

# *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 include 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 is 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.

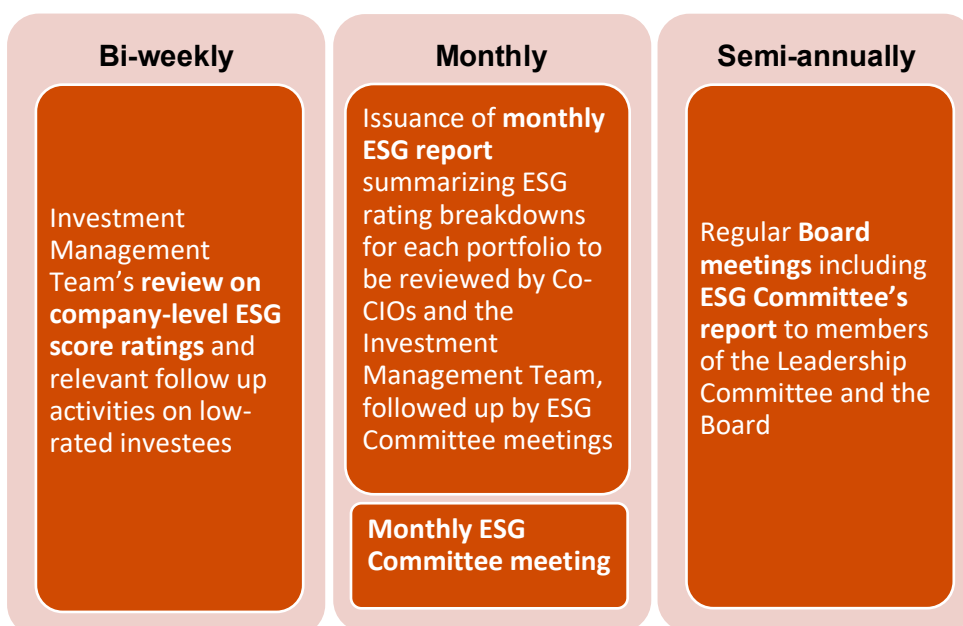
The engagement initiatives are primarily conducted based on two objectives:

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 Committee and Risk Management team conducts 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.



## ***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 of 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 trends 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 as 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.

## *4. Engagement Policy for Climate Risk*

### *4.1. Engagement Approach to Climate*

Value Partners aims to exercise its fiduciary duty through active engagement with investees. This provides us with the opportunity to further understand the company's fundamentals and ESG approach.

For climate-related engagements, Value Partners' Investment Management Team utilizes our proprietary ESG scorecard as the basis of ongoing dialogues with the investees. The team regularly meets with the portfolio companies' management to review their performance, during which climate-related issues are also discussed to foster climate awareness and improvements.

Specifically, our engagement efforts are conducted in three stages:

1. **Objective-setting:** The team begins by defining the objectives of an engagement to ensure meaningful engagement efforts that align with the relevant ESG and climate-related regulations, frameworks and goals.
2. **Meeting the relevant stakeholders:** During an engagement, we meet with the investees to validate the results from our proprietary ESG rating and obtain insights on their short- to medium-term sustainability goals, including their climate-related initiatives.
3. **Regular evaluation:** Value Partners' Investment Management Team incorporates insights, corrective measures and action plans on an array of ESG and climate matters from the engagement meetings into the investment monitoring process.

### *4.2. Engagement Priority*

In determining the priorities for our engagement efforts, Value Partners primarily refers to the results from our proprietary ESG scorecard. We closely evaluate the ESG performance rating of the companies, which among many sustainability factors, also reflects their climate risk.

### ***4.3. Escalation Mechanism***

Value Partners views the integration of ESG, including climate-related issues, as an integral part of our investment philosophy in creating and preserving shareholder value. We devised an escalation pathway to step up our engagement effort with our investee companies to best fulfil these stewardship obligations as a value investor.

Our Investment Management Team will communicate closely with the Board members or Senior Management of the portfolio companies which we consider to have significant climate-related concerns to determine the relevant corrective actions. However, should we feel that the engagement outcome with the responsible parties of the companies is unsuccessful, or if we deem the likelihood of effectively mitigating the associated climate risks through such engagement is low, we will consider reducing or divesting our respective holdings to protect our investment objectives for our clients.

### ***4.4. Proxy Voting***

Value Partners regards proxy voting as part of our engagement effort for passively managed portfolios. We subscribe to Institutional Shareholder Services Inc. (“ISS”)’s Proxy Voting Service as a third-party corporate governance research provider to advise and implement voting decisions, including climate-related matters, on our behalf.

Additionally, for cases where we have identified discrepancies in a particular voting decision, our Investment Management Team would thoroughly review vote recommendations from ISS and come up with the final voting decisions based on the independent judgement of our Investment Managers.

We also keep track of voting instructions and maintain records of our proxy voting activities and policies. Details are disclosed on the Value Partners Group Proxy Voting Policy available on our website.



## 5. Portfolio Carbon Footprint

### 5.1 Fund-level Disclosure

A summary of portfolio carbon footprints of funds deemed relevant and material to climate-related risks, and of which Value Partners is responsible for the overall operations of the fund, as of 30 December 2022.

