underlying data, poor comparability, and insufficient standardization, which objectively increases the difficulty for mutual funds to	Continuously improve climate risk identification and assessment methods and tools, committed to continuously enhancing the scientific accuracy of assessments and predictions.	Short to Medium Term	Medium

		accurately assess and manage related risks.			
	Reputational Risk	As market attention to climate change increases, if mutual funds fail to actively respond to climate transition risks, they may face reputational damage risks (such as being accused of "greenwashing"), leading to decreased investor trust in mutual funds, affecting fundraising and business development.	Continuously enhance portfolio carbon emission calculation and disclosure practices; further strengthen analysis and management of climate-related risks (especially risk assessment of high-carbon assets); continuously standardize management of various sustainable themed products, carefully define product theme naming and investment strategies.	Short to Medium Term	Medium
Opportunity	Product and Service Opportunity	The 2023 Central Financial Work Conference proposed the "five major articles" including green finance. Climate investment and financing, as an important component of green finance, is becoming an important tool for accelerating economic green and low-carbon transformation and high-quality development. Coupled with the accelerated advancement of global climate governance, the demand prospects for climate-related investment products are broad.	Continuously optimize the green investment research system, enrich the green and transition finance product matrix, and accelerate the connection between climate investment financing and green finance.	Short to Medium Term	-

<table>
<tr><th colspan="6">Indirectly affecting Harvest Fund's investment product performance, managed scale and income through impacting underlying asset values</th></tr>
<tr><td rowspan="3">Transition Risk</td><td>Policy Risk</td><td>With the advancement of climate regulatory policies, some high-emission enterprises may face higher operating costs (carbon tax) and compliance costs (emission standards and disclosure requirements, etc.), which may lead to write-offs or asset impairments of existing assets, forming stranded assets.</td><td rowspan="3">Strengthen identification, monitoring and management of transition risks, such as using qualitative and quantitative means including climate thematic research, climate databases and climate transition assessment models to identify and assess climate risks, comprehensively apply scenario analysis, carbon exposure calculations and other methods to quantify and track risks at the portfolio level, and manage risks through multiple approaches such as stewardship management.</td><td>Short to Medium Term</td><td>High</td></tr>
<tr><td>Technology Risk</td><td>Transitioning to low-emission technologies may involve high costs, and failures in new technology investments may lead to write-offs and premature scrapping of existing assets.</td><td>Short to Medium Term</td><td>High</td></tr>
<tr><td>Market Risk</td><td>Customer behavior and preferences are shifting toward low-carbon emission products and services. The attractiveness and demand for traditional high-carbon products/services may decline, potentially leading to asset repricing or even cancellation (such as fossil fuel reserves).</td><td>Short to Medium Term</td><td>High</td></tr>
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Physical Risk	Acute and Chronic Risks	Extreme weather events (typhoons, floods, etc.) and long-term climate changes (global average temperature rise, sea level rise, etc.) will cause the following risks to investment targets, thereby affecting asset value and investment returns. - Revenue reduction due to decreased production capacity (such as transportation difficulties, supply chain disruptions); - Negative impacts on labor force (such as health, safety, absenteeism) leading to revenue reduction and cost increases; - Write-offs and premature scrapping of existing assets (such as property and assets in "high-risk" locations);	Strengthen the development of physical risk measurement tools, such as focusing on disaster loss estimation and financial risk transmission to develop underlying databases and models.	Short to Long Term	Medium
Opportunity	Market and Product Opportunity	Low-carbon transformation of high-carbon industries will help enterprises resist climate risks and enhance market competitiveness, achieving value enhancement and revaluation. Reducing carbon emission levels can mitigate negative impacts of climate regulations on enterprise operations. Research and development of new technologies and launch of new products during the transformation process may also become potential growth points for enterprises.	Continuously identify financially material climate opportunities through a combination of qualitative and quantitative research, systematically incorporate climate factors into individual stock valuation models and credit entity evaluations, and deeply apply climate research results and data system tools to screen and prioritize allocation to enterprises that benefit from green and low-carbon transformation and enterprises that are leading in climate change response practices.	Short to Medium Term	High

HGI have conducted a climate-related risk assessment, encompassing both a relevancy analysis and a materiality assessment, for all funds under its discretionary management authority.

