

Fullgoal Asset Management (HK) Limited

Climate-related Disclosure Report

Table of Contents

<i>Preface</i>	2
<i>About This Report</i>	3
<i>Governance</i>	4
<i>Investment and Risk Management</i>	6
Identification of Climate-related Risks and Opportunities	6
Climate-related Risk Identification and Assessment	8
Incorporate material climate-related risks into investment management	9
Incorporate material climate-related risks into research analysis	10
Incorporate material climate-related risks into investment decisions.....	10
Incorporate material climate-related risks into post-investment management	10
<i>Future goals and Outlook</i>	11

Preface

Extreme weather and natural disasters have become more intense in recent years. Climate change has caused a higher frequency of droughts, floods, hurricanes, and extreme high-temperature events in local areas. Climate-related risks, characterized by the unpredictable high uncertainty, long-time span, and the holistic impact, has brought significant risks to socioeconomic development and the stability of daily operations. Furthermore, such risks could be transmitted to capital markets by investment and financing activities and have become an emerging systemic financial risk. Meanwhile, with global climate-related regulations required by governments tightening, and the capital market's preference shifting to those low-carbon transformation enterprises, these trends would impact on investment activities exposed to significant climate-related risks. As climate change serves as an important factor in sustainable development, making strategies and carrying out climate-related management practices have become an urgent task for asset managers to achieve long-term sustainable goals.

Fullgoal Asset Management (Hong Kong) Limited (hereinafter referred to as [Fullgoal Hong Kong], [the Company] or [we]), is a wholly owned subsidiary of Fullgoal Fund Management Company Limited (hereinafter referred to as [Fullgoal Fund]). Fullgoal Hong Kong and Fullgoal Fund are the first group of fund companies participating in Hong Kong stock investment, and one of the best Hong Kong equity investment teams with rich investment management experience in the overseas fixed income field. As a responsible investor and asset manager, Fullgoal Hong Kong fully understands the importance incorporating climate change into investment decisions and business operations. Climate-related disclosure would enable investors to be aware of and assess risks and returns of investment. Carrying out climate-related risk assessment and management can not only help Fullgoal Hong Kong avoid potential risks posed on the Company's business, but also support the Company to enhance climate resilience with better adaptability, which could build up the portfolio competitiveness while embracing new development opportunities that climate change brings along.

With such consideration in mind, Fullgoal Hong Kong further improved the Company's risk management procedure. Based on the deep research and the reference of international methodologies, Fullgoal Hong Kong took actions from a holistic way by taking its development needs into account. This year, we have formulated climate-related risk management policies and integrated related risks into our investment process and risk management procedures. We go to great length to create long-term investment returns for our clients and promote sustainable development of our society.

About This Report

This report aims to disclose the Company's progress in investment and risk management in terms of climate topic in a transparent and public way. We expect to keep effective communication with our stakeholders regarding coping with climate-related risks and constantly enhance our management.

Reporting scope

The reporting entity is Fullgoal Hong Kong, managing collective investment schemes with investment discretion, and is responsible for overall operation of the Fund.

Basis for preparation

This report is prepared in accordance with the *Fund Manager Code of Conduct (FMCC)* and the requirements of *Circular to Licensed Corporations - Management and Disclosure of Climate-related Risks by Fund Managers* issued by the Hong Kong Securities and Futures Commission (SFC).

Principles of Disclosure

Adhering to the principles of authenticity and accuracy, this report adopts the *proportionate* approach to disclose the management of climate-related risks from a *pragmatic* perspective.

