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## Amova Asset Management Hong Kong Limited

### Securities & Futures Commission's Climate Related Risks Management and Disclosure Report

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## Statement of compliance with the Securities & Futures Commission's Climate Related Risks Management and Disclosure

Amova Asset Management Hong Kong Limited (“Amova HK”), a HK company, is subject to the Circular to Licensed Corporations on the Management and Disclosure of Climate-related Risks by Fund Managers (the “Circular”) issued by the Securities and Futures Commission of Hong Kong (“SFC”).

The purpose of this report is for Amova HK to comply with the Circular and the Amendments to the Fund Manager Code of Conduct, required for fund managers managing collective investment schemes. It demonstrates to investors how climate-related risks are taken into consideration within investment and risk management processes.

Amova Asset Management Co., Ltd. (“Amova Asset Management”) recognizes climate change as one of the greatest challenges the global community faces and considers it its fiduciary duty to address it in managing its clients’ assets. Amova Asset Management’s position on climate change is presented in Amova Asset Management Global Climate Change Report, which applies to AMOVA HK. There may therefore be cross-references.

Any distinctions between Amova Asset Management and Amova HK in terms of Climate-related Governance, Strategy and Risk Management or supplemental information specific to Amova HK is detailed in this report.

## 1. Governance

Governance of Environmental, Social, and Governance ("ESG") activities operates at two levels: Amova Asset Management and Amova HK.

The overall oversight of our ESG activities is conducted at Amova Asset Management level and it is the responsibility of the ESG Global Steering Committee. Please refer to the Governance section of our Amova Asset Management Global Climate Change Report.

Amova HK has an independent executive team led by a regional head who reports to the Amova Asset Management President and CEO, and is responsible for formulating and executing targets and plans decided by the Amova Asset Management Board and Global Executive Committee ("GEC") in line with the approved policies, applicable laws and regulations and consistent with sound and prudent practices.

## 2. Strategy

Amova HK applies Amova Asset Management approach and positioning regarding the identification of climate-related risks and opportunities over short, medium, or long-term periods in our investments.

Please refer to our [Amova Asset Management Global Climate Change Report](#) for more details about our position on climate change, our climate plan of action as well as our progress and key milestones.

### 2.1. Investment Management:

Amova Asset Management's in-house analytical capabilities help mitigate our climate-related risk in our investment activities by identifying the climate-related risks our investee companies face, the potential impact on them, and ultimately, the potential impact of such risks on Amova HK as an asset manager. These in-house capabilities comprise of four processes:

- I. In-depth bottom-up research
- II. Active stewardship
- III. Top-down scenario and temperature analysis
- IV. Portfolio risk monitoring

The first three processes will be covered under this "Strategy" section. The fourth process will be covered in Section 3 "Risk Management".

#### I. In-depth bottom-up research

In the collective investment schemes' strategies actively managed by Amova HK, the investment teams identify attractive companies through in-depth bottom-up research, based on their own proprietary investment philosophy and approach. ESG factors are incorporated into this process, including climate change and the risks and opportunities they present for the company, providing additional considerations for investment decisions.

We believe that strong and/or improving ESG factors are fundamental for our Asian Small Mid Equity strategy to sustaining high returns. Our ESG evaluation process starts with identifying the key issues that will be material for shareholder returns for each company we cover.

Hence, ESG analysis is integrated into fundamental research and our key pillars of sustainable returns and change. A core part of our fundamental analysis is in understanding and scoring companies on material ESG risk and return factors. Individual analysts are responsible for their own proprietary ESG scoring as they are best placed to assess what is most material to investment returns in terms of risks and opportunities to their sectors.

We make a relative assessment of the companies using our proprietary ESG Materiality Matrix which contains areas of focus tailored to Asia and with reference to the Sustainability Accounting Standards Board (SASB). Risks are classified as **Primary** (can put a company out of business) or **Secondary** (materially erode returns) and are scored within our pillar tool. **ESG Flag** protocol ensures that issuers with unacceptable, unmitigated risks (or persistent deterioration with no evidence of improvement) are excluded or constrained at the product level.

**ESG Materiality Matrix example:**

Environmental Pillar (50%)				Social Pillar (30%)			Governance Pillar (20%)													
Climate Change	Nature Capital	Pollution & Waste Management	Environmental Opportunities	Human Capital	Product Liability	Social Opportunities	Corporate Governance	Corporate Behaviour	Governance Opportunities											
GHG Emissions from Operations	Water	Toxic Emissions & Waste	Clean Tech	Labour Management	Product Safety & Quality	Access to Basic Services (Food, HC, Finance, Power, Comms, Education)	Beneficial Ownership Assessment (Individual, SOE or Capital Market)		Ownership & Management Change											
GHG Emissions from Products / Customers	Land & Biodiversity	Packaging Material & Waste	Green Building	Labour Development	Privacy & Data Security		Minority Interest Alignment	Business Ethics & Fraud												
Physical Risk	Resource Management	Electronic Waste	Renewables	Health & Safety	Responsible Investment	Opportunities in Health & Wellbeing	Principal-Agency Alignment	Anti-Competitive Practices												
Financing Environmental Impact				Supply Chain Management	Financial System Instability	Community Development	Board	Corruption & Instability												
							Pay Accounting Practices	Past Transactions Transparency & Disclosure												
<ul style="list-style-type: none"> <li>■ Primary Risks: Issues which can put a company out of business.</li> <li>■ Secondary Risks: Issues which can have a material impact on shareholder returns.</li> <li>■ Opportunities: Issues which can lead to a material enhancement in shareholder returns.</li> <li>■ Pre-Defined General Secondary Risks: Climate Change and ESG-Governance</li> </ul>						<table border="1"> <thead> <tr> <th>Carbon Footprint</th> <th>Company</th> <th>Benchmark</th> </tr> </thead> <tbody> <tr> <td>Carbon/Market Cap (Ton/m USD)</td> <td>553.5</td> <td>160.0</td> </tr> <tr> <td>Carbon/Total Sales (Ton/m USD)</td> <td>926.1</td> <td>241.9</td> </tr> <tr> <td>Impact on per mil Investment (USD)</td> <td>-12,303.1</td> <td></td> </tr> </tbody> </table>		Carbon Footprint	Company	Benchmark	Carbon/Market Cap (Ton/m USD)	553.5	160.0	Carbon/Total Sales (Ton/m USD)	926.1	241.9	Impact on per mil Investment (USD)	-12,303.1		
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**II. Active Stewardship**

