

Climate-related Risk Disclosure

Issue date: 30 November 2022

Table of Contents

1. Background	2
1.1. Corporate Code and Responsible Investment Principles	2
1.2. Sustainable Investing Role	2
1.3. Sustainable Investing Position	2
2. Governance	2
2.1. Sustainable Investing Philosophy	3
2.2. ESG Committee	3
2.3. PCM Statement	4
3. Investment Management	4
3.1. Partnerships	5
3.2. Equities	5
3.3. Fixed Income	5
3.4. Funds	5
4. Risk Management	6
5. Disclosures	6

1. Background

1.1. Corporate Code and Responsible Investment Principles

Phillip Capital Management Hong Kong (“PCMHK”), a member of Phillip Capital Group (“the Group”), follows an ESG Corporate Code led by the Group ESG Committee (“the Committee”) that details servitude of fellow man and stewardship of our natural environment as the core of our value system. As a follower of the UN-supported PRI, we aim to contribute to a sustainable global financial system by committing to the principles in an effort to better align investors with broader societal objectives. Phillip Capital Management ‘S’ (“PCMSG”), our sister company, is also a supporter of the Taskforce for Climate-related Financial Disclosures (“TCFD”) and a forum member of the Taskforce for Nature-related Financial Disclosures (“TNFD”). Implementation of the TCFD recommendations are made both the firm and fund level strategies. Baseline data is being collected for internal reporting that will follow UN PRI transparency reporting format. Targets are set for fund level strategies in line with Paris Agreement goals, and tightened targets after COP27.

1.2. Sustainable Investing Role

As fiduciaries and agents of influence, Phillip Capital Management strives to be a catalytic force for decisive organizational change and a key enabler for positive planetary impact.

1.3. Sustainable Investing Position

We have taken stock of the most pressing planetary issues affecting the global economy and thereby our investments, and the actions required by the various actors to address its socioeconomic root causes. The transition to a low-carbon and circular economy requires an inclusionary approach that pushes capital to those that need to scale and speed up necessary change, but it must not be done at a considerable expense to people and nature.

By incorporating ESG considerations to our investment decisions, we are able to apply our responsible investment principles, to approve purposeful investments, and to assure alignment of our fiduciary, societal and environmental responsibilities.

Through our capital flow, we aim to reinforce countries and companies that are transitioning to a low-carbon and circular economy in socially-just and nature-positive ways.

We reward commitments to global climate, biodiversity and sustainable development goals.

2. Governance

2.1. Sustainable Investing Philosophy

Our position compels us to adopt an inclusionary approach to sustainable investing with a focus on what matters. In the race to a more Sustainable Economy, we are raising our efforts where we can contribute quickly and effectively. Phillip Capital Management remains committed to “Partner, not punish”.

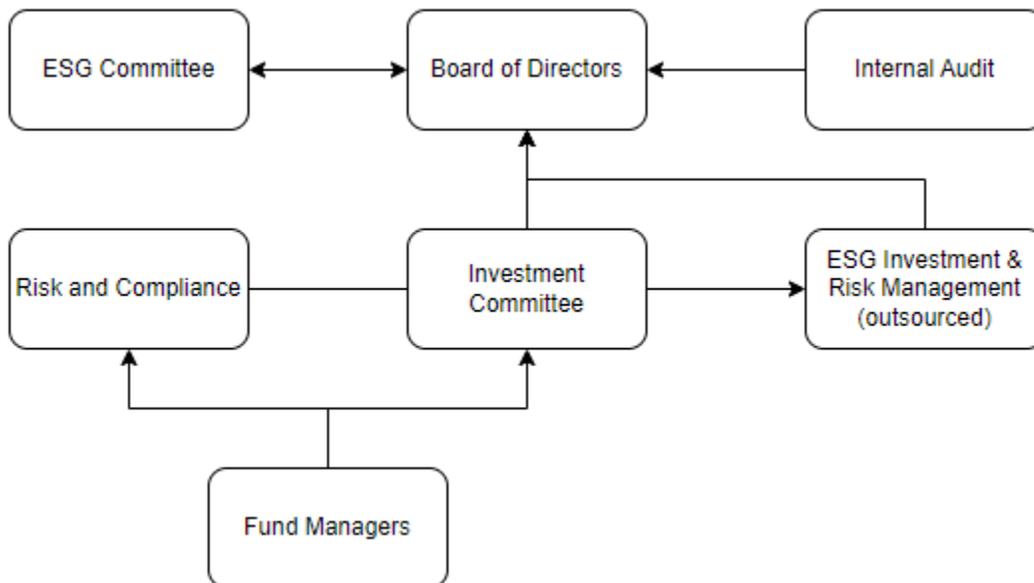
Steps taken include:

- Defining the interconnectedness of ESG issues.
- Dedicating assessments to risk and impact.
- Distinguishing external risk from negative externalities.
- Determining performance over measurable targets.

2.2. ESG Committee

PCM SG is the Phillip Capital Group’s ESG Center of Excellence. It consists of a dedicated ESG Team run by the Head, ESG Strategy and supported by ESG analysts conducting ESG-specific assessments and education. The center is supported by ESG-trained professionals in Risk Management and Compliance, and Investment, including Investment Analysts and Fund Managers. ESG is integrated to specific roles and responsibilities so as to support our processes.

