

Samsung Asset Management (Hong Kong) Limited

Climate-related Risk Management Policy

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**Samsung Asset Management
Hong Kong**

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1. Introduction

Samsung Asset Management (Hong Kong) Limited (“**SAMHK**”) is in the view that considering ESG factors during investment decision-making is no longer a choice but an essential requirement. SAMHK reflects ESG factors in processes, including product development, research, operations, and risk management, identifying opportunities and controlling risk to realize sustainable excess returns for the customers.

Climate issues have been one of the greatest concerns that global leaders have been tackling in recent years. Changes in weather conditions have become an imminent challenge to the natural environment, societies, people and inevitably the economy around the world. The Paris Agreement and the subsequent United Nations Climate Change Conferences have demonstrated the commitment of global leaders to rectify the issues created by severe climate changes. Specifically, the emission of Greenhouse Gas (“**GHG**”) has seriously contributed to the global warming issue which in turn created a lot of climate change issues. SAMHK considers that the financial sector has a more important role to play to contribute to a better environment. This can be achieved by ensuring the flow of capital is consistent with the objective of lowering GHG and carbon emissions so that global warming and climate change issues can be alleviated. The promotion of the theme of ESG and green finance in recent years can be seen as the financial sector’s initiative to contribute to a green and low-carbon economy.

SAMHK acknowledges the influence of climate issues on investors and the investment portfolios under our management. We are committed to contribute to a green and low-carbon economy by considering climate risk factors in our investment decision making process. The Hong Kong Securities and Futures Commission (“**SFC**”) has established respective requirements for licensed corporations and licensed persons to follow in the management of climate-related risks.

The Climate-related Risk Management Policy (“**CRMP**”) establishes the climate-related risk management framework of SAMHK, including the governance structure, investment management approach, risk management measures and the corresponding required disclosures to be made available to our clients and investors. The CRMP applies across all the teams of SAMHK requiring every staff member to follow and execute the climate-related risk management framework accordingly. The policy is applicable to all public funds, private funds and sub-managed investment portfolios which are under the management of SAMHK in Hong Kong.

2. Governance

SAMHK believes that a robust governance structure is of the utmost importance to ensure the effective operation of the climate-related risk management framework. The governance structure establishes the oversight of senior management on the operation of the framework and ensures the effective execution of the approaches and measures prescribed in the framework. This represents a demonstration of the senior management's fulfilment of their fiduciary duties under the management of climate-related risks.

SAMHK's governance structure is constituted of the Board of Directors ("**Board**") and the ESG Committee ("**ESG Committee**") carrying out the role of senior management oversight on the overall operation of the climate-related risk management framework.

2.1 Board of Directors

The ESG and climate-related matters of SAMHK are supervised by the Board, which is ultimately responsible for the incorporation of climate-related risk considerations into the investment and risk management process.. The Board exercises their oversight on climate-related matters which are brought to their attention through regular business updates by senior executives of SAMHK. The climate-related issues under investment management and the execution status of the management strategies on climate-related matters are reported to the Board on a regular basis, and this process will be reviewed and ratified on an annual basis.

2.2 ESG Committee

The Board further delegates the daily supervision and decision-making authority on climate-related matters to the ESG Committee. The Chief Executive Officer ("**CEO**") is the chairman of the ESG Committee and the committee members comprised of the Chief Operating Officer ("**COO**"), Head of ETF, Head of China Investments, Head of Regional Investments, Head of Compliance and Head of Risk Management.

In between the day to day operation, the risk management team has the primary responsibility for monitoring climate-related risks across investment portfolios, and will report to the ESG Committee on the status and progress of efforts to manage climate-related risks. The ESG Committee establishes investment and risk management processes and internal controls on climate-related risk to ensure compliance with SFC regulatory requirements. It deploys resources to the execution of plans on investment management and risk management to incorporate climate-related risk considerations into the daily workflow.