**(i) Unit trusts and mutual funds authorized by the Securities and Futures Commission**

Fund Name	Data Coverage <sup>1</sup> (% Portfolio Value)	Carbon Footprint <sup>2</sup> (tCO <sub>2</sub> e/ HKD million)
Value Partners China Greenchip Fund Limited	100%	15.5
Value Partners Classic Fund	97%	4.5
Value Partners Fund Series - Value Partners All China Bond Fund	26%	80.1
Value Partners Fund Series - Value Partners Asian Income Fund	77%	39.2
Value Partners Fund Series - Value Partners Asian Innovation Opportunities Fund	98%	6.1
Value Partners Fund Series - Value Partners Asian Total Return Bond Fund	38%	55.1
Value Partners Fund Series - Value Partners China A-Share Select Fund	100%	5.6
Value Partners Greater China High Yield Income Fund	53%	62.6
Value Partners High-Dividend Stock Fund	98%	16.8
Value Partners Intelligent Funds - China Convergence Fund	90%	15.9
Value Partners Intelligent Funds - Chinese Mainland Focus Fund	94%	17.9
Value Partners Ireland Fund ICAV - Value Partners China A Shares Consumption Fund	95%	3.3
Value Partners Ireland Fund ICAV - Value Partners Health Care Fund	93%	5.5
Value Partners Multi-Asset Fund	79%	53.5
Value Partners Taiwan Fund	N/A – Financial year end 30 June 2023	

**(ii) Exchanged traded funds<sup>3</sup> listed on the Stock Exchange of Hong Kong Limited**

Fund Name	Data Coverage <sup>1</sup> (% Portfolio Value)	Carbon Footprint <sup>2</sup> (tCO <sub>2</sub> e/ HKD million)
Value Gold ETF	N/A – The fund only invests in bullion.	
Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF	95%	2.2

**(iii) Pooled investment funds approved by Mandatory Provident Fund Schemes Authority**

Fund Name	Data Coverage <sup>1</sup> (% Portfolio Value)	Carbon Footprint <sup>2</sup> (tCO <sub>2</sub> e/ HKD million)
Value Partners Choice Investment Funds - Value Partners Asset Allocation Fund	N/A - Financial year end 30 June 2023.	
Value Partners Choice Investment Funds - Value Partners China HK Bond and Gold Fund		
Value Partners Choice Investment Funds - Value Partners HK Equity 50 Focus Fund		

**(iv) Other mutual funds and unit trusts**

Fund Name	Data Coverage <sup>1</sup> (% Portfolio Value)	Carbon Footprint <sup>2</sup> (tCO <sub>2</sub> e/ HKD million)
Value Partners Asia Fund, LLC	97%	2.2
Value Partners Asia Pacific Real Estate Limited Partnership <sup>4</sup>	0%	0.0
Value Partners Asia Principal Credit Fund <sup>4</sup>	0%	0.0
Value Partners Fixed Income SPC - Value Partners Enhanced Total Return Bond Fund SP	44%	31.3
Value Partners Funds SPC - Value Partners China A-Share Innovation Fund SP	N/A – Financial year end 31 March 2023.	
Value Partners Funds SPC - Value Partners China Carbon Neutrality Fund SP		
Value Partners Greater China Preference Share Income Fund	77%	10.3
Value Partners Hedge Fund Limited	N/A – Feeder funds under a master-feeder fund structure.	
Value Partners Hedge Fund LLC		
Value Partners Hedge Master Fund Limited	97%	3.2
Value Partners Intelligent Funds - JA-VP China New Century Fund	97%	16.7
Value Partners Ireland Fund ICAV - Value Partners All China Equity Fund	100%	7.4

Value Partners Ireland Fund ICAV - Value Partners Asia ex-Japan Equity Fund	91%	9.5
Value Partners Ireland Fund ICAV - Value Partners Asian Dynamic Bond Fund	41%	95.2
Value Partners Ireland Fund ICAV - Value Partners China A Shares Equity Fund	96%	4.4
Value Partners Ireland Fund ICAV - Value Partners China A Shares High Dividend Fund	88%	38.6
Value Partners Ireland Fund ICAV - Value Partners Classic Equity Fund	97%	4.5
Value Partners Ireland Fund ICAV - Value Partners Greater China High Yield Bond Fund	57%	70.3

Notes:

Source: Value Partners, Moody's data as of 30 December 2022.

1. Data coverage represents the percentage value of investments with which Scope 1 & 2 Greenhouse Gas (GHG) emissions data is available.

Carbon emissions data of funds' underlying portfolio companies includes Scope 1 & 2 GHG emissions and are collected based on corporate disclosures such as sustainability or annual reports, or carbon disclosure project disclosures.

Current GHG calculation scope does not include sovereign debt, mutual funds, and cash/equivalent asset classes. Enterprise value of the company may fluctuate with change in the stock's market capitalization.

While a majority of our investees report on their GHG emissions, there remain cases where such disclosures are unavailable. We rely on industry estimates, where possible, to fill these data gaps to maintain sufficient data coverage. In addition, the analysis does not cover Scope 3 GHG emissions due to the limited availability of data.

2. Portfolio carbon footprint is derived by dividing financed emissions by portfolio value, where financed emissions is a calculation of Scope 1 & 2 GHG emissions adjusted by the value of investment divided by enterprise value of underlying investments. The metric is expressed in carbon emissions per million dollars invested.
3. Climate considerations are currently not pertinent to the investment strategies of exchange-traded funds, given the investment management is constrained from deviating from the underlying index.
4. The portfolio carbon footprint data is not yet available for Value Partners Asia Pacific Real Estate Limited Partnership and Value Partners Asia Principal Credit Fund due to the nature of private investments and level of access to underlying investees.

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## **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.