Regulation No. AMD01.R51

Asset Management Decision Regulation on Sustainability Risks of Haitong Bank S.A

Approved by the Board of Directors
on 27th December 2023

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1. OBJECTIVE

a. Introduction

Pursuant to the EU Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "**SFDR**"), investment managers are required to disclose the manner in which Sustainability Risks (as defined in the paragraph below) are integrated into an investment decision, in addition to being required to disclose the results of the assessment of the likely impacts of Sustainability Risks on the returns of the products they manage.

A Sustainability Risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by the Investment Manager and the products it manages.

Such risk is principally linked to climate-related events resulting from climate change (the so-called physical risks) or to the society's response to climate change (the so-called transition risks), which may result in unanticipated losses that could affect the products' investments and financial conditions. Social events (e.g. inequality, inclusiveness, labor relations, investment in human capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products' quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

Sustainability Risks are integrated in the investment decision making and risk monitoring of the Bank to the extent that they represent potential or actual material risks and/or opportunities to maximize the long-term risk-adjusted returns.

The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. In general, when a Sustainability Risk occurs in respect of an asset, there will be a negative impact on, or the entire loss of, its value.

Such assessment of the likely impact of a Sustainability Risk must therefore be conducted at a portfolio level. Further details and specific information are given for each strategy that Haitong Bank's Asset Management Division follows for managing its portfolio(s), which can be found on the Bank's website and also on internal documents pertaining to each specific investment strategy.

b. Legal framework

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR");
- Commision Delegated Regulation (EU) 2021/1253 of 21 April 2021

amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organizational requirements and operating conditions for investment firms

2. RECIPIENTS

This rule is applicable to Haitong Bank, subsidiaries, branches and representative office ("**Haitong Bank Group**"), on portfolio management and asset management activities.

3. RESPONSIBILITY

a. This Regulation was prepared by Asset Management Department with Compliance Department support.
b. This Regulation is revising by Asset Management Department and Compliance Department.
c. This Regulation is reviewed whenever necessary or at least once a year.

4. DISCLOSURE

a. This Regulation is available on the Bank's intranet and website on the asset management department page, in the Sustainability area.
b. After any amendments are approved to this Regulation, the Compliance Department informs by e-mail all Bank's staff within 30 (thirty) days from the approval date and requests the upload of the most updated versions of the Regulation on the Bank's intranet and website.

5. PRINCIPLES

a) This Regulation aims the disclosure of information, about sustainability risks and potential ESG impacts and the integration of sustainability risks into the investment decision-making process.
b) This Regulation aims at the following strategies:
   - ESG Disclosure – European Equity Strategies;
   - ESG Disclosure – Chinese Debt Strategies.

6. Asset Management Decision on Sustainability Risks

The investment strategies of the Asset Management Division may involve exposures to some Sustainability Risks (Environment/Social/Governance – "**ESG**"), which will differ from company to company. In particular, some companies, markets and sectors will have greater exposure to Sustainability Risks than others.

Such Sustainability Risks are integrated into the investment decision making and risk monitoring of the Asset Management portfolios to the extent that they represent potential or actual material risks and/or opportunities to maximize the long-term risk-adjusted returns.

Within the investment process for each strategy followed by the Asset Management Division, specific ESG criteria are considered to assess the risk profile and potential value of each investment in addition to the financial analysis. The strategies invest directly in companies with a higher ESG score or in ETFs that replicate ESG indexes (of well-known index providers).

Within the individual instrument selection process, the ESG assessment is based on a two-step approach. Firstly, each company needs to have an overall ESG score of 80 or above (Sustainalytics Rank through Bloomberg) to be consider as potential investment (first step).

In a second step, each ESG criteria of the potential investment will be compared to its peers, and the each company's individual ESG score history (evolution) will be assessed. Thereby, the Bank, as an Investment Manager, gives particular attention to the ESG "Governance" criteria based on the assumption that the long-term performance of a company is more correlated to "Governance" than any other ESG criteria.

However, in some circumstances it is possible to pick instruments with an ESG score lower than 80. That can happen if the company does not yet have an ESG score or, even if it does and it is lower than the threshold, if the company has been improving (vs its recent history) in ESG terms.

ESG risks include those related to climate change impacts mitigation and adaptation, environmental management practices and duty of care, working and safety conditions, respect for human rights, anti-bribery and corruption practices and compliance with relevant laws and regulations. The Asset Management Division uses external providers' research to help identify these risks.

The Asset Management Division strategies fall within the scope of Article 6 of the SFDR as they do not actively promote Sustainability Factors and do not maximize portfolio alignment with Sustainability Factors. However, the Asset Management investment strategies remain exposed to Sustainability Risks.

7. ARCHIVE

a. The Compliance Department maintains an archive in digital format of this Regulation. This digital archive is maintained in the Compliance Department's shared folder "Comply".

8. MONITORING

a. The Compliance Department monitors compliance with this Regulation by undertaking ad-hoc monitoring actions.
b. The Compliance Department provides regular training to the staff of the Bank regarding this Regulation.
c. The Compliance Department coordinates with the Administrative Department this Regulation on the Bank's intranet and website.

9. CONTROL OF VERSIONS

Table 1: Information about the Document	
Name of the Document	AMD01.R51-Asset Management Decision Regulation on Sustainability Risks
Version	Version 2.0
Prepared by (Name/Department)	Asset Management Department with the Support of Compliance Department
Appreciated/Endorsed on (Committee name)	n.a
Approved by (Committee name)	Board of Directors

Table 2: Versions' update	
Update and Approval Date	Main Changes
Version 1.0 - 31-03-2021	Original Document
Version 2.0 – BoD Approval on 27-12-2023	Annual update, inclusion of regulation related to the sustainability theme