Value Partners Climate Disclosure

Scope:

This document applies to the Type-9 licensed Collective Investment Scheme (CIS) funds managed under Value Partners Group Limited ("Value Partners", "We", "The Company"). It contains information in response to the **Requirements under the Fund Manager Code of Conduct** and the **Circular to licensed corporations on the management and disclosure of climate-related risks by fund managers** published by the Securities and Futures Commission ("SFC") in Hong Kong (the "Circular").

1. Governance

1.1. Board-level roles and responsibilities on climate

Value Partners' Board members currently assume ultimate governance responsibility for overseeing the management of ESG topics, which applies to climate-related issues. The Board collaborates with multiple functional areas within Value Partners to integrate and implement climate-related initiatives at both the Group and investment levels to ensure the smooth running of climate-related initiatives and alignment of the identified climate goals.

The Board incorporates climate-related risks and issues by reviewing and approving Value Partners' ESG framework that forms part of Value Partners' investment and risk management processes. Along with the Leadership Committee, the Board appoints the ESG Committee as the governing committee to implement Value Partners' climate-related initiatives.

Furthermore, Value Partners Board members hold regular Board meetings and meet semi-annually with the Leadership Committee to provide climate-informed strategic directions, discuss climate-related goals, and stay informed on the current developments to ensure progress towards the same. The Leadership Committee will also confer the ESG Committee findings and report progress on climate change management to the board.

1.2. Management-level responsibilities pertaining climate risk

Leadership Committee

Value Partners' Leadership Committee, comprising the Co-Chairmen and Co-Chief Investment Officers and Chief Executive Officer, oversees the ESG Committee and reports to Value Partners Board of Directors on climate-related developments semi-annually.

ESG Committee

Value Partners formed an ESG Committee ("Committee") led by the Head of ESG Investment. The Committee comprises senior members of various functional areas, including Investment Management, Compliance and Risk Management, Operations, and Sales and Marketing.

The Committee conducts a monthly meeting to monitor the current performance on ESG issues of portfolio companies, where climate-related factors are included as a standing agenda item. Under the Committee, management and implementation of climate-related developments are mainly carried out by the Investment Management, Compliance, and Risk Management teams.

Investment Management Team

The Head of ESG Investment drives the Investment Management Team's effort in mapping out the ESG development pipelines, monitoring the implementation of the Group's responsible investment policy, and assessing climate-related developments at both the entity and investment levels. Furthermore, the Investment Management Team updates the ESG Committee regarding outstanding company-level climate-related risks and performs relevant engagement and voting activities.

Compliance and Risk Management Teams

The Chief Compliance Officer spearheads climate-related compliance efforts. This includes periodic reviews of recent regulatory developments to conform with the latest climate regulations and frameworks.

Furthermore, the Managing Director of Risk Management leads the team in monitoring climate risk across Value Partners' portfolios and provides regular climate risk updates to the ESG Committee.

In addition, meetings among members of the Committee will be called upon as necessary with regards to portfolio companies' alignment to climate-related frameworks and goals.

2. Investment Management

2.1. Relevance and materiality of climate Risk

Cognizant of the far-reaching impact of climate risk, we believe it is generally relevant to our actively managed equity and fixed income strategies, while materiality may differ across sectors and regions. Climate considerations are currently not pertinent to our ETF strategies, given our fund managers will be constrained from deviating from the underlying index.

Value Partners integrate climate considerations throughout its investment process, which mainly comprises four different stages:

2.2. Risk-based Exclusion

In the preliminary stage of the investment process, Value Partners conducts risk-based exclusion and negative screening. Currently, our ESG and climate-related exclusion criteria includes violation of UNGC (see Glossary) principles, supplemented by a third-party data source from Sustainalytics and Moody's.

Accordingly, Value Partners would screen out any company deemed to have material adverse impacts against the identified ESG factors, which includes climate-related considerations. The exclusion of securities derived from this risk-based assessment are incorporated directly into Value Partners' Order Management System.

2.3. Proprietary Climate Risk Assessment

After acquiring investment targets, Value Partners performs proprietary climate risk assessments as part of the preliminary assessment for all investees. This is carried out by utilizing Value Partners' proprietary ESG Scorecard, which evaluates investees' ESG performance through 30 quantitative and qualitative parameters, including climate risk metrics, to derive a weighted score for each investee.