Our *Engagement and Stewardship Strategy* defines Amova Asset Management’s approach to corporate engagement and applies to Amova HK.

Active engagement with management is a core element of our Asian Small Mid Equity strategy. Analysts use engagement outcomes to test mitigation plans, verify disclosures, and to update ESG scores and flags, ensuring that climate risks and opportunities are continuously reflected in portfolio construction and risk controls.

**III. Top-down scenario and temperature analysis**

Our Amova Asset Management top-down analysis includes Amova HK collective investment schemes and looks at climate scenario analysis and temperature alignment to better understand our portfolios’ climate risks and opportunities.

We believe climate scenario analysis is an important tool that enables investors to gain a thorough understanding of climate-related risks and opportunities and its impact on portfolios. These scenarios are not predictors of the future, rather they provide a range of possible future situations under conditions of uncertainty.

As such, we have assessed our portfolios for both transition and physical risk under multiple climate scenarios. To do so, we draw on MSCI Inc's suite of products, utilising their Climate-Value-at-Risk ("CVaR") and Implied Temperature Rise ("ITR") models, as well as the terminology associated with the models, to conduct our scenario analysis and temperature alignment assessments respectively.

To further enhance our risk assessment and inform our analysis, we assess the temperature-alignment bands of our portfolios and underlying holdings. Temperature-alignment bands are categorised as 1.5°C Aligned, 2°C Aligned, Misaligned, or Strongly Misaligned.

The translation of companies' commitments and targets into temperature alignment allows us to gauge the ambitiousness of these targets, which can drive further due diligence and engagements with our companies.

Please refer to [Amova Asset Management Global Climate Change Report](#) for more information regarding the methodologies, assumptions, and limitations of both CVaR and ITR models.

## 2.2. Operations:

As detailed in [Amova Asset Management Global Climate Change Report](#), we have set an interim Amova Asset Management target to reduce our greenhouse gas (GHG) emissions by 40% per employee by 2030, against our 2019 baseline emission level. We also measure greenhouse gas (GHG) emissions from the Amova Asset Management's corporate operations based on Amova Asset Management-wide energy consumption and transportation data.

## 3. Risk Management

The Amova Asset Management Risk Management Department oversees the risk management of Amova Asset Management, with the exception of compliance risk, which is overseen by the Legal & Compliance Department. Each of our regional entities, including Amova HK, manages risk in line with our Amova Asset Management Risk Management Policy to identify, assess and prioritize climate related risks.

Climate change is considered a driver of Amova Asset Management's risks. It drives various national commitments and regulatory frameworks worldwide and needs to be fully incorporated in the existing risk classification framework. Our Amova Asset Management Position Statement on climate change reflects our global stance on climate change.

Our approach to climate change-related risk management, applied both at individual asset and portfolio level through our three-lines of defence system is detailed in the "Risk Management" section of our [Amova Asset Management Global Climate Change Report](#). It details the roles and responsibilities related to climate change-related risk management which primarily falls to the Investment departments (first line of defence), then is monitored by the Investment Risk Management department (second line of defence) and to finally be subject to internal controls from the Internal Audit department (third line of defence).

Amova HK has a regional Risk Committee ("Committee"), which reports to its board of directors and the global Risk Oversight Committee. Through this governance, we enable regional flexibility while retaining

central oversight and reporting. Material issues relating to climate change-related risks must be reported to the global Risk Oversight Committee, which meets on a quarterly basis.

Management of business risk is undertaken by Amova Asset Management Asia Limited (“Amova Asia”)’s Risk Management and Compliance functions. They have prime responsibility for escalating issues of significant risks to the Committee. The Risk Management and Compliance functions have the authority and responsibility to make recommendations to the Committee on whether to accept or mitigate those risks.

With respect to the “three lines of defence” model, Amova Asia’s Investment Risk and Compliance Departments are part of the second line of defence applied by Amova HK. Ongoing monitoring of risks, including climate-related, is conducted to ensure the effective application of our risk-management framework.

In that regard, our second line of defence, the investment risk team, performs independent monitoring of our Asian Small Mid Equity strategy. It runs and monitors the GHG emissions intensity on a monthly basis, as a way to highlight the climate-related risk associated with the fund.

## Important Information

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