

## **Zhong Ou Asset Management International Limited Climate-Related Risks Disclosure**

Zhong Ou Asset Management International Limited (“ZOAM Intl.” or “the Company”) is licensed by the Hong Kong Securities & Futures Commission (“SFC”) to conduct the regulated activities of dealing in securities (Type 1), advising on securities (Type 4) and asset management (Type 9), and in its conduct of business is subject to the requirements under Hong Kong law to comply with applicable regulations and expected standards of the SFC, including in its management of collective investment schemes or investment funds, specifically under the SFC Fund Manager Code of Conduct (“FMCC”).

Due to growing global concerns on climate change, the SFC has introduced new requirements for Hong Kong fund managers with respect to taking climate-related risks into consideration in investment management and risk management processes, and to make appropriate disclosures to fund investors, subject to relevance and materiality to the types of investment strategies or funds under management.

### ***Governance of Climate-related Risks***

The board of directors of ZOAM Intl. (the “Directors” or “Board”), as senior management of the Company, exercises oversight on its management of climate-related risks in connection with the portfolio investments and sustainability development strategy of the Company. Under the Climate-related Risk Management Policy approved and adopted by the Directors of ZOAM Intl., climate-related risks and opportunities are assessed by the Company as part of its management of sustainable development in its investment objectives and business strategies.

The Board delegates to the Investment Committee of the Company the day-to-day responsibility of managing climate-related risks of ZOAM Intl., reporting to the Board at least once a year and under the supervision and direction of the Board. The Investment Committee oversees the incorporation of considerations of climate-related risks in the investment management process and risk management framework of the Company. The Investment Committee also determines the relevant global or local climate-related targets in the investment objectives or investment strategies of the Company, and oversees the progress and status of meeting any set targets. The Investment Committee shall ensure the adequacy of resources and technical expertise within the Company to carry out the management of climate-related risks as appropriate, including but not limited to providing personnel training, engaging subject-matter experts and/or using external source of climate-related data.

At present, the Company has determined that it does not actively promote or adopt sustainability factors or sustainable characteristics or objectives (such as climate change) in its investment management approach or strategies in respect of the funds the overall operation of which the

Company is responsible for.

The investment portfolios or funds of the Company may hold or may continue to hold securities issued by companies in high-emitting sectors or subject to high degree of climate risks, which may potentially affect the value of such holdings or the value of the portfolio as considerations of climate risks or sustainability risks are evolving in broader policy or economic environment. However, the Company also manages funds domiciled in Europe and qualified under article 8 of the Sustainable Finance Disclosures Regulation ("Article 8 Funds"). Article 8 Funds seek to promote, among other characteristics, environmental or social characteristics or a combination of those characteristics, despite not having a sustainable investment objective. The Company acts as investment manager or sub-investment manager of these Article 8 Funds and undertakes to abide by and be subject to the overall supervision, direction and control of the management company or the investment manager of such funds, as the case may be, with respect to the management of such funds in accordance with the funds' respective investment objective and policy.

Although ZOAM Intl. does not specifically take into account climate-related risks or any other environmental or sustainability factors in its investment strategy, the Directors of ZOAM Intl. has determined climate-related risks to be relevant to all the funds currently under management of the Company, and the Investment Committee of the Company has established an investment management process and risk management framework to take into account climate-related risks as appropriate.

If climate-related risks are considered not relevant for any specific strategies, the rationale for climate-related risks not being relevant shall be recorded in writing and subject to approval of the Investment Committee. Such assessment shall be reviewed by the Investment Committee at least once a year or upon any change of the investment strategy.

The sustainability development strategy of ZOAM Intl. and its approach to managing climate-related risks may evolve and the Company's investment management process or risk management framework on climate-related risks will be regularly reviewed and updated as necessary by the Board and not less than once a year.

