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PING AN OVERSEAS HOLDINGS

中国平安资产管理（香港）
PING AN OF CHINA ASSET MANAGEMENT (HONG KONG)

PING AN OF CHINA ASSET MANAGEMENT (HONG KONG) COMPANY LIMITED

Climate Risk Disclosure Statement

19 August 2022

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The right to interpret all information in this Statement belongs to Ping An of China Asset Management (Hong Kong) Company Limited.

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Introduction

Climate-related risks are considered by the Securities and Futures Commission ("**SFC**") to be a source of financial risk which may pose potential impact to the value of assets and therefore an investor's investments in a fund. The Amendments to the Fund Manager Code of Conduct ("**FMCC**") on the Management and Disclosure of Climate-related Risks as released in August 2021 requires fund managers to take climate-related risks into consideration in their investment and risk management processes to make appropriate disclosures to investors in funds. According to this requirement, Ping An of China Asset Management (Hong Kong) Company Limited ("**PAAMC HK**", "**Company**") is being classified as a Large Fund Manager and is required to complete the Baseline Requirements by August 20, 2022 and the Enhanced Requirements by November 20, 2022.

PAAMC HK has now completed a qualitative relevancy analysis and materiality assessment of all currently managed funds under its SFC Type 9 License, and is hereby pleased to publish its Climate Risk Disclosure Statement. The purpose of this statement is to communicate to all PAAMC HK's stakeholders – clients, investors, peers, and locals on how PAAMC HK considers the climate across its business.

This statement summarizes HKAMC HK's key work to date for identifying, assessing, integrating and managing climate-related risks and opportunities in relation to HKAMC HK's investments. PAAMC HK is fully dedicated to promoting sustainable investment and responsible corporate governance practices in order to align with the goals and responsibilities of the Ping An Insurance (Group) Company of China, Ltd. (the "**Group**"). PAAMC HK believes that by contributing and playing an active role in the evolution of Environmental, Social and Governance ("**ESG**") issues, PAAMC HK can create a positive feedback cycle and deliver higher investment returns for clients in the long-run.

This statement is based on two pillars: (a) Governance, and (b) Investment Management and Risk Management.

(a) Governance

The Board of PAAMC HK provides ultimate oversight for climate-related issues of its funds. PAAMC HK has established an Investment Committee, which is made up of senior management including Chief Investment Officer, Head of Risk Management and Head of Compliance of the Company. The Board delegated authority to the Investment Committee regarding the status and progress of efforts to manage climate-related risks for the Company's investment. The Investment Committee meets up monthly to oversee the management of climate-related issues.

PAAMC HK has also established an ESG Office to assist the Investment Committee in compliance with the ESG related policies and objectives as well as follow up the ESG requirements set by the Group, to develop fund-level climate strategy, and to help identify, assess and manage climate risks and opportunities.

The Investment Committee members and ESG Office members will attend PAAMC HK monthly Risk Management Committee meeting to give an update on the progress of the relevant ESG projects and keep PAAMC HK's management informed of any material climate-related issues.

Figure 1: Climate-related Governance Structure

Board of PAAMC HK

- Take ultimate responsibility of climate-related issues
- Delegate authority and responsibilities for operational processes of investment management and risk management to Investment Committee
- Ensure that climate-related oversight is built into board composition, structure, and processes
- Set the tone for disclosure and stakeholder engagement

Investment Committee

- Assess, review and approve investment opportunities - taking climate risk into consideration and report to Board of Directors in monthly Risk Management Committee meetings
- Oversee progress against goals for addressing climate-related issues
- Monitor closely the status and progress of efforts to manage climate-related risks for the Company's investments
- Conduct the Company's disclosures - both from a compliance perspective and from a broader climate-related communication strategy perspective

ESG Office

- Establish a guideline/instruction to be regularly informed about the status and progress of efforts to manage climate-related risks
- Develop the fund level climate strategy
- Devote sufficient human and technical resources for the proper performance of the duty to manage climate-related risks
- Set goals for addressing climate-related issues and develop action plans for managing climate-related risks
- Report climate risk management objectives, plans, implementation and progress, ESG issues and risks to Board of Directors in monthly Risk Management Committee meetings
- Report to the Group's ESG Office on the implementation of climate risk goals and ESG related works as well as achievement on a quarterly basis

The governance structure described above is how PAAMC HK incorporates climate-related risks into the investment process. The steps taken to incorporate relevant and material climate-related risks into the investment management process and the processes for identifying and assessing, climate-related risks, including the key tools and metrics used, are described in the following Investment Management and Risk Management section.

(b) Investment Management and Risk Management

PAAMC HK has established policies to manage climate-related risks for its investment activities. For example, PAAMC HK includes climate-related risks in the investment philosophy and investment strategies, incorporates climate-related data and considerations into its investment research and analysis process, and takes reasonable steps to assess the impact of these risks on the performance of underlying investments.

PAAMC HK has performed a climate-related risk assessment, which consists of a relevancy analysis and a materiality assessment, for all funds which it has discretionary management ("**Managed Funds**"). After the relevancy screening, PAAMC HK determined roughly 43% of the Managed Funds are relevant to climate-related risks.

During the materiality assessment, by referencing the Sustainability Accounting Standard Board's sectoral materiality mapping and also a qualitative risk assessment based on the Network of Central Banks and Supervisors for Greening the Financial System scenarios, PAAMC HK has assessed the materiality of climate-related risks – transition risks and physical risks for each Managed Fund based on theirs corresponding investment strategies and horizons.

For transition risks, PAAMC HK has evaluated the degree of exposure in high carbon emission sectors and key markets, assessed the impact of these invested sectors due to potential change in climate policy and technology emergency, provided a qualitative professional judgment on the level of transition risk, and calculated a transition risk score to determine the fund-specific transition risk level of each Managed Fund.

In addition, Global Climate Risk Index ("**CRI**") issued by Germanwatch is adopted as a high-level reference of the physical climate risk associated with each Managed Fund. A fund-specific physical risk score is assigned to each Managed Fund by summing up the products of geographic CRI scores and fund investment proportions. The scores are then compared to the global CRI score ranges to determine the level of fund-specific physical risks.

In conclusion, as of the publication of this Statement, approximately 29% of the Managed Funds are deemed to have potential material climate-related risks. Further evaluation based on quantitative risk assessment will be conducted on these Managed Funds as part of the Enhanced Requirements for Large Fund Managers under the SFC's requirements.