



## **Climate-Related Risk Management Disclosure Statement**

**November 2022**

The Securities and Futures Commission issues a new version of the "Fund Manager Code of Conduct" in August 2022, with the new requirements in terms of climate-related risk governance, investment management, risk management and disclosure. According to the new requirements, GF International Investment Management Limited ("GF International") establishes a relevant governance structure to incorporate climate-related risks into investment management and risk management.

### **Background of Implementing Climate-related Risk Management**

The impact of environmental, social and governance ("ESG") factors on investment management is macroscopic and extensive. The policy/regulation changes and social preferences may affect the sustainability of certain assets or industries which leads to changing the valuation of financial assets in the capital market. The climate change is the most significant factor of potential financial risks. The extreme weather events have actual physical risks, such as negative impacts on the existing profit and loss and future profit models of enterprises by disrupting supply chains, affecting productivity, and increasing operating costs. In order to cope with climate change and promote the low-carbon transformation of the economy, due to the sudden tightening of relevant policies such as carbon emissions, or the emergence of technological innovations, the transition risks may lead to re-pricing high-carbon assets and the potential financial losses.

GF International, as a fund manager, adopts a systematic and long-term perspective to consider climate-related risk factors in investment decisions by assessing the relevance and significance of climate-related risks in respect of the investment strategies and portfolios, which can strive for long-term benefits for the clients and sustainable returns, and can distinguish and manage the potential risks at the early stage.

## **Governance Structure**

In order to meet regulatory requirements and effectively add value to business development, GF International has established an internal policy, which includes the governance structure, investment and risk management procedures, and disclosure requirements in respect of climate-related risks.

In terms of governance structure, the company has established a top-down, level-by-level supervision and periodic/in time feedback mechanism to manage ESG-related work. The governance structure consists of the Board of Directors (the “Board”), Investment Committee, and ESG Team.

- The Board plays an oversight role in the investment and risk management procedures, oversee progress against goals for addressing climate-related issues and authorizes the Investment Committee to make decisions, supervise and manage ESG-related work. The ESG-related report shall be conducted by the Investment Committee to the Board on an annual basis.
- The Investment committee shall carry the decision-making, management and supervision of ESG-related work and shall report to the Board annually.
- The ESG Team shall carry out the ESG-related work and daily monitoring of specific tasks under the supervision of the Investment Committee and the Board, and report to the Investment Committee on a semi-annual basis and timely manner when the deficiency is found. The ESG Team shall build and improve the company's ESG culture and bring the ESG-related awareness to all employees.

## **Investment Management and Risk Management**

In terms of investment and risk management, GF International uses tools such as third-party databases, public information on the internet, and disclosures by the listed companies, and takes ESG scores of the listed company, total carbon emissions and intensity, and environmental penalties into consideration.

GF International incorporates ESG factors into the procedures of investment management.

- Incorporate ESG evaluation into the scoring system in the pre-investment research.
- Apply different investment strategies for different products.
- Perform simultaneous tracking of ESG factors in the post-investment monitoring.

GF International incorporates ESG risk into the risk management dimension.

- Assess the relevance and significance of climate-related risk to the managed portfolios or investment strategies.
- Include ESG factors in the pre-investment due diligence, and communicate with the investment team on the underlying investments with the obvious ESG defects.
- Regularly monitor the ESG performance of single security and portfolios after investment, and pay attention to the changes in their contours.