### ***Climate-related Risks in Investment Management Process or Strategies***

The Company adopts a methodology of assessing the materiality of climate-related risks by the climate-related risk exposure of each holding in the fund portfolio, covering physical risk and/or transition risk, and the aggregate risk exposure of the fund in question. Physical risk exposure is determined based on the country risk of the fund, where more than 10% of the fund's portfolio has exposure to a particular country, to consider the potential physical risks of such country and potential adverse impact on the fund. Transition risk is assessed by considering the level of GHG scope 1

and scope 2 emissions of the portfolio holding benchmarked against its peers of the same industry and comparable investment universe, determined to be material if more than 25% of the portfolio holdings are above industry benchmark or have no emissions data. The Investment Committee shall conduct such materiality assessment and report to the Board at least once a year.

Where a fund is determined to have relevant and material climate-related risks, the fund manager will be required to continue monitoring physical risks and transition risks in the investment management and research of the existing portfolio and proposed investment targets. The specific data indicators of the selected criteria for climate-related risk assessment need to be reviewed and approved by the Investment Committee, and any changes will need to be submitted to the Investment Committee for approval. The sum of the physical risk and transition risk scores is the climate-related risk score for the investment target. The investment managers of the fund need to factor climate-related risk scores into their investment considerations, and no investment shall be made without climate-related risk score.

Climate-related risk scores are reviewed at least annually. If there is any substantial change in the actual situation of the investment target, the investment manager should update it at any time. According to needs or market changes, the Investment Committee may organize ad hoc review from time to time. Investment managers are also required to assess the impact of climate-related risks on fund returns at least annually.

### ***Climate-related Risk Management***

Where climate-related risks are relevant and material for a fund, the Risk Management Department of ZOAM Intl. is responsible for monitoring and tracking the overall climate-related risk score of the fund, and communicating with the fund management team to review and update the score of investment targets.

The Investment Committee is responsible for setting the maximum climate-related risk score for a single stock that the Company may invest. The Company may not invest in any investment with climate-related risk score above the set maximum score without prior exception approval of the Investment Committee for special considerations to invest. Such exception is subject to review by the Investment Committee at least annually, which may require the Company to divest from an investment that continues to exceed the maximum climate-related risk score. Following investment, the climate-related risk level of an invested company is subject to monitoring, with available measures adopted where possible to effect lower physical risk exposure or emissions reduction to lower the Company's climate-related risk.

The Investment Committee also sets the fund's maximum climate-related risk score, determined from the weighted average climate-related risk score for positions in the fund. The Risk Management Department shall calculate and update the fund's climate-related risk score on a

monthly basis, for review with the fund managers for improvement.

The Risk Management Department shall report to the Investment Committee on any issues, exceptions or improvements from time to time and at least once a year and the Company's manager in charge of risk management shall submit a climate-related risk management report to the Board on an annual basis.

### ***Disclosure***

Disclosures relating to the Company's policy on climate-related risks are made available to investors via the Company's website and subject to review at least on an annual basis, in order to enable investors to make an informed determination as to whether their climate-related risk appetite matches the climate-related risk profile of the fund(s) of the Company.

For the avoidance of doubt, ZOAM Intl. is responsible to provide disclosure of its policy on climate-related risks where it is responsible for the overall operation of an investment portfolio.

### ***Overview***

In considering and adopting the climate-related risk management approach and strategy, the Company has taken into account relevant proportionality criteria such as its size and the nature, scope and complexity of its investment strategy and activities. The Board of Directors of ZOAM Intl. shall continue to exercise its oversight on the relevance and materiality of climate-related risks from time to time and at least once a year, including assessing whether any appropriate tools, metrics and targets if relevant or applicable shall be further applied to quantify and manage climate-related risks in the Company's fund portfolios.

As ZOAM Intl.'s approach to managing climate-related risks and other sustainability factors may evolve, the Company may regularly review and update its disclosures as necessary.

## **ZHONG OU ASSET MANAGEMENT INTERNATIONAL LIMITED**

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