

Disclosure statement of climate-related risk

Bright Valley Capital Limited acknowledges that climate change is emerging as a major driving factor affecting long term resilience in the industry and the global economy. Thereby, this creates an urgent need to accelerate the transition towards a net-zero economy. While climate change poses a systemic and unprecedented risk to the global economy, the impacts on specific markets, regions, communities, and investments are complex, dynamic, and uncertain.

As an SFC licensed corporation, we take our fiduciary responsibility to consider and disclose all material factors that may impact the risk-adjusted returns of our investments, including climate-related financial risks and opportunities.

As an investor in the global economy, the scale and multi-faceted nature of climate change presents a systemic risk to our portfolio. Climate change impacts investors like us in two main ways:

- Physical impacts (e.g. wildfires, extreme weather, sea-level rise, drought) can affect our fixed assets (e.g. real estate) and disrupt portfolio companies' supply chains and operations. Climate change's acute and chronic physical impacts can affect people's health, food security, migration, water supply, and other ecosystem services in ways that could bring heightened volatility to financial markets and harm economic growth.
- Transition risks, or shifts in policies, technologies, industries, and customers, due to changed climate norms or movement toward a lower-carbon economy can affect the financial success of existing business models and industries. Our portfolio companies' long-term success depends on the degree to which they can successfully navigate the transition.

Given our investment portfolio, frequency of trading and investment scope, we take climate-related risks into account in our investment and risk management process. In light of this, we are taking the necessary action to account for such risks, as explained below.

Corporate Governance

The governance structure of the Company consists of a.) supervising and overseeing of climate-related risk at the Board of Directors level and b.) planning, coordinating and promoting climate-related risk management at the management level.

To integrate climate-related risk considerations into our existing governance structures, different roles and responsibilities have been assigned to ensure proper monitoring is in place:

Supervisory level

The Board of Directors is generally responsible for supervising the climate-related risk management process and relevant company development strategies. Its main responsibilities include:

- (i) Monitoring the status and progress of Company's management efforts to incorporate climate related risks into the Company's investment and risk management processes;
- (ii) Setting and maintaining the high ethical standards and reputation of the Company;
- (iii) Reviewing the Company's objectives in climate-related risk management and regularly checking the progress of achieving the objectives through regular reports.

Management level

The management team of the Company is responsible for developing, coordinating and promoting climate-related risk management. Its main responsibilities include:

- (i) Maintaining, reviewing and updating the climate-related risk management policy of the Company;
- (ii) Establishing the process for the management and Board of Directors to be regularly informed about the status and progress of efforts to manage climate-related risks;
- (iii) Formulating relevant processes for incorporating climate-related risks into the Company's investment and risk management;
- (iv) Identifying and evaluating climate-related risks in the Company's investment activities through climate-related data from external sources.

Investment and Risk management process of Climate-related Risk

The Company is responsible for identifying the relevance and materiality of climate-related risk for each fund or investment strategy. The Company will regularly review the relevance and materiality of climate-related risks and assess once a year or when any major changes such as changes in the fund's investment strategy or investment horizon occurred. Disclosure will be updated and provided to the investors if necessary.

For funds which are deemed to be relevant of climate-related risk, the Company will take into accounts climate-related risks when making investment analysis and risk management. The Company will take appropriate measures to identify, assesses, manage and monitor the investments which is relevant and material to the climate-related risks.

The material assessment includes but not limited to SASB standards and Greenhouse gas emission related climate data. Once identified, the Company will conduct qualitative evaluations for those investments which is relevant and material to the climate-related risks. The Company will analyze those investments to make sure they have proper future climate-related improvements process, targets and controls in place.

The Company will also conduct quantitative evaluation of climate-related risk from both single investments and overall portfolio level. Different climate-related risk tools and metrics will be used to assess the climate-related risk such as GreenHouse Gas(GHG) emission, total Energy consumption, GHG emission intensity, weighted average GHG emission intensity, attribution analysis and ESG rating, etc. The Company will regularly monitor those climate-related risk metrics and report to the senior management and board of directors to demonstrate proper corporate governance, investment and risk management process is in place.

We will continue to take reasonable steps to assess the impact of the aforesaid risks on the performance of the Company's underlying investments to ensure compliance with the Hong Kong SFC's related requirements on management and disclosure of climate-related risks by fund managers. Our Board will also continue to thoroughly oversee the progress against goals for addressing climate-related issues.

Should you have any queries, please do not hesitate to contact us at ir@brightvalleycap.com.

Bright Valley Capital Limited

Disclaimer: This disclosure statement is intended to provide information to stakeholders and by its nature may involve risk and uncertainty. This document may contain forward-looking statements. Any statements that may express forecasts, expectations and projections are not guarantees of future performance given the current uncertainties on this front.