

CHINA EVERBRIGHT LIMITED

CLIMATE CHANGE POLICY

(Version Date: December 2022)

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1. Purpose of this Policy

- 1.1 To proactively address climate change and deliver positive outcomes to our shareholders, investors and different sectors of the society who may be impacted by the business of China Everbright Limited (the “Company”) and its subsidiaries (collectively “CEL” or “we”), the Company has prepared the Climate Change Policy (“Policy”) to demonstrate our commitments and planned actions in fighting against climate change.
- 1.2 This Policy complements the Company’s Responsible Investment Guidelines and should be adopted in conjunction with the said Guidelines.
- 1.3 Climate change presents risks and opportunities for investors and financial institutions across all asset classes. We are facing an elevated level of physical risks driven by the increasing magnitude and frequency of extreme weather events. The increased significance of transition risks is driven by the process of adjustment towards a low-carbon economy such as shifts in policy, market trend and technology development. These risks may pose structural threat to real assets and operational threat to businesses, consequently leading to financial losses to investors.
- 1.4 In order to alleviate climate risks, the Paris Agreement has set out a framework to limit global warming to well below 2 °C above pre-industrial levels and pursuing efforts to further lower the limit to 1.5 °C. To achieve this goal, the Paris Agreement has set a target of net-zero emissions by 2050, which will require immense collaborative efforts from policymakers, businesses, research and development institutions, investors, and the civil society. To participate in global efforts to combat climate change, the Chinese government officially announced country’s climate goals for achieving carbon peak by 2030 and carbon neutrality by 2060.
- 1.5 As an international financial institution, we deeply understand our responsibilities and our role as an environmentally responsible investor in addressing climate change. We are committed to limiting global warming and ensuring a smooth transition towards a low-carbon economy. The financial industry has a two-fold responsibility. On the one hand, it needs to brace itself for the negative impacts that climate change may have on its investments and customers by exploring appropriate adaptation and mitigation measures. On the other hand, it can make climate-sensitive investments for transition towards a low-carbon economy.
- 1.6 This Policy covers the following directions that could lead us to achieve our commitments:
 - Climate change adaptation
 - Corporate sustainability
 - Climate resilient investment

- Stakeholder engagement
- Governance
- Transparency and disclosure

1.7 This Policy is applicable to all CEL's operations and subsidiaries. This Policy will be made accessible to external and internal stakeholders through the Company website (www.everbright.com) as well as the Company's intranet respectively.

2. Climate Change Adaptation

2.1 The Company is committed to striving to:

- (1) understand and manage climate-related risks and opportunities as part of its business strategy, risk management, and investment planning;
- (2) establish approaches and carry out scenario analysis and risk assessment, as appropriate, to identify material risks and opportunities due to climate impacts and the transition to low-carbon economy;
- (3) assess vulnerability and resilience of business operations and portfolio;
- (4) determine appropriate measures in mitigating risks, build resilience to climate impacts and improve the long-term sustainability of investments;
- (5) manage climate-related risks alongside other environmental, social and governance ("ESG") risks during the decision-making and risk management processes;
- (6) ensure information and resources are available for building resilience capacity to monitor climate change impacts and respond to extreme weather events due to climate change;
- (7) encourage collaboration to mitigate climate-related risks at all business levels; and
- (8) formulate and review climate risk assessments and management plans regularly.

3. Corporate Sustainability

3.1 The Company is committed to:

- (1) estimate and disclose direct emissions (Scope 1), energy indirect emissions (Scope 2) and other indirect emissions (Scope 3) arising from paper consumption, water consumption and air business travel on a regular basis;
- (2) minimise environmental impacts, energy use and carbon footprints through the implementation of energy reduction measures, green policies in operations and procurement processes and/or carbon offsetting where appropriate;

- (3) establish long-term targets and continue to reduce emission of our own operations with the objective of supporting the country's "30 60" dual carbon goals of carbon peak and carbon neutrality; and
- (4) promote resource conservation, energy efficiency, green workplace campaigns, low-carbon travel alternatives and green product procurement.

4. Climate Resilience Investment

4.1 The Company is committed to striving to:

- (1) identify climate-related investment opportunities;
- (2) develop a long-term resilience investment plan and explore approaches to decarbonise investment portfolios that would help limit global warming to 1.5 °C above pre-industrial levels;
- (3) encourage major investee companies and key investee companies to formulate climate action plans in accordance with their actual operations, and to implement decarbonisation measures in their business operations;
- (4) increase investments in relation to climate risk mitigation, green and low-carbon development and energy efficiency enhancement;
- (5) facilitate the development and application of green financial products in the market; and
- (6) support the innovations and applications of technology that enable the transition towards a low-carbon economy.

5. Stakeholder Engagement

5.1 The Company is committed to:

- (1) raising awareness among stakeholders with regards to climate risks through dialogue and collaboration with investees;
- (2) strengthening communication with staff on carbon reduction and implementation of this Policy in our daily business operations;
- (3) benchmarking with, and exploring collaboration with, other financial institutions and market initiatives to understand the climate risks; and
- (4) progressively mainstreaming climate considerations into our activities and investments.

6. Governance

- 6.1 To underline the Company's commitment to ESG, our Board of Directors is the ultimate decision-making and strategic authority on ESG-related issues, including climate change. On a supervisory level, the Board of Directors authorises the Audit & Risk Management Committee to oversee the identification and assessment of climate risks, as well as the implementation of climate mitigation and adaptation measures.
- 6.2 The Policy is responsible by the ESG task force ("ESG Task Force"), to which key management practices and impacts will be reported and explained. Apart from estimating and reporting GHG emissions, the ESG Task Force is responsible for managing climate scenario analysis, identifying climate risks and opportunities, as well as reporting to the Environmental, Social and Governance Committee ("ESG Committee") on a regular basis. The ESG Task Force is also responsible for communicating with relevant business units and department heads to ensure successful implementation of this Policy.

7. Transparency and Disclosure

- 7.1 CEL is committed to ensuring that it complies with the applicable regulatory frameworks and will continue to improve the transparency, reporting scope and methodologies of carbon emissions and climate-related disclosures with reference to locally or internationally recognised frameworks.
- 7.2 CEL strives to adopt the frameworks of Task Force on Climate-Related Financial Disclosures ("TCFD") and the United Nations-supported Principles for Responsible Investment ("UNPRI") to identify further actions to tackle climate change, manage opportunities and risks effectively and move towards sustainable development.
- 7.3 We will closely monitor and report our progress on the implementation of climate-related commitments in our ESG reports, taking into account the TCFD recommendations simultaneously.

8. Supplementary Notes

- 8.1 This Policy is subject to initial review by the ESG Task Force, then further review by the CEL's Management Decision Committee, and ultimately submit to the ESG Committee and the Board of Directors for approval before taking effect.
- 8.2 The ESG Task Force is responsible for the explanation of this Policy. The ESG Task Force shall review and suggest revisions to this Policy on a regular basis in accordance with economic trends, CEL's development strategy and business objective, and further report to the ESG Committee.

This Policy will be valid on the date of issuance.