CLIMATE RISK DISCLOSURE

1. Introduction

The purpose of this document is to disclose information about the environmental risk (which includes climate-related risks) considerations of Excel Investment Limited ("Excel", “Manager”) with respect to the management of the investment funds managed by the Manager. The disclosures are made for information purposes and no representation nor warranty is made with respect to the fairness, accuracy or completeness of this document. The status of the Manager’s governance, investment and risk management and this document may change from time to time. If there are any material changes to Excel’s environmental risk considerations, it shall be disclosed to investors in a timely manner.

2. Corporate Governance

Management of Excel and/or the ESG Committee will convene to discuss the environmental, social and governance ("ESG") matters and as well the climate-related risks on an annual basis and on an ad-hoc basis when required, to review the implementation of this ESG Policy at both the Company and Fund level under the codes and guidelines issued by the Hong Kong Securities and Futures Commission ("SFC").

The Climate Risk Management and Disclosure Framework is approved by the director of Excel ("Director") and will be reviewed by the Director on an annual basis, or if and when there are material changes to the Framework.

The Director is ultimately responsible for the oversight of the environmental and climate-related risks of Excel. The Director shall be responsible for:

i. Reviewing and approving policies, frameworks and processes to assess and manage environmental and climate-related risks that are relevant and material to the assets managed by Excel, taking into consideration Excel’s fiduciary role and other legal obligations vis-à-vis its investors;
ii. Oversee the implementation of the policies, frameworks and plans in relation to environmental and climate related risks;
iii. Setting clear roles and responsibilities of the ESG Committee, including personnel and functions responsible for oversight of environmental risk of the assets managed by Excel; and
iv. Ensuring that director have adequate understanding of environmental and climate related risks, and that senior management is equipped with the appropriate expertise for managing environmental and climate related risks.

The ESG Committee reports to the Director and is responsible for all ESG matters including environmental and climate risks. The ESG Committee comprises of different functions representatives and senior management of the Manager. Its responsibilities include but are not limited to:

i) Setting Excel’s goals and strategies in relation to environmental and climate related risk management and monitoring and overseeing Excel’s progress towards achieving such goals. Updating the Director on material environmental risk issues at least once a year;

ii) Review relevant regulations and requirements that apply to Excel;

iii) Develop and update policies, frameworks and processes to assess and manage environmental and climate related risks that are relevant and material to the assets managed by Excel, taking into consideration Excel's fiduciary role and other legal obligations vis-à-vis its investors;

iv) Execute and implement the policies, frameworks and processes;

v) Regularly review the effectiveness of the policies, frameworks and processes in (iii) and make relevant updates / revisions;

vi) Seek to allocate adequate resources with appropriate expertise to manage the environmental and climate related risks of assets managed by Excel; and

vii) Develop and support ESG-related business opportunities.

The ESG Committee shall designate some of its members as the ESG Coordinators. The ESG Coordinators shall be responsible for overall coordination and driving the execution of Excel's ESG and environmental and climate-related risk management processes.

3. Investment management and risk management

a. Environmental and climate-related risks

Environmental and climate-related risks largely include physical and transition risks and arise from the potential adverse impact of changes in the environment on economic activity and human well-being. Environmental and climate-related risks are potential sources of financial and reputational harm to Excel, which may be linked to issues like policy change, or supply and demand of raw materials and may also vary by sector, geography, time horizon and other factors. Hence, it is crucial for Excel to ensure the resilience of assets managed by each Manager against the impacts of such environmental and climate-related risks.

Some of such risks include:

1. Physical risks from the impact of extreme weather events and/or long-term changes in climate and/or environmental conditions.

2. Transition risks from the impact of the process of adjustment to an environmentally sustainable economy. Examples include:

- climate-related regulatory developments such as the introduction of carbon taxes;
- uncertainty and uncoordinated environmental policy changes;
- emergence of environment-friendly technological breakthroughs; under-investment in certain traditional industries such as fossil fuel which may lead to shortages and inflation;

- limitations to business models in companies invested in due to environment-related reasons; and

- shifts in consumer preferences driven by a desire for more ethical or sustainable supply chains and products.

b. Process adopted to identify and determine relevant and material risks in investment and risk management.

The Manager makes use of Environmental, Social and Corporate Governance ("ESG") scores and ratings from third-party providers as a primary source for generating sustainability-related insights of the investments it makes on behalf of the Funds it manages. Where reasonably practicable, the Manager may also obtain access to and utilize raw data on key environment-related performance indicators from the companies in which it invests, such as GHG emissions, waste production and energy consumption levels.

When considering the scores and data points from various databases provided by third-party providers, the Manager will note if consistently low ESG scores have been identified across data providers for any portfolio company or sector. In such cases, it indicates higher environmental risks, and the Manager will assess the materiality of such risks.

On an ongoing basis, where material, the Manager assesses the potential and actual impact of climate-related risks on an individual investment-level and on a portfolio-level and documents its rationale and analysis. Assessments and analysis are made using relevant internal and external materials including news, public data, and data providers.

Where there are developments that could materially affect the operations and financials of a portfolio company or portfolio companies in a particular industry sector, the Manager will reassess the risk and return profile of the investment or the portfolio.

Where material climate-related risk exposures or exceptions are identified in the periodic assessment performed, the portfolio manager will escalate such matters with the appropriate steps to be taken to the Director or the ESG Committee. The Director or the ESG Committee shall review the escalation and approve the proposed actions on a timely basis.