For the relevancy assessment, assets are considered relevant to climate change based on their exposure to transition risks (policy and legal, technology, market shifts toward low-carbon economies, and reputation) and physical risks (direct impacts of climate change such as changes of climate and weather patterns, temperature records and sea level), as well as their contribution to greenhouse gas (GHG) emissions as defined in HGI disclosure of Management and Disclosure of Climate-Related Risks.

For the materiality assessment, we have conducted qualitative and quantitative assessment to identify whether physical or transition risk is material to the fund respectively. To assess physical risk, HGI uses proprietarily-developed Environmental Scores which incorporate multiple dimensions and metrics related to climate risks, such as geographical regulatory pressure and environmental conditions that business operate in, to identify likely impact and risks pertaining to investee companies. The fund's Environmental performance ranking below the market average will be regarded as climate material. In addition, to assess transition risk, HGI has evaluated the degree of exposure to the following five categories of sectors by the level of impact due to potential change in climate policy and technology. The position on asset stranding & transition categories as below takes up a certain portion of total NAV will be considered as climate material.

Asset category	**Descriptions**
Asset stranding	Potential to be stranding or physical assets due to regulatory, market or technological forces.
Transition – product	Foreseeable reduced demand for carbon-intensive products and services in near or medium term.
Transition – operational	Increased operational and/or capital costs due to carbon taxes or investment in carbon emissions mitigation measures that leading to evident lower profitability.

Neutral	Limited exposure to physical and transitional risk or potential climate risks will be materialized in long term.
Solutions	Potential to benefit from the growth of low-carbon products

v. Incorporate relevant and material climate-related risks into our investment management process

Including climate-related risks in the investment philosophy and investment strategies:

Most of HGI-managed funds fall under the scope of the ESG Integration Policy, which was officially announced and published in 2021 and is reviewed on an annual basis. The policy contains special emphasis for climate-related risks, measured by external and proprietarily-developed ESG databases and deep-dive ESG and climate research insights. As a Chinese asset manager, we endeavor to make contributions towards the China's "30·60" decarbonisation goals by conducting deep and thorough analysis on all climate relevant information made available to us.

For most of our managed funds, we implement requirements to exclude issuers with material ESG risks. For dedicated ESG funds we apply a stricter criterion such as the ESG Leaders' position threshold should be met.

Incorporating climate-related data into the research and analysis process - a data-driven focus:

At HGI, we firmly believe that high-quality ESG and climate data will be the core of a systematic ESG integration. To achieve such goals, HGI has developed its proprietary ESG scores covering the entire China A-share market and publish them on China's leading financial platform, Wind, and Bloomberg, offering the broadest possible access to the investor community and for free to academia.

Leveraging HGI's local investment expertise and thought leadership, our ESG scoring features a localised framework backed by solid investment research. Aiming to build an objective, transparent, and consistent scoring system, the methodology is quant-driven and rule-based. It has more than 80% of the underlying metrics quantified, including granular-level environmental data and climate-related metrics.

HGI's proprietary, cutting-edge ESG-NLP (natural language processing), powered by AI technology, constantly captures massive alternative data and enables timely alerts. The scoring has provided monthly updates for 4,000+ public companies since 2017.

It reflects pure ESG metrics that are financially material. The scores effectively distinguish leaders from laggards, which form a close to normal distribution statistically.

Incorporating climate-related data into the research and analysis process - research at the core of ESG Integration:

We also have integrated climate change considerations in the research process from a risk perspective. Climate metrics such as greenhouse gas emission (GHG emission) amount and GHG emission intensity of investee companies are the starting point for determining the impact of climate change. We have also added a forward-looking element in the research process by assessing decarbonisation potential, strategy and targets of investments within our portfolios. This is to ensure that the strategy follows the desired decarbonisation trajectory. This may include companies whose carbon emissions are currently high but are making an effort to reduce them.

We also conduct research to determine to which sectors and industries climate change is material and relevant, with different materiality/relevance levels assigned to different sectors and securities with different "climate tagging" for holdings in our investment portfolios: low-emitters that are positioned in less energy-intensive sectors, transitioning companies that currently have high emissions but making efforts to transit, as well as solution providers that would contribute to climate-transition by providing clean energy, infrastructure and services. The climate change strategy of a company in one of those sectors or industries will be analysed and compared to its peers. Based on this analysis, we would assess the impact on the company's business model, which reveals the risks and opportunities to which it is exposed.

