



Bosera International
Climate-Related Risk Management Statement
August 2022

Table of Contents

Background and Goal	3
Governance Structure	4
Board level.....	4
Management level.....	4
Execution level.....	5
Investment Management	5
Identification and assessment of relevance.....	6
Identification and assessment of materiality.....	6
Incorporating material climate-related risks into the investment management process.....	7
Risk Management.....	7
Management and supervision of climate-related risks	7
Scenario analysis.....	8
Portfolio carbon footprint measurement.....	8
Information Disclosure	9
Appendix:	10
Explanation of Climate-Related Risk Relevance Assessment of Bosera International's Fund Products (as of December 31 th , 2021).....	10

Background and Goal

With an upward trend of global average temperature and the frequent occurrence of extreme weather, the impact of climate change on human society and the economy is becoming more and more apparent, posing a serious threat to sustainable development. Against this backdrop, governments around the world have taken initiatives to promote work related to climate risk, actively address climate change, and promote low carbon emission reduction development. In 2020, China proposed to peak its carbon emissions by 2030 and achieve carbon neutrality in or before 2060. The government of the Hong Kong SAR, China has also pledged to halve its carbon emissions from 2005 levels by 2035 and achieve carbon neutrality by 2050.

As a signatory of the United Nations' Principles of Responsible Investment (UNPRI) and a public supporter of Task Force on Climate-Related Financial Disclosure (TCFD), Bosera Asset Management Co., Limited actively advances the integration of climate-related risk factors into investment decisions and risk management process to promote sustainable development of the whole society. As a subsidiary of Bosera Asset Management Co., Limited, Bosera Asset Management (International) Co., Limited. (hereinafter referred to as "Bosera International" or the "Company") also vigorously engages in responsible investment, takes the climate risk-related factors into account in investment decisions and risk management, and supports portfolio companies to address climate risks and reduce carbon emissions to achieve stable long-term growth. In addition, Bosera International has reached carbon neutrality in its operation of Year 2021 on June 20th, 2022, actively practicing the concept of sustainable development from both internal and external aspects.

Based on the above background and development philosophy, the Company has set its current climate-related work objectives as follows:

(1) To fully incorporate climate-related factors into the investment management process. In investment management activities, the Company's investment and research team not only consider the risks caused by climate factors to the target companies, but also pay attention to the positive and negative impacts of the companies' own business and operations on the climate environment.

(2) To effectively incorporate climate-related factors in the risk management process. In its risk management process, Bosera International considers climate-related risks and ensures that appropriate steps have been taken to effectively identify, assess, manage, and monitor relevant and material climate-related risks for each investment strategy or each fund.

(3) To improve the resilience of the real economy to cope with climate change. The Company supports portfolio companies in formulating targets and strategies to cope with

climate change through engagement and communication, strengthens internal publicity on climate-related risks, and enhances the capacity of coping with climate change.

Governance Structure

Bosera International adheres to the concept of responsible investment. While pursuing investment returns, Bosera International will incorporate the consideration of climate-related risks into the investment decision-making process. The Company adopts a governance structure in which the Board of Directors supervises, the management takes responsibilities and relevant departments execute on, to implement measures related to identification, assessment, management, and monitoring of climate-related risks.

Board level

The Company's Board of Directors provides general oversight of Bosera International's climate-related risk management. The main responsibilities include:

- oversee the Company's management to incorporate climate-related risks into the Company's investment and risk management systems and processes;
- determine the annual goals of the Company's climate-related risk management and monitor the completion of the goals;
- hear regular reports from the Company's management on the work of climate-related risk management and supervise related work.

Management level

The Company's management is responsible for organizing and implementing the Board's work on climate-related risk management and reporting to the Board on the progress of the relevant work. The main responsibilities include:

- define appropriate climate-related risk management structure and establish an ESG committee to coordinate the implementation of climate-related risk management;
- set goals for addressing climate-related issues and corresponding action plans based on the actual development of the Company;
- establish internal systems and procedures for the integration of climate-related risks into the Company's investment and risk management;
- ensure that the Company carries out climate-related risk management with sufficient human, technical and other resources;
- research plans to deal with major climate-related risk events timely; and
- keep in view and monitor progress of the work carried out at the execution level, and report the status and progress of efforts to the Board of Directors in a timely

manner.

Execution level

The ESG Committee is authorized by the Company's management to coordinate the specific implementation of climate-related risk management, and to facilitate the implementation of ESG-related concepts and practices, including climate change, in Bosera International. The main responsibilities include:

- continuously follow up on regulatory requirements for climate-related risks to ensure that the Company has taken effective measures to comply with regulatory requirements;
- study and put forward specific measures for climate-related risk management, and to guide and supervise the implementation by relevant departments;
- discuss and vote on disputes over climate change risks faced by the portfolio companies; and
- summarize the implementation of climate-related risk management and report to the Company's management on a regular basis.

