Portfolios' Carbon Footprint

Fund Name	Carbon Footprint (tCO2e/million RMB)	Coverage (Take the fund's NAV ratio as a reference)
Bosera Greater China Bond Fund	37.14	66.47%
Bosera Zeal Hong Kong Equity Plus Fund	94.51	84.76%
Bosera Greater China Enhanced Return Bond Fund	21.14	67.70%
Bosera Stable Income 18-Month Interval Offering Bond Fund – I	14.97	124.46%
Bosera China Opportunities Bond Fund	No holdings as of 31/12/2023	
Bosera-Aberdeen Standard Emerging Opportunities Bond Fund	Under liquidation	

Sources: Measured using the holdings of the portfolios as of December 31, 2023 and carbon emissions information of the underlying assets disclosed in FY2023.
** tCO2e/$m: This indicator measures the average emissions in metric tones of carbon equivalent per million dollars invested. This is an indicator of the emissions induced by the investment in the portfolio.*

Carbon Footprint Reporting – Calculation Methodology

The above carbon footprints are calculated based on the following equations

Portfolio carbon footprint is a representation of carbon emissions normalised by the portfolio's market value and expressed in tons of carbon dioxide equivalent emissions (CO2e) per million dollars invested. Below is the formula for the calculation of portfolio carbon footprint.

$$\boldsymbol{Portfolio\ footprint}(tCO2e/\$m\ ) = \frac{\sum\left(\frac{Current\ value\ of\ investment}{Investee\ company's\ enterprise\ value} \times Investee\ company's\ Scope\ 1\ and\ Scope\ 2\ GHG\ emissions\right)}{Current\ porfolio\ value\ (\$m)}$$

Sources and definitions

Carbon footprint data corresponds to companies annual greenhouse gas emissions expressed in metric tons of carbon dioxide equivalent (CO2e). It covers the seven greenhouse gases identified in the Kyoto Protocal with emissions converted into global warming potential (GWP) in CO2 equivalent.

GHG emissions are classified by the Greenhouse Gas Protocol into the following categories

The Carbon footprint (Scope 1 &2) capture the sum of Scope 1 emissions $ Scope 2 emissions attributable to a fund's underlying investments.

Scope 1: All direct emissions from sources that are owned or controlled by a company.

Scope 2: All indirect emissions arising from the purchase or productions of electricity, steam or heat.

Coverage

The coverage is the weighted proportion of the portfolio's qualifying securities for which there are statistics on their carbon footprints. Aside from cash and cash equivalents, eligible securities include listed equities (particularly common and preferred shares), fixed-income securities. The partnership for Carbon Accounting Standards (PCAF) has only recently published its calculation methodology for sovereigns and quasi-sovereigns, as well as associated instruments, thus these are also omitted. We'll keep an eye on the evolution of international business norms like the Partnership for Carbon Accounting Standards (PCAF), and we'll update pertinent disclosures as needed. For funds holding only ineligible securities or securities lacking carbon footprint data, the information is not provided.

Reevaluate the funds assessed as irrelevant of climate-related risks in 2023

Based on our climate assessment results in 2023, Bosera International conducted the reevaluation for climate risks relevance between our funds investment and risks management processes. We assess if climate-related risks would make impact in terms of the nature of the investments type, strategy, time horizon and risks of the investments.

After reevaluation, we keep the conclusion that climate-related risks are irrelevant to the portfolios shown as below.

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

Bosera International take investment management responsibility as sub-managers, and we are not responsible for overall operation of the fund ("ROOF"). Two ETFs Funds adopt the passive fund strategies and invest in index constituents or financial instruments with similar economic characteristics. The overall strategy bears high similarity and follows basically the same logics of full replication with almost the same constituents and weightings allocation compared to the benchmark index. Besides, fund managers also have to minimize and limit the tracking errors as well.

No significant adjustments for investment strategies have occurred at this point, and therefore, we conclude that climate-related risks are irrelevant to the portfolios.

- Bosera STAR 50 Index ETF

The ETF adopts the full replication strategy which requires buying all the index constituents. Determination of the holdings weightings depends on the index design methodology. Under such circumstances, climate-related risks exposure would not be directly influenced by the investment and risks management procedures. There are limitations for fund managers exercising investment discretion over index funds or adjust the index constituents regarding climate-related impact. Based on the rationales above, we keep the same assessment conclusion that climate-related risks are irrelevant to the portfolio.

- Bosera SZSE ChiNext Daily (2x) Leveraged Product

This product is a derivative instrument that is based on futures or swaps as underlying investment assets. Its investment strategy and objective are to achieve daily investment performance equivalent to a specific multiple of the underlying index returns using leverage. There is insufficient theoretical basis for the impact of climate risk on such products. The types of risks that these products may face in investment management and risk management processes mainly include insufficient collateral risk, default risk, counterparty risk on a daily basis, early termination of swaps risk, and increased swap costs risk.

Currently, there is a scarcity of climate risk assessment and analysis tools specifically for derivative instrument products in the market, and there is a lack of sufficient objective theory or standards to assist fund managers in assessing the correlation between climate-related risks and the inherent risks mentioned above in derivative instrument products. It is also quite difficult for fund managers to make adjustments to the investment portfolios based on the impact of climate-related risks.

Due to the reasons mentioned above, climate-related risks are considered irrelevant to the investment and risk management processes of this product.

- Bosera USD Money Market Fund
- Bosera RMB Money Market ETF
- Bosera HKD Money Market ETF
- Bosera USD Money Market ETF

The investment strategy of these products involves allocating all of the fund's assets to short-term deposits and high-quality short-term money market instruments issued by governments, quasi-government entities, international organizations, and financial institutions. These instruments include debt securities, commercial paper, short-term notes, certificates of deposit, and bankers' acceptances, with debt securities primarily comprising government bonds and both fixed and floating rate bonds.

Academia and industry typically assess the relationship between climate risk and money market funds based on the impact of climate risk on monetary policy. The research team of the Research Bureau of the People's Bank of China summarized the views and practices of how climate change affects monetary policy in their working paper "Climate-Related Financial Risks – Analysis Based on Central Bank Functions". Some believe that the economic and financial impacts of climate change are either too short-term or too long-term to significantly affect monetary policy decisions.

From a practical standpoint, although central banks are beginning to pay attention to the physical risks of climate change and the associated transitional risks, as well as their impact on monetary policy, there are few examples of central banks using monetary policy to promote a low-carbon transition. For instance, the U.S. Federal Reserve's short-term interest rate policy tools are not used in supporting the low-carbon industries (Rudebusch, 2019). Additionally, when the Bank of Canada faced inflationary pressures following the introduction of carbon price, it considered this a transient, one-off effect (Batten et al., 2019) and did not thereafter raise interest rates, so as to avoid impact on economic growth (Lane, 2017).

Based on these research results, we believe that there is no relevance between climate-related risks and the money market funds. We will regularly review the relationship between monetary policy and climate change as well as policy practices, and will conduct periodic assessments of the relevance of climate-related risks.

- Other private funds or accounts

For private funds or accounts, considering clients' information privacy concerns, the irrelevance of the portfolios to climate-related risk only was disclosed to specific clients.

Reevaluate the funds assessed as material of climate-related risks in 2023

After reevaluation, we keep the conclusion that climate-related risks are immaterial to the all portfolios managed by Bosera International.