Meetings are held on a regular basis by the ESG Committee or trigger on a needed basis when high sustainability risks or poor ESG rating become material to the portfolios will be brought to the committee for discussion. The committee will discuss the investment management measures to address the climate-related risks issues, for example adjusting the weight of portfolio constituents accordingly, or exclude the stock holdings from the portfolio within the investment guidelines. The more significant matters such as in relation to the amendment of the

climate-related risk management framework will be brought to the attention of the Board for further discussion and authorization.

2.3 Investment Teams

The investment teams including the ETF Investment Team, China Investment Team and Regional Investment Team are structured under the ESG Committee as execution units to carry out the investment and risk management process and internal controls on climate-related risks imposed by the committee. This includes the review of ESG scores (or scores of a similar nature) and climate-related risks across investment portfolios using publications and standards of international organization, and coming up with an investment decision that is in line with the climate-related risk management framework.

3. Relevance and Materiality Assessment

The relevance of climate-related risk to our investment portfolios will depend on the nature of the product that investment portfolio belongs to and the investment strategy that is adopted by that product. Passively managed products are passively tracking the performance of certain index on a non-discretionary basis, such products will be regarded as irrelevant to the climate-related risk consideration. Our fund invests in Bitcoin Futures and climate-related risks are considered irrelevant.

SAMHK has determined that climate-related risks are deemed irrelevant to the following sub-funds under Samsung ETFs Trust, Samsung ETFs Trust II and Samsung ETFs Trust III based on their respective investment strategies owing to its nature of the sub-funds' investments objective and investment strategy.

1. Samsung S&P GSCI Crude Oil ER Futures ETF (HKD Counter Stock Code: 03175)
2. Samsung NYSE FANG+ ETF (HKD Counter Stock Code: 02814, USD Counter Stock Code: 09814)
3. Samsung Bloomberg Global Semiconductor ETF (HKD Counter Stock Code: 03132)
4. Samsung CSI China Dragon Internet ETF (HKD Counter Stock Code: 02812, USD Counter Stock Code: 09812)
5. Samsung S&P High Dividend APAC ex NZ REITs ETF (HKD Counter Stock Code: 03187, USD Counter Stock Code: 09187)
6. SAMSUNG Bitcoin Futures Active ETF (HKD Counter Stock Code:03135)

The materiality of climate-related risks to our investment portfolios will depend on the sectors of the investment portfolio which are more likely to be adversely affected by the transition to a low-carbon economy. SAM HK's assessment of materiality is based on qualitative and quantitative approach, utilizing guidance provided by the Circular to licensed corporations for management and disclosure of climate-related risks by fund managers published by the SFC on 20 August 2021 and commonly adopted industry standards in relation to climate-risks exposure to SAM HK's investment portfolios and its underlying assets and investment horizon. A formal assessment is documented in a separate document which demonstrates the investment portfolios managed by SAM HK for its relevance and materiality of climate-related risks.

4. Investment Management

For the funds under SAM HK's management which climate-related risks have been deemed relevant and material to its investment strategies, SAM HK employs investment management procedures to identify physical and transitional climate-related risks among investee companies of the investment portfolios. We identify and assess the influence of climate-related risks in investment portfolios managed by us and ensure investment decisions made by the investment team have already factored in and adjusted with the consideration of climate-related risks.

For the funds under SAM HK's management which climate-related risks have been deemed irrelevant to its investment strategies, SAM HK is not obliged to implement investment management procedures to manage climate-related risks.

3.1 Integration of Climate-related Risks

The key risks that SAMHK identifies as significant in the monitoring of climate-related risks are physical risk and transition risk.

Physical risk is the risk about climate consequences that are attributable to the change of climate conditions. Such climate changes refer to severe climate conditions like tropical cyclone, wild fire, drought, flood and also chronic climate impact like extremely hot and cold weather and heavy rainfalls. The severe climate conditions will lead to damages to properties creating losses to the economy.

Transition risk is the risk arising inevitably during the transition to a green and low carbon economy. Such transition refers to the potential impact from climate driven policies towards companies running a business in countries which have commitment in achieving a low carbon target or have restrictions in GHG emissions. The transition will likely induce additional costs to those companies and eventually lowering the performance of them.