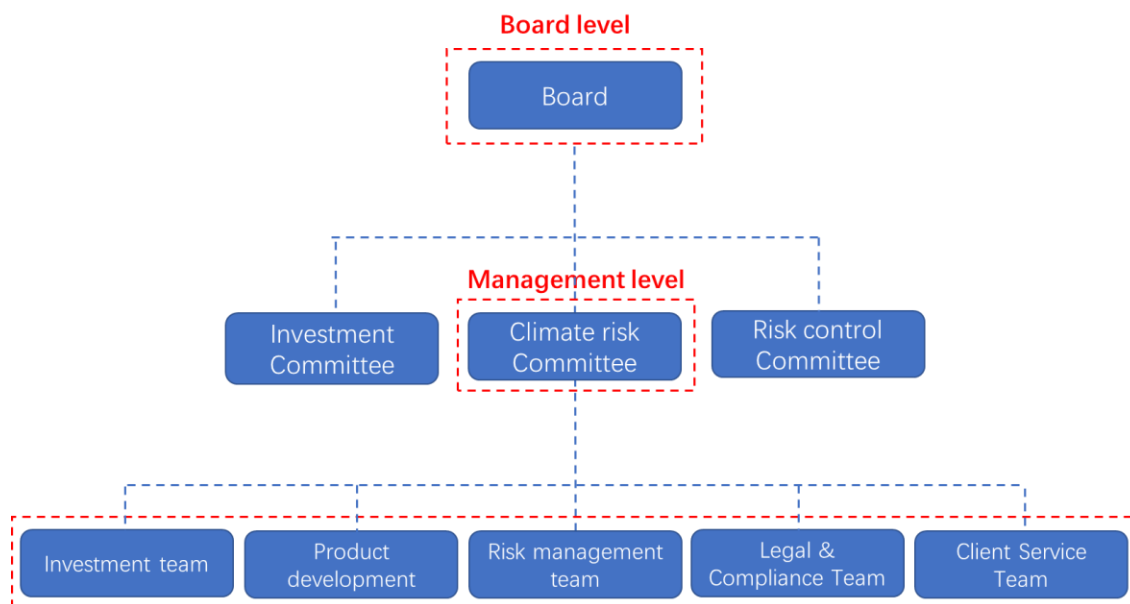
Release and update of the Report

This report is published in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

Fullgoal HK adopts the proportionate approach and will make public disclosures on the Company website. We will review the disclosures annually, update disclosures, where considered appropriate, and inform fund investors of any material changes as soon as practicable.

Governance

Through a top-down systematic governance structure, we have fully incorporated climate change issues into our corporate governance system. Our Board takes the lead in strategic planning, and our management takes the responsibility in supervision and effective monitoring. All relevant functional departments work to promote concrete practices. Together with all efforts, we have established a comprehensive management system with full process of monitoring climate-related risks, and our overall risk governance structure has been improved as well.



Board level – The Board of Directors

The Board of Directors of Fullgoal Hong Kong is responsible for supervising the Company's climate-related risk management in a well-coordinated way and specifying the key tasks. The main responsibilities are summarized as below:

- 1) oversee and ensure the management-level incorporate climate-related considerations into the investment and risk management processes
- 2) oversee progress against goals for addressing climate-related issues
- 3) keep informed by meetings (at least annually) with the Climate Risk Committee on a regular basis about the status and progress regarding climate-related risks management and provide guidance accordingly.

Management level- ESG Committee/Climate Risk Committee

The Climate Risk Committee is responsible for making climate-related work plans and setting goals. The Committee is also in charge of coordinating with relevant departments at the executive level to promote concrete actions. The main responsibilities are summarized as below:

- 1) establish climate-related risk management policies, and report to the Board about the progress on a regular basis
- 2) determine the climate-related risk management structure, and monitor the status and progress the executive-level has achieved
- 3) set climate-related goals and initiatives based on the development needs of the Company, guide and monitor the implementation of the action plan, and report the progress to the Board
- 4) devote sufficient human and technical resources for the proper performance of the duty to manage climate-related risks
- 5) incorporate climate factor into the Company's risk management policies, and establish satisfactory internal controls and written procedures to ensure compliance with internal policies and procedures as well as regulatory requirements related to the management of climate-related risks

Executive level

Guided and led by the ESG Committee/Climate Risk Committee, the Investment Team, Product Development Team, Risk Management Team, Legal Compliance Team, Client Service Team, and other related departments, work together and are responsible for specific climate-related tasks based on each working function.

