

ALPS Advisory (HK) Limited

Disclosure Statement of Relevant Climate-Related Risks

November 18, 2022

ALPS Advisory (HK) Limited (“ALPS”) acknowledges that climate change is emerging as a major driving factor affecting long term resilience in the industry and the global economy. Thereby, this creates an urgent need to accelerate the transition towards a net-zero economy. While climate change poses a systemic and unprecedented risk to the global economy, the impacts on specific markets, regions, communities, and investments are complex, dynamic, and uncertain.

As a SFC licensed corporation, we take our fiduciary responsibility to consider and disclose all material factors that may impact the risk-adjusted returns of our investments, including climate-related financial risks and opportunities.

As an investor in the global economy, the scale and multi-faceted nature of climate change presents a systemic risk to our portfolio. Climate change impacts investors like us in two main ways:

- Physical impacts (e.g. wildfires, extreme weather, sea-level rise, drought) can affect our fixed assets (e.g. real estate) and disrupt portfolio companies' supply chains and operations. Climate change's acute and chronic physical impacts can affect people's health, food security, migration, water supply, and other ecosystem services in ways that could bring heightened volatility to financial markets and harm economic growth.
- Transition risks, or shifts in policies, technologies, industries, and customers, due to changed climate norms or movement toward a lower-carbon economy can affect the financial success of existing business models and industries. Our portfolio companies' long-term success depends on the degree to which they can successfully navigate the transition.

Given our investment portfolio, frequency of trading and investment scope, we take climate-related risks into account in our investment and risk management process. In light of this, we are taking the necessary action to account for such risks, as explained below.

Corporate Governance

The governance structure of ALPS consists of (a) supervising and overseeing of climate-related risk at the Board of Directors level and (b) planning, coordinating and promoting climate-related risk management at the management level.

To integrate climate-related risk considerations into our existing governance structures, different roles and responsibilities have been assigned to ensure proper monitoring is in place:

Supervisory level

The Board of Directors is generally responsible for supervising the climate-related risk management process and relevant company development strategies. Its main responsibilities include:

- (i) Monitoring the status and progress of ALPS's management efforts to incorporate climate related risks into ALPS's investment and risk management processes;
- (ii) Setting and maintaining the high ethical standards and reputation of ALPS;
- (iii) Reviewing ALPS's objectives in climate-related risk management and regularly checking the progress of achieving the objectives through regular reports.

Management level

The management team of ALPS is responsible for developing, coordinating and promoting climate-related risk management. Its main responsibilities include:

- (i) Maintaining, reviewing and updating the climate-related risk management policy of ALPS;
- (ii) Establishing the process for the management and Board of Directors to be regularly informed about the status and progress of efforts to manage climate-related risks;
- (iii) Formulating relevant processes for incorporating climate-related risks into ALPS's investment and risk management;
- (iv) Identifying and evaluating climate-related risks in ALPS's investment activities through climate-related data from external sources.

Investment and Risk Management Process of Climate-Related Risk

To manage these risks and opportunities in our strategies, financial planning and decision making, ALPS has developed ESG integration frameworks based on different investment strategies and characteristics. Portfolio managers and investment analysts are accountable for identifying material climate and other sustainability-related risks and opportunities in the portfolios. These risks and opportunities are identified using external ESG ratings and data, qualitative assessments and other available tools. The metrics and tools used to quantify and assess the climate-related risks vary by investment strategy. Investment groups develop view on the materiality of specific sustainability related topics by considering their ESG research, as well as research from a variety of external sources. In doing so, we identified the following risks and opportunities related to our investment strategies:

- **Current & Emerging Regulation**
- **Legal**
- **Market**
- **Physical risks**

Therefore, ALPS has incorporated such climate-related risks in the investment philosophy and investment strategies, along with climate-related data into the research and analysis process.

In light of the above, Board members are informed regular reporting on climate-related risks and opportunities and how these may influence decisions in relation to risk management, strategy setting, implementation and monitoring. This will include a group-level ESG report which contains a climate portfolio assessment for all our investment strategies.

Through our engagement and advocacy efforts we are working to minimize the absolute risk from climate change to our portfolio, we also hope to understand the financial risks to our portfolio and prepare for the long-term changes that will accompany climate change through our research and integration efforts.

We will continue to take reasonable steps to assess the impact of the aforesaid risks on the performance of ALPS's underlying investments to ensure compliance with the Hong Kong SFC's related requirements on management and disclosure of climate-related risks by fund managers. Our Board will also continue to thoroughly oversee the progress against goals for addressing climate-related issues.

Should you have any queries, please do not hesitate to contact us at alps@alpshk.com or +852 2877 3328.

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Disclaimer: This disclosure statement is intended to provide information to stakeholders and by its nature may involve risk and uncertainty. This document may contain forward-looking statements. Any statements that may express forecasts, expectations and projections are not guarantees of future performance given the current uncertainties on this front.