

Everbright Belt and Road Green Fund Thinking and Execution of Carbon Neutrality

17 MArch 2021, The Belt and Road Green Fund of China Everbright Limited ("Everbright" or "the Group", stock code: 165.HK) participated in the "Technology of Carbon Neutrality and Investment Opportunities Seminar" several days ago. Everbright's Green Fund team released its thinking and execution on carbon neutrality investment.

I. **Merger and acquisition of assets, innovation of low carbon technology, application of digital techniques are the key logics of carbon neutrality investment**

Everbright Green Fund noted from research that the carbon emission from energy, industry and architecture, transport account for 51%, 32% and 10% by industry respectively. These three sectors are the key paths of decarbonization commencement and carbon neutrality execution. Furthermore, agricultural and commercial activities generate plenty of carbon emissions due to the needs of human daily lives, therefore, decarbonization is worthy of concern.

Everbright Green Fund believes there are three investment strategies:

1. To enhance the overall effectiveness and market bargaining power of the industry through core asset M&A of carbon neutrality. The specific projects including mid- to large scale photovoltaic plant, wind power plant, charging station and hydrogen refueling station in the future.
2. Through technique innovation, the core techniques of carbon neutrality can replace existing techniques economy wise, to achieve the extensive application of related techniques.
3. To further develop the support for carbon neutrality via digital techniques, to enhance operational effectiveness and reach emission reduction through systematic energy consumption reduction via digital techniques.

II. **To enhance revenue through ESG investment and reduce risks**

Through ESG investment, investors are able to have better selection on quality projects which meet the requirements of carbon neutrality. Conversely, it can reduce the investment risks of carbon neutrality, especially the early-stage project risks to enhance investment revenue. Currently in China, although ESG investment is emerging, it basically concentrates on public equity funds and listed companies, and it remains rare in the primary market.

The execution of Everbright Green Fund in ESG includes:

1. **Establish industry standard:** Establish a full set of ESG standards, and launch the first equity investment fund which fully applies ESG standards in China. Meanwhile, implement multi-strategic investments through the structure of "Fund-of-Fund + Direct



investment of sub-fund", leading its partners to commence ESG investment, amplify the capital amount of ESG and impact, and boost more executions.

2. **Focus on post-investment management:** Based on the project selection foundation of the innovative group models of "Green positive list" + "Negative removal list", focus on how to help the invested enterprises improve their ESG performance through post-investment management and service. Aim to achieve saving and effectiveness enhancement and emission reduction through advanced manufacturing methods, such as digital techniques and industrial robots.
3. **Concern on information disclosure:** Commencement of related information disclosure with third-party consultancies, enhance information disclosure capability of the invested enterprises, quantify the performance and related risks of carbon neutrality investment. Aim to enhance the credibility of the carbon market, while demonstrating its responsible investment, to attract more attention from society and capital to invest.

Established and managed by Everbright, Everbright Green Fund is the official outcome of Everbright Group's 2nd "Belt and Road" International Cooperation Summit in 2019. Adopting the group model of "Fund-of-Fund + Direct investment of sub-fund", the fund focusses on four selected segments for investment, namely green energy, green environment, green manufacturing and green living, as well as sets up a direct investment fund with the provincial and city governments along the "Belt and Road".