Investment and Risk Management

Climate change has gradually caught investors’ attention. Considering the impact climate-related risks could exert on companies’ financials and the investment activities, we refer to the recommendations from *Task Force on Climate-Related Financial Disclosures* (TCFD) and have conducted the physical and transition risks analysis. In the meantime, we explore the way turning risks into climate-friendly opportunities, to minimize the negative impact climate-related risks may cause.

Fullgoal Fund takes risk management as the core element of fund development, and we hold the same belief as well that risk management and business development are equally crucial. We believe that a stable and transparent management system could facilitate an effective business operation and achieve steady assets growth. Since 2022, we established a comprehensive climate-related risk management system by formulating *the Climate-related Risk Management Policy*. Guided by our internal process, we completed the climate-related risks identification, assessment, and monitoring for each portfolio. Based on that, we took appropriate measures for risk prevention and control. We will also carry out re-evaluation for both underlying assets and the portfolio on a regular basis, with a purpose to mitigate and manage emerging and material climate-related risks.

Identification of Climate-related Risks and Opportunities

In 2023, we have identified climate-related risks and opportunities that may have potential impacts on our investment, the results of which have been summarized as followed:

Time Frame	Climate-related Physical Risks	Climate-related Transition Risks	Actions & Measures
Short-term (0-3 years)	<ul style="list-style-type: none"> ● Extreme weather events such as floods, hurricanes and tornadoes disrupt the daily operations of the investee companies and thus causing a negative impact on the financials of the invested companies 	<ul style="list-style-type: none"> ● Regulations and laws: Failure to comply with relevant national laws, regulations or policies in a timely manner may lead to high compliance costs 	<ul style="list-style-type: none"> ● Keep abreast to the latest national and regional policy trends, and actively carry out risk identification and assessment for industries or companies

<p>Medium& Long-term (3-5 years& more than 5 years)</p>	<ul style="list-style-type: none"> ● Extreme weather events could adversely affect the production and operation, or increase the daily operating costs of the investee companies, which would reduce the profitability and further lowering the investment return ● Changes in climate patterns (average temperature rising, sea level rise) result poor performance of those climate-sensitive industries, and thus causing irreversible impacts on corporate fixed assets, which would further affect investment returns 	<ul style="list-style-type: none"> ● Regulations and laws: Policy supervision has tightened, and high-carbon emission industries and relevant economic activities are under pressure. Some related assets or sectors may be phased out ● Technology: The market share of emerging low-carbon technologies expands, which would impede development of traditional technology companies and result in poor financial performance ● Market: Client preferences and consuming behaviors on products have changed, and they may prefer environmental-friendly services and products. Such shift will reduce the income of investee companies that lack environmental benefits output 	<p>exposed to high climate-related risks</p> <ul style="list-style-type: none"> ● Enhance the investment management of carbon-intensive assets (high energy consumption and high emission) ● Actively undertake social responsibilities, regularly make disclosure about climate-related investment and risk management, and consider engaging with investee companies to improve the environmental performance
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Climate-related Opportunities	Actions & Measures
Products and Services	<ul style="list-style-type: none"> ● Invest in low-carbon innovative products and technologies, which could provide investment and financing services for climate-friendly companies. Gain investment returns while empowering high-quality development of energy-saving and carbon-reducing industries
Market	<ul style="list-style-type: none"> ● New market demands have been created under the low-carbon transformation policy. Make positive response to low carbon policies and increase investment in green/environmental protection/sustainable industries
Adaptability	<ul style="list-style-type: none"> ● Establish the climate-related risk management policy and increase the adaptability of climate change in a systematic process

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| | <ul style="list-style-type: none">● Factor climate-related risks into the investment management process, reduce the risk exposure of the portfolio and asset allocation, and improve resilience to climate-related risks |
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Climate-related Risk Identification and Assessment

