China Everbright Limited

ESG Risk Management Statement

I. Scope of ESG Risk Management

This Policy applies to China Everbright Limited ("CEL" or the "Company") and its subsidiaries and investment projects, and covers all assets managed by the Company.

II. Definition and Objectives of ESG Risk Management

Environmental, social, and governance (ESG) risks ("ESG risks") refer to the impact of various uncertainties and controversies in the environmental, social, and corporate governance aspects of CEL and its subsidiaries and investment projects on the achievement of investment objectives by CEL products.

ESG risk management refers to the process of identifying and analyzing the potential ESG risks faced by CEL and its investment projects, and taking corresponding measures to prevent the occurrence and increase of risks, thereby reducing performance uncertainties and achieving investment objectives.

CEL's ESG risk management program should be closely integrated with other management activities, such that its requirements are incorporated into the Company's risk management and business processes. Just as CEL seeks to prevent and control the potential losses and harms caused by ESG risks to itself and investors, it also views the action of risk management as investment opportunities and, by managing these ESG risks and opportunities, creates value to the Company and investors and promotes the achievement of investment objectives.

III. ESG Risk Management Framework

CEL has established a multi-level ESG risk management framework consisting of the Board; the Environmental, Social and Governance Committee ("ESG Committee"); the Management Decision Committee ("MDC") and its subordinating Risk Management Committee; and various business and functional departments. Each has specifically assigned roles in ESG risk management.

The ESG Committee assumes primary responsibility for the effective implementation of various ESG risk management mechanisms and performs the following risk management responsibilities:

(i) To review and monitor the Company's ESG risk management methodologies;

(ii) To review and monitor the internal control system for Company's risk management regime as well as the effective implementation of ESG risk management mechanisms; and

(iii) To supervise and advise the Risk Management Committee under MDC in carrying out specific ESG risk management activities.

The Risk Management Committee under MDC is responsible for formulating the Company's ESG risk management mechanisms and performs the following risk management responsibilities:

(i) To formulate and revise ESG risk management methodologies, processes, and framework, and advise on the implementation thereof;

(ii) To advise on the development and management of the Company's ESG risk management system; and

(iii) In the event of an unexpected ESG risk, to consult with various departments in a timely manner to find solutions and submit reports and recommendations to the Senior Management.

The Risk Management Department is responsible for the actual implementation of the Company's ESG risk management mechanisms, and performs the following risk management responsibilities:

(i) To periodically monitor, review, and evaluate ESG risks and, based on those findings, prepare relevant risk management reports (covering products, teams, and the Company as a whole) to provide risk warnings and recommendations to investment teams and the Company's management teams at various levels;

(ii) To conduct independent ESG risk analysis on proprietary investment projects for reference by the Senior Management; and

(iii) To conduct independent ESG risk analysis on relevant new businesses and products for reference by the Senior Management before the approval of such new businesses and products.

The Risk Management Department, Human Resources Department, and [Special ESG Project Team] are responsible for building ESG risk management capacity, and performs the following duties:

(i) To develop ESG risk management training plans and ensure their coverage of risk management and business personnel;

(ii) To develop ESG risk management training courses, which should cover the Company's ESG risk management systems and processes as well as the latest ESG risk management practices inside and outside China;

(iii) To organize ESG risk management training; and

(iv) To monitor the outcomes of ESG risk management training and report training programs and outcomes to the Senior Management.

Business and functional units are the frontline implementers of ESG risk management. Investment directors, fund managers, investment managers, and analysts have specifically assigned roles in the front-end identification, evaluation, response, monitoring, and reporting of ESG risks.

The Risk Management Department and internal control-related functional departments are the second “line of defense” in ESG risk management. They monitor and manage the ESG risks of various lines of business and functions.

The audit staff of the Internal Audit Department form the third line of defense. Through a risk-based and selective approach, they supervise the implementation by various lines of business and functions of their ESG policies and systems.

IV. Identification and Management of Climate Risk

CEL identifies climate risk as one of the key ESG risks. Given China’s accession to the Paris Agreement and commitment to achieve carbon peak by 2030 and carbon neutrality by 2060, CEL will closely monitor the impact of climate change on its investments and prioritize the management of climate risk. Under the leadership of ESG Committee, CEL will gradually incorporate the analysis and assessment of climate risk into its investment decision-making, and seek to integrate climate risk into its existing risk analysis methodology, actively develop green and low-carbon investment products, and reduce its own carbon footprint.

V. ESG Risk Assessment and Monitoring

ESG risk assessment refers to the evaluation of the potential ESG risks of the Company and its subsidiaries and investment projects by combining such information as ESG risk assessment data, models and external data. ESG risk assessment and ESG due diligence are used to prevent the credit risk that may arise from ESG risks.

ESG risks are incorporated into the due diligence and investment management process as follows:

1. Pre-investment management

   - Identify key ESG issues and risks of the investee and assess the impact of ESG risks on the investee;
   - Assess the ESG performance of the investee through questionnaires, third party evaluators, and other methods;
   - Document the ESG risks identified in early stages.

2. Post-investment management

   - Monitor the ESG performance of the investee;
   - Continuously monitor the ESG risks identified in early stages;
   - Adjust the investment strategy based on the ESG and risk control performance of the investee.

Any unexpected ESG risk event at the investee needs to be assessed and analyzed according to dimensions such as severity; subjective responsibility, response, and handling methods of the parties involved; and industry comparison. The Risk Management Department is responsible for reporting the ESG risk indicator values and monitoring results to the Risk Management Committee under MDC, and for establishing differentiated early warning levels. The early warning scheme features three warning levels: Alert, Concern, and Major Warning.

Early Warning Level	**Action**	**Early Warning Mechanisms**
I	Alert	An ESG risk event with minor risks at the investee, warranting a general risk alert.
II	Concern	An ESG risk event with medium to high level of risks at the investee, warranting an elevated risk alert and close monitoring of its development.
III	Major Warning	A major ESG risk event at the investee. This warrants placing the investee project on a major warning list, close monitoring of the event's development, and analyzing its other potential risk impact on the Company for timely decision-making.

Once an ESG risk is triggered as identified by the Risk Management Department, it should be promptly reported to the Vice President in charge of risks and the Risk Management Committee under MDC and launch discussions on response plans.

Each business and functional unit of CEL should track the ESG risk monitoring results and, in response to any identified ESG risk, take countermeasures and report it to the Risk Management Department in a timely manner.

The Risk Management Committee under MDC should, in response to the ESG risk profile reported by the Risk Management Department, assess CEL's risk tolerance and take appropriate actions to mitigate the risks based on the assessment results.

In such events as the occurrence of a serious ESG risk, the Risk Management Committee under MDC, the Risk Management Department, and other relevant departments should propose crisis management to the ESG Committee and mitigate the risks in a timely manner, if they determine that investments may be exposed to market risk or liquidity risk.