In practice, the ESG Committee coordinates the implementation of climate-related risk management by promoting a division of labor among the relevant departments. The Investment & Research Departments take climate-related risks into account in investment decisions and performance reviews when climate-related risks are assessed to be relevant and material to the relevant fund; implement active ownership actions to promote the reduction of climate-related risk impacts by portfolio companies through voting and communication. The Risk Control & Compliance Department integrates climate-related risks into the Company's risk management process, monitors the exposure of climate-related risk to the relevant funds, and reminds the Investment Department to implement climate-related risk management measures; discloses information about climate-related risks as required by regulatory policies. The Sales & Product Department is responsible for researching clients' attitudes and preferences on climate-related risks and developing forward-looking products that meet clients' needs, promoting ESG and climate change and advocating investors' attention and support for responsible investment products.

Investment Management

Bosera International ESG Committee guides and supervises all relevant departments to incorporate climate-related risks into the Company's investment management and risk management process and identifies the relevance and materiality of climate-related risks for each fund or investment strategy managed by Bosera International with investment management discretion. Meanwhile, Bosera International assesses the relevance and

materiality of climate-related risks annually or from time to time when major changes such as fund investment strategy shifts occur. When necessary, Bosera International will update the relevant disclosure documents.

Identification and assessment of relevance

In the process of identifying and assessing relevance, Bosera International first determines whether the climate-related risks are relevant to its investment and risk management process by considering the investment strategy, investment category, investment term and other characteristics of a particular fund. Based on these pieces of information, some funds (e.g., index funds, quantitative funds, macro strategy funds, etc.) may be initially identified as having no relevance with the climate-related risks in terms of their products or investment strategy. For products or investment strategies that are determined to be irrelevant to climate-related risks, the basis for the "irrelevant" determination will be appropriately documented.

If, after initial judgment, climate-related risks are deemed to have an impact on a particular fund or investment strategy, Bosera International will use internationally recognized methodologies such as the Sustainability Accounting Standards Board (SASB) standards as a basis to assess the level of climate-related risk exposure for the underlying investment of the corresponding fund or investment strategy, and to determine the relevance of climate-related risks based on a threshold value set in advance.

Identification and assessment of materiality

In cases where climate-related risks are judged as relevant, Bosera International will further adopt appropriate methodologies to identify and assess the materiality of climate-related risks to a particular fund or investment strategy. The methodologies considered by Bosera International include:

- using a qualitative assessment to analyze whether climate-related risks will impact or bring about changes in economic benefits to the relevant fund or investment strategy in the foreseeable future, and thus make a judgment on the materiality of climate-related risks;
- calculate an overall risk exposure level score for the fund or investment strategy using the relevance analysis and to assess the materiality of climate-related risks based on the score and a pre-determined threshold value; and
- where data is available or can be reasonably estimated, a "shadow carbon price" approach is adopted to assess the financial impact on the underlying assets of a fund that is considered relevant to climate-related risks in a scenario where the cost of greenhouse gas emissions may increase due to the introduction of a carbon tax, and to further quantitatively assess the impact of climate-related risks on the fund's overall investment performance and the materiality of climate-related risks based on a pre-determined threshold.

Incorporating material climate-related risks into the investment management process

For the climate-related risks identified as relevant and material, Bosera International incorporates climate-related risk factors in the pre-investment research and analysis, investment decision and post-investment management and other procedures, such that the climate-related risks of the underlying assets are managed in a comprehensive and systematic manner.

In the process of research and analysis, while researching and analyzing the relevant industries or specific investment targets, the Company's researchers, combining the climate-related risk exposure level and the results of materiality identification and assessment, examine the climate-related risks that have material impact on industry trends, market environment and corporate finance, and incorporate the analysis and research results into the investment research recommendations when necessary.

In the decision-making process, investment managers build portfolio and make daily adjustments to the portfolio based on the recommendations of the researchers, the fund's investment strategy or the requirements of the asset management agreement, and their own identification and assessment of the climate-related risks to the industry and of the portfolio companies.

In the post-investment management process, Bosera International fosters a shift to sustainable direction of the business activities of the portfolio companies through its participation in voting, communication with the portfolio companies and other means, and thereby reduce the sustainable investment risk of the Company. If any portfolio companies fail to properly disclose or manage climate-related matters, the investment and research teams will pay attention to the matters in the process of voting and communicating with the portfolio companies, to positively influence the activities or behaviors of the portfolio companies.

When necessary, Bosera International will also engage with policy makers on climate change related regulations by utilizing its experience and insights accumulated during the investment process, so as to promote the standardization and institutionalization of the industry in climate related risk management.