Our dedicated ESG research team works closely with portfolio managers and analysts to analyse the impact of climate-related risks and opportunities on a company's business, management strategy and financial projections and incorporate these analyses into its investment strategies, ESG research insights, stock price ratings and other metrics. Corporate GHG emissions and ESG scores are analysed and compared with industry-average and relevant benchmarks. Such information is also used in engagement dialogues to help us better understand the companies' positioning and strategy faced with climate-related risks and opportunities. If a company's climate-related initiatives are lagging the industry practices or shows no potential of improving after engagement, we will consider this as part of the investment decision-making.

Steps taken to incorporate relevant and material climate-related risks into the investment management process.

At HGI, we adopt a combined approach to factor in climate-related risks into our risk management procedures. We analyse and integrate climate-related risk throughout the entire portfolio lifecycle including pre-investment, investment and post-investment analysis.

Pre-investment:

Most of HGI-managed ESG products and investments are subject to pre-investment climate- related risks and business involvement screening that will be based on revenue percentage thresholds. In doing so, we apply a set of restrictions to limit climate-related risks by excluding high ESG risk securities ranking bottom 20% of our investment universe, as well as exclude securities mandatorily and/or conditionally, depending on the viability of facilitating meaningful transitions through engagements, in securities with considerable exposure to Fossil Fuels mining and electricity generation. We also endeavor to reduce positions or divest from companies with behaviors if necessary, such as controversial weapons, tobacco, nuclear energy, controversial behaviors, controversial jurisdictions, drugs, adult entertainment, unconventional oil and gas, as well as alcohol.

Investment decision-making:

HGI's investment portfolios are monitored regularly for climate-related risks exposure to ensure that portfolios are invested in accordance with Harvest's Sustainable Investment Policy.

The ESG team is responsible for preparing quarterly portfolio climate-related risks reports independently based on third-party ESG research and proprietary ESG data. For climate-related risks monitoring, the ESG team analyses the portfolio- and its corresponding benchmark-level performance metrics including but not limited to GHG emissions amount, GHG emission intensity percentage of green revenue streams of companies renewable energy installed capacity, air pollutant emission intensity, environmental penalties issued, as well as business exposure to high carbon regulatory / water stress risks.

The ESG team facilitates discussions over ESG and climate related issues and investment objectives with portfolio managers and the investment committee. Besides, the ESG team also provides research support to investment and risk management teams as and when required. Portfolio ESG and climate risk exposure are reviewed and discussed at investment committee meetings regularly. With regards to heavy weighted securities or securities with high climate- related risks, the ESG team and the fundamental analyst will collaborate to conduct deep-dive research analysis into the securities with ESG rating, benchmarking and qualitative assessment based on the proprietary framework, survey questionnaire, engagement records, etc. to make a holistic judgement on the company's overall ESG performance, ESG score momentum (i.e. trajectory of its changes), climate-related objectives and strategies. After presentations by the sector analyst and ESG analyst of the securities which present high climate-related risks, the final investment decision will be made by the ESG committee which is consisted of fund managers and ESG analysts, to fully incorporate financial and ESG considerations.

Post-investment:

Within the risk management process, Harvest's ESG team regularly discusses portfolio-level climate risk exposures with investment teams. For securities with high portfolio weightings or those highly exposed to climate risks, the team conducts in-depth assessments of their climate-risk-adjusted return expectations. Additionally, measures such as position limits and stewardship management are employed to enhance the climate change practices of these securities and reduce their associated climate risks.

Based on the outcomes of climate risk identification and monitoring, Harvest is further developing climate risk management strategies tailored to different asset types within its portfolios, aiming to mitigate the expected losses of assets and operations due to climate risks. The analysis results are also utilized to identify potential climate opportunities, supporting the company's strategic formulation and decision-making processes.

Engagement: In HGI, we have established stewardship policies and internal guidelines which set out priorities and objectives when engaging with investee companies. Our top priorities for engagement currently are climate change/green opportunities, social equality, as well as sustainability governance:

- **Climate Change & Green Opportunity:**

We maintain a strong focus on companies' capabilities to adapt to and mitigate climate-related risks, and aspire to encourage strong climate awareness and high- standard climate actions across the board of the companies.