In addition, Value Partners' Investment Management Team conducts further deep-dive and extensive due diligence on material issues raised from the preliminary assessment. During this process, ESG and climate-related practices are also incorporated for the Investment Management Team to better comprehend the current status and infer forward-looking insights on the performance of our investees.

Subsequently, Value Partners' investees deemed to have low performance on climate issues would be required to provide an additional explanation on their mitigation or transition efforts for improvement.

2.4. Climate-related Engagement

Value Partners engages the relevant parties from its portfolio companies on a broad spectrum of issues that are deemed material to our investments and stakeholders. Climate-related issues are embedded across our engagement process and are informed primarily by the ESG scorecard and supplemented by climate-specific deep-dive questions.

The engagement initiatives are primarily conducted based on two objectives:

1. ESG rating validation: we perform regular engagement with our investees to validate the results from the proprietary assessment against an array of ESG and climate-related factors and discuss the appropriate corrective action plans with the ESG-responsible parties from the portfolio companies.
2. Obtaining insights on portfolio companies' climate goals: Our engagement efforts aim to attain insights into our investees' short- to medium-term climate goals and provide guidance to ensure their alignment with the latest regulations and frameworks on climate.

2.5. Post-investment Climate Monitoring

Value Partners' ESG Investment and Risk Management teams conduct regular monitoring to ensure the integration of climate issues by its portfolio companies.

Our Investment Management Team conducts bi-weekly reviews of company level ESG scores and determines the relevant escalation efforts. Furthermore, the ESG Investment team supports the entire Investment Management Team to embed climate-related performance and provide monthly ESG assessment reports in our investment monitoring processes.

Bi-weekly	Monthly	Semi-annually
Investment Management Team's **review on company-level ESG score ratings** and relevant follow up activities on low-rated investees	Issuance of **monthly ESG report** summarizing ESG rating breakdowns for each portfolio to be reviewed by Co-CIOs and the Investment Management Team, followed up by ESG Committee meetings	Regular **Board meetings** including **ESG Committee's report** to members of the Leadership Committee and the Board
	Monthly ESG Committee meeting	

3. Risk Management

3.1. Risk Identification and Measurement

To identify and assess climate-related risks, Value Partners primarily utilizes its proprietary ESG Scorecard for all its equities and fixed income strategies. The scorecard contains climate-specific questions that align with international frameworks such as the TCFD and SBTi (see Glossary), to derive an overall ESG score for each investee.

Furthermore, we constantly monitor recent updates on climate-related market trends and regulatory requirements to ensure the sufficient incorporation of climate risk factors into our investment decision-making processes.

3.2. Risk Management and Monitoring

Value Partners' ESG Investment Team collaborates closely with the Investment Management Team and Risk Management Team to adequately manage and monitor climate-related risks through the process described below:

As a first step, the ESG Investment Team ensures the incorporation of ESG risk factors, including climate-related risks. After being kept apprised with the current risk profile of the investees by the ESG Investment Team, the Investment Management Team develop their views of how such risk factors may impact the investment decision.

To strengthen the ongoing management of climate-related risks, Value Partners' Risk Management team actively monitors this process and tracks any relevant KPIs, such as carbon emission targets.

Value Partners utilizes an internal risk reporting tool to track ESG and climate-related risks across its portfolios and its trend over time. We have also engaged a third-party data provider to enable GHG emissions monitoring on our investees.

Accordingly, when an investee has been categorized to have potentially high climate risks, the Risk Management Team will engage the Investment Management Team and the ESG Investment Team to understand the rationale behind the investment decision and determine whether proceeding with such investment aligns with our risk appetite. This is followed by consideration of the relevant mitigation plans and escalation pathways in addressing such investees.

Glossary

SBTi: Globally recognized partnership between CDP, UN Global Compact, WRI and WWF, with the aim to standardise target-setting across the globe. SBTi encourages climate target-setting while validating short- to medium-term targets set using this approach to ensure credibility and provides a detailed standard that companies can use to set valid Science Based targets (SBT).

TCFD: An advisory body set up by the G20 to address concerns around insufficient disclosure of climate-related risks and opportunities for businesses. The Taskforce is made up of 32 members drawn from a range of industries and countries and reports to the Financial Stability Board (FSB).

UNGC: Refers to the United Nations Global Compact, a global initiative launched by the UN to encourage companies' alignment towards universal principles on ESG factors and take actions that advance societal goals.