

Cephei Capital Management (Hong Kong) Limited

Climate-related Risk Disclosure Statement

Cephei Capital Management (Hong Kong) Limited (“Cephei Capital”) takes serious consideration of the ESG factors during the portfolio management process. In the past years of managing institutional capital from Scandinavian countries, Cephei has built solid knowledge and process on ESG investments in the Chinese market.

We believe that as an investment manager, integrating ESG into our investment management framework is not only essential from a social responsibility perspective, but also an effective way to enhance our investment results over the long run. This is why Cephei takes it very seriously and has been working diligently on enhancing our ESG knowledge, framework and practice even at the early stage of the China market’s development in ESG.

As climate change is becoming increasingly prominent, the challenges it brings to the development of human society has become an international consensus. To better address the risks associated with climate change, Cephei Capital Management (Hong Kong) Limited (“Cephei Capital”, “Company”) adopts an approach to incorporate climate factors into our governance, investment management and risk management processes by identifying, assessing, managing and monitoring climate-related risks through a range of tools.

This statement is prepared in accordance with the *Fund Manager Code of Conduct, and Circular to licensed corporations - management and disclosure of climate-related risks by fund managers* issued by the SFC, the relevant contents are disclosed from four aspects: Governance, Investment and Risk Management, Metrics and Targets.

Cephei Capital has been a signatory of the UN PRI since December 2021. Cephei Capital is committed to its clients in contributing and playing an active role in the evolution of Environmental, Social and Governance (“ESG”) issues. We strive to promote climate change that benefits our clients, the society, and the environment for a more sustainable future.

Cephei Capital will monitor and review climate-related risk disclosures on an ongoing basis. For any material updates, investors will be notified as soon as practicable. If you have any enquiries, please contact our investor relation department at CepheiR@Cepheicapital.com.

Governance

Board Roles and Responsibilities

The Board oversees Cephei Capital's ESG management, including climate-related risks and opportunities, responsible investment and other ESG matters. Where appropriate, the Board and its Management Team and Committees receive updates on Cephei Capital's progress on ESG issues and incorporate such issues in guiding Cephei Capital's overall strategy.

Management Roles and Responsibilities

To better formalize and institutionalize the Company's ESG efforts, an ESG Committee was set up in 2018. The Committee consists of senior representatives from the investment team, research team, risk management team, and IR team. The ESG Committee is responsible for developing the overall strategy and approach for ESG, including the climate-related investment strategy, and regularly reports to the Management Team.

The ESG Committee meets at least annually and is mainly responsible for:

- Identifying, assessing, monitoring and managing ESG issues in relation to the investment portfolio/fund;
- Supporting the development of ESG policy, ESG exclusion lists, guidelines for active stewardship, investment strategies and risk management procedures to ensure the company addresses climate-related risks and builds internal capacity for identifying and managing climate-related risks;
- Setting goals for sustainable development outcomes to address ESG issues and manage corresponding risks;
- Monitoring the screening implementation process for all portfolio/fund that are subject to negative exclusionary screening.

The working team is comprised of the staff from each relevant departments, who are tasked with implementing the internal guidelines. For any ESG risks issue identified such as climate-related issue, the investment team and risk management team will conduct an in-depth risk analysis and report it to the ESG committee to better respond to and mitigate the ESG risks in a timely manner.

Investment and Risk Management

Cephei Capital is responsible for identifying the relevance and materiality of climate-related risks for each portfolio/fund or investment strategy for which we are responsible for overall operations. The relevance and materiality of climate-related

risks will be regularly reviewed and assessed once a year or when major changes such as changes in the fund's investment strategy occur. Disclosures will be updated if necessary.

Climate-related Risk Identifying and Assessing

We identify and assess climate-related risks based on the relevance and materiality of climate-related impacts under different scenarios. Various elements are considered in the determination of climate-related impacts, including geographical locations, sectors and industries of underlying investments. The materiality assessment results serve as the foundation in building a robust climate-related risk management and monitoring system.

In addition to assessing the impacts of climate-related risks on a portfolio/fund, we focus on active communication with companies that have material climate-related risks for additional insights into their ESG and climate-related risks management and understand their approach to climate-related risks.