Risk Management

Management and supervision of climate-related risks

Bosera International ESG Committee is responsible for coordinating and overseeing the Company's climate-related risk management work to ensure that the Company has carried out the identification, assessment, management, and monitoring of relevant and

material climate-related risks for each of the Company's investment strategies or each fund from both institutional and implementation aspects, and regularly report the monitoring and implementation results to the management.

At the execution level, Bosera International first identifies and assesses the climate-related risk profile of each fund. Based on the identification and assessment results, combining the investment strategies and characteristics of specific funds, Bosera International integrates the quantitative climate-related risk identification and assessment results into the risk indicator system of each fund and monitors all risks of the relevant funds. In the regular risk monitoring, recording and investment risk analysis, Bosera International incorporates climate-related risk factors in its consideration and establishes communication and reporting mechanisms between all relevant departments.

Scenario analysis

Where portfolio climate-related risks are identified as relevant and material, Bosera International will assess the relevance and utility of the scenario analysis. Climate scenario analysis is widely recognized to assess a company's potential loss of income and potential gain of investment due to climate-related factors. Therefore, Bosera International views scenario analysis as an important tool for managing climate-related risks. In cases where climate-related risks are assessed to be relevant and material to the fund, scenario analysis is usually assessed to be relevant. On this basis, Bosera International further researches and analyzes the utility of highly recognized climate scenarios provided by international organizations to the fund's underlying investment and strategies to assess the relevance of scenario analysis.

When the scenario analysis is assessed to be relevant and useful, Bosera International will develop a plan to carry out the scenario analysis within a reasonable timeframe.

Portfolio carbon footprint measurement

Bosera International builds a portfolio carbon emission database based on the "Global GHG Accounting and Reporting Standard for the Financial Industry" issued by the Partnership for Carbon Accounting and Financials (PCAF) to lay a data foundation for managing and disclosing portfolio carbon footprint. During the process, adequate consideration will be given to combining international mainstream methodologies with authoritative national practices, and data providers that adopt international mainstream methodologies and comply with national industry standards will be selected.

When the portfolio climate related risks are assessed to be relevant and material, Bosera International will take reasonable steps to calculate the carbon footprint of the portfolio when data is available or can be reasonably estimated.

Information Disclosure

Bosera International annually discloses the Company's practices and achievements in climate-related risk management through the Company's official website.

In 2022, Bosera International discloses the progress of its work to the public through this climate-related risk management statement. Unless otherwise stated, this statement applies to the collective investment schemes managed by Bosera International with investment management discretion.

Appendix:

Explanation of Climate-Related Risk Relevance Assessment of Bosera International's Fund Products (as of December 31th, 2021)

This year, Bosera International assessed the relevance between climate-related risks and the investment and risk management process of all funds under management based on whether climate-related risks have an impact on the investment category, strategy, term, and risk of each fund product. The funds that are considered irrelevant to climate-related risks are disclosed as follows:

- KraneShares SSE STAR Market 50 Index ETF
- KraneShares Bosera MSCI China A Share ETF

Bosera International acts as sub-manager for the above two funds and is not independently responsible for the overall operation of the fund. These two funds adopt passive investment strategy, investing the vast majority (over 80%) of their assets in constituent stocks of the underlying index or financial instruments with economic characteristics similar to the underlying index. The actual investment approach of the funds is very close to a complete replication of the index constituents, with the funds' holdings and weightings of the constituent stocks being essentially the same as the respective index they track, and the fund manager needs to limit the tracking error throughout the year. Therefore, based on this investment strategy, we believe that climate-related risks are not relevant to these two funds.

- Bosera STAR 50 Index ETF

The fund adopts a full replication approach that requires the purchase of all index constituents. Based on this investment strategy, the fund's positions and weights are dependent on the construction methodology of the index constituents, and the fund's investment and risk management processes are not impacted by climate-related risks, nor can the fund manager make portfolio adjustments due to the impact of climate-related risks. Therefore, climate-related risks are considered irrelevant to the fund.

Except for the above three funds, most of the underlying assets of the other fund products managed by Bosera International are stocks or bonds issued by corporations. The impact of climate-related risks on the portfolios may arise from the loss of financial value of corporations due to climate-related physical risks and transitional risks. Our process for identifying and assessing the relevance and materiality of climate-related risks for these classes of funds is generally based on the methodology described in the body of this statement.

The "Global GHG Accounting and Reporting Standard for the Financial Industry" published by PCAF provides relatively authoritative methodological support for carbon footprint measurement of the investment portfolios under this type of investment products. We regularly estimate the GHG emissions of these funds with reference the methodology provided by PCAF and use the estimates to assess and manage the relevance and materiality of climate risks.