The Group ESG Committee, which oversees Phillip Capital Management and receives reporting from the aforementioned for ESG matters, provides guidance to the board of directors of PCM Hong Kong on sustainable investing principles, position and philosophy and firm level strategies. The committee fields several working groups including Corporate Sustainability, Sustainable Investments, Education and Policy.



Members of the ESG Committee:

1. Stephen Beng, Head ESG – Phillip Capital Management
2. Luke Lim, Managing Director – Phillip Securities Pte Ltd
3. Linus Lim, Chief Executive Officer – Phillip Capital Management
4. Wayne Bishop, Chief Executive Officer – King & Shaxson Asset Management
5. Chuah Lai Hock, Chief Operating Officer – Phillip Capital Management

Board of Directors of PCM HK:

1. Lim Wah Sai
2. Louis Wong
3. Linus Lim
4. Sabrina Loh

2.3. PCM Statement

Linus Lim publicly committed to the obligations and responsibilities as an official signatory to the UN-supported PRI. PCM ESG Policy supports its position and approach that reinforces investments in companies that contribute to a low carbon and circular economy, and are committed to sustainable development goals. The policy also supports fund level strategies where ESG research include sustainable development goals as one of its core criteria and objectives.

PCM ESG integrated framework includes an environmental risk management process that employs independent data services to perform portfolio level climate scenario analysis and a dedicated in-house ESG analytical team to conduct company level assessments so as to manage carbon intensity and monitor emissions reduction of investee companies in alignment with NetZero goals by 2050.

3. Investment Management

We adopt an inclusionary approach to sustainable investing with precautionary measures and tighter conditions placed on investments in carbon-intensive companies and countries. Above our ESG integrated framework, positive screens using corporate ESG and climate risk scores enable clear identification of holdings that require flagging and monitoring. We believe industry-specific transition is necessary in order to meet climate and sustainable development goals. We partner all sectors that meet our ESG criteria, and approach Emissions-intensive and Resource-intensive industries with precautionary measures and conditions in place.

3.1. Partnerships

It is imperative that we include ourselves in several networks so as to build relationships with policy-makers, peers and potential clients. Appropriate networks will also benefit us by offering channels to new business and platforms for building capacity and continuing education. Networks include the 'Net Zero Asset Managers' which are now part of a bigger alliance of asset

managers announced at COP26. The next big thing in green finance is valuing biodiversity so we are also considering membership to the 'Finance for Biodiversity' network. As markets attune to the changing world, our business strategies must keep us ahead of the curve. Our enhanced processes will yield purposeful products, and platforms will be capitalized, but it will be our people who make our plans and aspirations a reality.

- Objective 1: Managing ESG Risks
- Objective 2: Mitigating Negative Externalities
- Objective 3: Measuring Positive Change and Impact

Targets and goals allow us to measure performance and monitor change over time. If a company is committed to NetZero, we are able to measure their emissions reduction targets year-on-year, amongst others. Our analyses focus on recommended academic outcomes, global goals and global agreements.

3.2. Equities

Many of these engagements are in the form of an ongoing dialogue with the company management through regular meetings, visits, and telephone calls during which PCM discusses and poses questions on operational, strategic, and other management issues and, where appropriate, will offer its own opinions and comments, based on its duties to PCM's clients

3.3. Fixed Income

In addition to arranging their own meetings, regular meetings with management enable investment professionals to further understand a company's business models, financial projections, ESG issues, stress-case scenarios, as well as stay current on economic and financial conditions.

3.4. Funds

ESG strategies take guidance from our ESG Approach and enterprise strategy. Funds need to include Sustainable Investment Objectives and Outcomes, and are left to the discretion of the fund manager, but within the parameters of our ESG framework and policies.

Qualitative:

Our ESG analysts have an identified watchlist for carbon-intensive and resource-intensive industries and companies. In our company and country assessments, we evaluate industry-specific ESG metrics and proprietary scores that reflect accurate representations of double materiality risks, including those posed by value chains.

Quantitative:

Corporate ESG (holistic material factors) and climate risk scores are used at the portfolio level, while internal ESG risk and commitment level scores are used at the issuer level.

This applies across asset classes.

4. Risk Management

The PCM Operational Procedures for Environmental Risk Management includes the employment of a neutral service provider and deployment of our internal ESG risk management process. The process actors include the service provider, a backup provider, an ESG watchlist, the risk and investment teams, and the ESG team that collectively outputs quarterly highlights and a climate report.

On a quarterly basis, the Risk Officer will review the fund holdings and flag securities that fall into its high to severe risk classification. Thresholds are allocated and adjusted for carbon-intensive industries. A specified review period takes effect where close monitoring and engagements occur. Investment decisions are detailed in the ESG policy upon the end of the review period. Scenario Analysis and portfolio stress testing is conducted quarterly.

5. Disclosures

The climate-related risk information provided in the disclosure may help investors weigh the associated risks and considerations before investing in the funds. The disclosure includes the:

- Governance structure that oversees the execution of ESG regulations and strategies;
- Investment management process that review equities, fixed income and funds; and
- Risk management procedure that monitors the constituents for compliance with ESG policy.

The above disclosure is made on the Company CIS level and will be reviewed along with the content on the Company's website annually. PCM HK also offers other investment vehicles in the form of an Exchange Traded Fund (ETF) that passively tracks a given index and thus climate risk management is not considered to be relevant in this disclosure.