We evaluate whether climate-related risks may affect the fund by considering its investment strategy, categories of investment, investment period and other features. After preliminary relevance checks, climate-related risks are considered to have an impact on all of our ROOF¹ funds. So, we adopt internationally recognized approaches such as Sustainable Accounting Standards Board (SASB) standards to identify the extent and materiality of climate-related risks exposure of the underlying investments of the fund or investment strategy. To assess the materiality of the impact from physical and transition risks, we utilize Climate VaR, which provides a forward-looking and return valuation assessment to measure the potential impacts of different climate-related risks under different scenarios on the valuation of individual securities, which are further aggregated at the portfolio level.

Climate-related Risk Managing and Monitoring

We incorporate climate-related risks that have been identified as relevant and material to our investment management process. We have established policies and procedures to manage climate-related risks for the investment activities. For any climate-related risks issue identified, we will conduct in-depth risk analysis and mitigate the climate-related risks.

We employ third-party data tools (Climate VaR) to evaluate climate-related risks on portfolio/fund with reference to their investment strategy, sectors and key geographical locations of the underlying, and to analyze each portfolio/fund's climate-related risks to assess their potential impacts. If any issues or significant change of the factors identified by evaluating the climate-related risks for the portfolio/fund,

¹ Responsible for overall operation of the fund

portfolio managers are required to conduct in-depth risk analysis. We extensively calculate and evaluate the carbon intensity of companies in our stock pool and assess and monitor investment portfolio/fund's carbon footprint² at least once a year.

We also monitor ESG issues by using external tools and data, including target company's public disclosures, financial data service providers (i.e. WIND), MSCI's ESG rating system, and quantitative method for assessing the governance factor created by Morgan Stanley. Through the above-mentioned channels, we can better monitor company and portfolio/fund's exposure to ESG issues.

Engagement

We have committed to avoiding companies with highly polluting business models. We believe that stewardship and engagement with investee companies can improve portfolio management and lead to long-term business opportunities as well as environmental advantages. We are incorporating climate risk management into our engagement policy.

We evaluate the carbon intensity of companies in our stock pool, for any significant change of the top holdings, we will communicate with the listed companies to understand their emission reduction pathways, practical actions, and provide support accordingly.

MSCI's ESG rating system is used by analysts in constructing Cephei's stock pool rating system. For companies in clients' portfolios rated CCC by MSCI ESG, we will assist these listed companies in improving their ESG management, especially in the context of climate change issues, in order to enhance their ESG ratings.

We also plan to vote on climate-related shareholder proposals as a way of demonstrating our views and expectations to our investee companies. Our investment team makes best efforts to exercise proxy voting rights on management and shareholders' resolutions, where appropriate, particularly on climate-related topics.

Metrics and Targets

Cephei Capital considers serving national dual-carbon policies as one of the objectives of our ESG sustainable investment policy. We are guided by the United Nations (U.N.) Sustainable Development Goals (SDGs), with particular attention paid to the SDG13 climate action. We stay mindful of the needs and suggestions of different stakeholders and remain up to date with their expectations and demands through regular communication. We also actively seek to understand the ESG investment preferences

² The portfolio carbon footprints of the funds with climate-related risk deemed as relevant and material.

of our key clients and incorporate ESG principles into our solution design, aligning with client preferences.

In the context of China's national target of 'peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060', we commit to achieving net zero carbon emissions for all our investment portfolios by 2050. In terms of execution, we are closely monitoring the carbon footprint which are impacted by climate related risks and reviewing progress.

Calculation of Carbon Footprint

The calculation methodology is based on the "The Global GHG Accounting and Reporting Standard for the Financial Industry" framework issued by the Partnership for Carbon Accounting Financials (PCAF). We established a database of portfolio carbon emissions so as to create a data foundation for the management and disclosure of portfolio carbon emissions.³ The calculation formula is as follows:

$$\sum_n^c \frac{\text{Present value of investment}_c \times \text{Investee company's Scope 1 and Scope 2 GHG emissions}_c}{\text{Investee company's enterprise value}_c} \div \text{Present portfolio value(million)}$$

Appendix 1 - ESG Exclusion List

Cephei Capital has established an ESG Exclusion List to exclude industries that are not consistent with the sustainable investment concept. Cephei does not invest in companies which have been included into the ESG Exclusion List, through internal processes of pre-trade checks and monitoring by the ESG Committee.

Any of the following sectors:

1. Tobacco;
2. Gambling;
3. Pornography.

³ We use Investee company's carbon emission data provided by MSCI.