This year, we have conducted relevance and materiality assessment of fund products that are compliant to SFC requirements based on the holdings as of 31st, December 2022. Fund products managed by Fullgoal Hong Kong consist of mainly stocks issued by listed companies, and the investment portfolio may be impacted by companies' financial loss resulting from the physical and transition risks. To conclude, all fund products are potentially relevant to climate-related risks. As such, we finalized the relevance and materiality assessment for each applicable fund. The methodology, tools and metrics adopted for the analysis are illustrated as followed:

Risks Relevance Identification and Assessment

Through qualitative analysis, considering the fund's investment strategy, investment type, investment period, etc., we firstly evaluate whether climate-related risks will impact the funds or not. For quantitative funds, macro-strategy funds, index tracking funds, foreign exchange funds and managed futures, such funds would be assessed as irrelevant based on our analysis of the investment nature in terms of the strategy and asset-type. The rationales would be detailed in documentation for internal records. The funds assessed as irrelevant would also be disclosed to inform related investors.

If the relevance results could not be concluded directly by qualitative analysis, we further refer to internationally recognized methodologies to quantitatively evaluate the relevance of both physical and transition risks. By incorporating with weightings distribution across different industries, the overall risks exposure quantification would be aggregated from the underlying assets to the portfolio level. On this basis, we would set a threshold at portfolio level according to the Company's overall risk appetite to decide whether the physical and transition risks are relevant. The climate-risks would be assessed as relevant if the scoring result is above the threshold, and irrelevant if not. We would also conduct periodic reassessments for those assessed as irrelevant and keep track on any conclusion changes.

Risks Materiality Identification and Assessment

On condition that we have already completed the relevance assessment for physical risks, to assess its materiality level, we adopt the exposure results concluded from the relevance assessment. We preset a more stringent threshold to determine whether the portfolio exposes to material physical risks.

For transition risks, considering the data availability with high granularity in the markets, we further adopt "carbon price", which could indicate how potential carbon emission cost may impact the company's business operations. Based on investee companies' emissions, where data is available or can be reasonably estimated, we quantify the impact resulting from transition risks and measure the sensitivity to carbon shadow cost for each underlying asset. The transition risk would be assessed as material if the sum weightings

exceed the preset threshold, and not material if below. The overall assessment results are incorporated into the investment decision-making considerations for the ESG Committee/Climate Risk Committee.

In 2023, we evaluated two public offering of funds and three private equity funds managed by Fullgoal Hong Kong with reference to our well-established climate-related risk management systems and processes based on the holdings as at 31.12.2022. To conclude, all five funds have been assessed as relevant, but not material. Going forward, we will continue to monitor the climate-related risks of these funds and conduct regular reassessments to effectively manage the overall climate-related risk exposures.

Climate-related Risk Management and Monitoring

We adhere to the principle of *integrity* and *promptness* in risk management and implement risk control in all aspects, such as decision-making, execution, management, and supervision. To that end, we implement Ex-ante control, continuing risk monitoring and Ex-post control, and we adjust and update our internal policy when needed to better adapt to the changing environment. Such principle has been applied to the climate-related management process as well. As detailed in our *Climate-related Risk Management Policy*, we clarify and assign responsibilities and roles of each department in climate matters. The ESG committee/climate risk committee ensures that fund managers identify and assess climate-related risks for each investment strategy and funds and take climate-related risks into risk management procedures. Based on that, climate-related risks would be further integrated to the Company's strategic planning, business decision-making and other management activities, so that the overall climate-related risks would be effectively managed.

In risk monitoring, executive teams keep close communication on climate matters. For the major climate issues identified, the investment team will report to the ESG Committee/Climate Risk Committee, who will further evaluate and report to the Board about the issues that may pose material impact. The Board will review the issues and suggestions during the board meeting and keep record for discussion or results. During the management process, the ESG Committee/Climate Risk Committee will regularly review the effectiveness of the risk management system and monitor the practices implementation, to ensure that any potentially significant adverse impacts resulting from climate-related risks are well noted and followed up in a timely manner. The Committee will report to the management progress to the Board on a regular basis.