We also place a strong emphasis on how companies leverage existing resources to tap into environmentally-friendly technology and opportunities, which we believe would serve as indispensable enablers in the future of business.

- **Social Equality:**

Social Equality has been a keen pursuit universally. We value companies' continuous efforts and contributions, especially through their business operations and tertiary distribution, to poverty alleviation, common prosperity, and community development. We also recognize innovation as a vital part of a company's long-term competitiveness and a manifestation of a company's proactive contribution to the society's development. We take a strenuous focus on companies' capabilities of advancing business practices through technology, product and service innovations.

- **Sustainability Governance:**

We believe a strong governance structure is the foundation for delivering companies' sustainability agenda effectively. We look deeply into how companies promote and execute their sustainability-related strategies across the organization and aspire to elevate their awareness level and standards through our engagement communications.

We conduct regular discussions with investee companies to understand their policies and activities to manage climate-related risks and opportunities and at the same time seek commitments from investee companies and monitoring their progress in addressing climate- related concerns; and

- **Proxy voting:** HGI uses our voting authority to drive investee companies to enhance disclosures and practices related to climate-related matters to make more data available and better assess climate-related risks. This may involve:

  - establishing voting policies and guidelines which set out the expectations for how investee companies handle climate-related matters (e.g. consistent and decision- useful disclosures which are in line with the Sustainability Accounting Standards Board (SASB) standards and TCFD Recommendations); and

  - voting against the re-election of the company directors and senior executives of investee companies with poor ESG scores or which lack adequate governance or disclosures of climate-related matters.

- **Policy engagement:** In HGI, we actively engage with Chinese and overseas regulators and policymakers to encourage the adoption of measures which align with the goals of the Paris Agreement and Chinese carbon goals.

- **Strong advocacy:** HGI has been an active member of the sustainable investment community since 2018. We actively participate as an active member of industry bodies, initiatives and networks (e.g. the PRI, Climate Action 100+) which advocate for progressive public policy and action for sustainable investments. HGI also participates in selected collective engagement initiatives and events when it is determined that action is necessary in order to protect the interests of the funds' investment and we believe it will enhance our engagements efforts or promote responsible investment development, but only insofar as those actions are not prohibited by law or regulation. HGI actively participates in multiple investor groups and collective engagements regarding climate-related investing, including:

    - Climate Action 100+ (APAC)

    - Carbon Disclosure Project (China)

The process and frequency by which the Board or the Board committee is informed about climate- related issues

Sustainable Investing at HGI is steered and overseen by HGI's investment committee, which consists of our CEO and CIOs across investment units. The day-to-day management of ESG integration and investment activities are led by CIO of HGI, reporting to the Board on a semi- annual basis or as and when necessary.

HGI has put in place procedures for the ESG team to maintain the restriction list with the Compliance team. Restricted companies are incorporated into the compliance pre-trade clearance system and investment committee's approval is required for further investments. The risk management team takes a dynamic risk management approach to monitor and management portfolio level risks.

Tools and metrics: apply appropriate tools and metrics to assess and quantify climate-related risks.

At HGI, we assess the climate-related risks of our investments using a wide range of quantitative tools and metrics such as company-level carbon emission amount and intensity, carbon reduction goals and objectives, net zero targets set by investee companies (verified by internationally- recognized methodologies such as Science-Based Target Initiative), carbon regulatory risks, as well as climate risk exposure.

A number of tools are used to generate periodic reports from multiple dimensions in order to produce quantitative climate risk scenario analysis and also monitor portfolio risk profiles on a holistic level. Periodic ESG risk exposure reports and impact reports are also prepared for the portfolio manager, reviewed by the investment committee on a quarterly basis.

In 2026, one of our current priorities is to assess the feasibility and data availability of quantitative scenario analysis for our investment portfolios to quantify and analyze climate-related risks in a more forward-looking and systematic way.

For completeness, we would add that after our careful assessment, there are a few funds under our management where we do not consider climate related risk as material and/or relevant. These include exchange-traded-funds which adopt a full index replication strategy (save for very limited circumstances), and funds where our roles are fairly limited – for example, where we are limited to managing and executing transactions which fall within “specified transactions” as defined under the Inland Revenue Ordinance.

Please do not hesitate to contact us if you have any queries.