3.2 Quantitative and Qualitative Approach

Climate-related risk factors in relation to investment portfolios which are deemed relevant and material are identified at the portfolio level by the investment teams. The findings will be reported to the ESG Committee on a regular basis for further discussion. The data on climate-related risk used by SAMHK are mainly sourced from multiple third-party data providers, relevant ESG disclosures from reports published by investee companies, and discussions with the investee companies on a need basis.

Through the analysis and discussion conducted by the investment teams, investee companies that have a relatively high exposure to physical risk and transition risk are identified. The potential impact of climate-related risks and opportunities on the business activities, financial performance and business strategies on such investee companies will be identified, analyzed and compared for further evaluation. Specifically, SAMHK will utilize the quantitative ESG rating scoring system maintained by head office in Korea to assist in the evaluation. The scoring

system is backed up by multiple third-parties' ESG data along with head office ESG team's qualitative review. In general, an ESG score will be assigned to an investee company. Investment teams will reference to the ESG score and together with the qualitative considerations taking into account such as company culture, business strategy, future growth plans, etc., the materiality of climate-related risk on a particular investment decision will be determined.

5. Risk Management

While the investment management approach caters for the daily consideration of climate-related risk in our investment decision making process, SAMHK is aware that it is of equal importance to ensure that such climate-related risk is sufficiently managed and monitored in our risk management framework.

For the funds under SAM HK's management which climate-related risks have been deemed relevant and material to its investment strategies, SAM HK employs risk management framework and procedures to monitor physical and transitional climate-related risks among investee companies of the investment portfolios.

For the funds under SAM HK's management which climate-related risks have been deemed irrelevant to its investment strategies, SAM HK is not obliged to implement risk management procedures to manage climate-related risks.

4.1 Risk Management Framework

4.1.1 Investment Team

The investment teams represented our first line of defense within the whole risk management framework on climate-related risk. As highlighted in our investment management framework above, investment teams will take up the role to initially identify the risk factors under climate-related risk, and further evaluate the relevance and materiality of such risk factors to our products and investment portfolios. Climate-related risk issues and evaluations will be reported to the ESG Committee on a regular basis for further discussion and endorsement.

4.1.2 Risk Management Team

The risk management team represented our second line of defense within the whole risk management framework on climate-related risk. The risk management team takes up the role of monitoring the execution of the investment management framework on climate-related risk and ensures that the execution approach is in line with the pre-established framework. The risk management procedures on climate-related risk are performed on a regular basis, for instance, review of decision making documentation on climate-related risk matters, sample-testing on the validity of use of internal or external data, using different tools and metrics to quantify the impact of climate-related risk factors on the investment portfolio as a whole, performing variance analysis on the climate-related risk exposure between investment portfolios and their respective benchmarks, conducting scenario analysis and stress testing regarding the susceptibility of investment portfolios towards climate-related risk factors under stressed situation, etc.

4.1.3 Compliance Team

The compliance team also stands in the second line of defense to ensure that the regulatory requirements on climate-related risk management have been properly addressed by SAMHK's climate-related risk management framework. The compliance team from time to time has to provide updates on any changes in the regulatory requirements and guidelines on climate-related risk matters.

6. Disclosure

While SAMHK is maintaining an effective climate-related risk management framework operating within its investment management process, we are conscious that investors should also be aware of what we have done in order to demonstrate that their assets under our management have been under a reasonable protection under climate-related risk.

SAMHK will continue to make relevant disclosures to investors regarding its governance structure under climate-related risk management, investment management approach when taking into consideration climate-related risk, and risk management measures in monitoring the climate-related risk level of our investment portfolios.

SAMHK will review the climate-related risk information and disclosures at least on an annual basis. SAMHK will update its disclosures to investors from time to time to reflect SAMHK's most recent approach under climate-related risk management and any changes in regulatory requirements.