As responsible shareholders, we will also consider exercising the voting right at the general meeting of shareholders and conducting regular dialogues with the investee company's management. We hope to promote the investee companies to strengthen disclosure and improve performance regarding climate-related matters, which could also help us obtain higher-quality data to better manage our portfolio climate-related risks at the same time.

Incorporate material climate-related risks into investment management

We integrate the climate-related risk analysis results into our strategic considerations

and take appropriate steps to incorporate relevant and material climate-related risks into the Company's initial research analysis, investment decision-making and post-investment management processes, to further optimize the current investment management process.

Incorporate material climate-related risks into research analysis

When conducting industry research for potential investees, our analysts refer to the climate-related risks analysis results, together with other related climate factors that could have impact on industry trends, market environment and company financials, so that the results would be integrated into the investment research suggestions and material climate-related risks would be timely noticed.

Incorporate material climate-related risks into investment decisions

During the year, referring to the climate-related risks monitoring, the Investment Committee completed the thresholds setting for the relevance and materiality of climate-related risks by comprehensively taking the Company's investment philosophy and risk appetite into consideration. We effectively quantified the materiality level of climate-related risks based on the thresholds, which facilitated our investment process. We believe that with our deeper understanding of climate-related risks and the constantly improved management process, the relevance and materiality thresholds of climate-related risks would also be adjusted in a timely manner to support better decision-making.

Incorporate material climate-related risks into post-investment management

Based on the assessment conclusions on climate-related risks, we keep close attention to the funds assessed as relevant and will conduct re-assessments on a regular basis. We take effective control of climate-related risk exposure by understanding how climate change factors may exert influence on our funds.

Taking further step, we will also consider exercising active ownership when appropriate, serving as a measure of post-investment management, to gain an in-depth understanding of the investee companies. We hope to improve the climate performance of investee companies especially for those facing material climate-related risks. If companies did not make improvements after engagement, we would take this factor into account in future investment decisions and consider incorporating the engagement results into designing investment strategies and investment pool for the next stage, which we believe such approach would urge investee companies paying more attention to climate issues and striving for better sustainable performance.

Outlook

With taking active climate actions becoming a global trend, along with regional climate-related regulatory requirements, asset managers have increased their attention and incorporated climate indicators into the business planning and goals setting. Institutional investors expect to make contributions by leveraging the financial instruments to promote long-term sustainability and to adapt to the climate change in an active way.

2023 was the second year in which we initiated our climate-related risks management and made appropriate disclosure. We will be continuous to strengthen the climate-related risks management based on our solid climate-related risk governance structure and systematic processes. We strive to achieve our long-term goals by enhancing the communication with industry experts and building up our team professionalism.

(I) To further incorporate climate-related risk management into the Company's medium- and long-term development plan and assess the potential impact of climate risks on the Company's investment and financing business accordingly. By regularly identifying, assessing, and reviewing relevant and material climate-related risks, we expect to take climate factors into our risks management system in a more holistic way and turn climate-related risks into investment opportunities effectively.

(II) To fully take climate factors into the investment principles and strategies. Fullgoal Hong Kong will constantly optimize the investment management process embedded with climate-related factors. By integrating climate-related risks indicators, we expect appropriate investment portfolio and asset allocation adjustment for better manage risks exposure.

(III) To exercise active ownership with the purpose of enhancing engagement with investee companies on climate-related performance. From a perspective of asset managers, we hope to make contributions for a low-carbon society with our strength. By providing guidance and suggestions, we look forward seeing the investee companies improve the quality of climate-related information disclosure. We will also urge investee companies to set their own goals and strategies for addressing climate change.

Looking ahead, we will continue putting efforts in climate-related risk management and make appropriate disclosures. To better control and further reduce our climate risks exposure, we will review and adjust our climate-related goals in a timely manner, and fully integrate climate-related risks into our strategies, asset allocation and investment process. While improving the climate adaptability and market competitiveness in sustainable development, as the asset management institution, we never stop our steps in creating long-term returns, and making contributions for a more sustainable society.