ANDA Asset Management TCFD Policy

Climate-related Financial Disclosure

May 2025

Executive Summary

Korea's spectacular economic rise in the latter half of the twentieth century was largely driven by highly polluting heavy industries. The manufacturing-driven growth model adopted by Korea since the 1970s has been anchored by carbon intensive industries, which delivered unprecedented growth without accounting for negative externalities and environmental effects. Over the past decade, Korea has devoted itself to a national economic transformation of its energy use, shifting to a focus on low-carbon industries as a means of stimulating new growth. In recent years, the Korean government has shifted its focus towards sustainable industries through policies such as the Green New Deal, which established benchmarks for solar and wind power as well as tax incentives to promote the purchase of electric and hydrogen-powered vehicles. With Korea's transition to a lower-carbon economy underway, ANDA Asset Management ("ANDA") is focused on our responsibility to understand the potential effects of climate change on our clients' investment portfolios. Korean companies face numerous risks and opportunities relating to law, market and reputation due to climate change. A central pillar of Korea's environmental policy is the expansion of its emissions trading system. The government plans to increase market liquidity and flexibility by inviting institutional investors, such as banks and insurance firms, to participate. This initiative, along with looser regulations that now permit trading through intermediaries, marks a transition toward a more dynamic and market-driven structure. Post-Covid governments around the world have launched green plans to pivot towards decarbonization and we believe we are now at a turning point for tackling global climate change.

Government policies are driving a reduction of investment in so-called old economy industries, and a deployment of capital into alternative energy sources. The global shift in regulatory environment towards carbon tax and climate-risk transparency has encouraged more Korean companies to adhere to the Net Zero commitment. Under the Paris Agreement, the Korean government targets a Nationally Determined Contribution (NDC) emission reduction of 40 percent by 2030, relative to its 2018 peak. While Korea's overall emissions have declined since 2018, the current pace of reductions remains insufficient to meet the 2030 NDC target. In response, the government is scaling-up the proportion of nuclear power and renewables in the energy mix. Korea's climate change policy will ultimately have profound consequences on Korean companies, especially those in heavy industry and manufacturing.

As a firm, ANDA believes that material environmental, social and governance ("ESG") characteristics are important drivers of long-term investment returns from both an opportunity and a risk mitigation perspective. ANDA was one of Korea's earliest signatories to the Principles for Responsible Investment ("PRI") and became an official TCFD supporter in December 2019.

We believe climate change is a systematic risk to the value of our portfolios, and it is an issue that has profound consequences. The effects may be direct, as with carbon tax policies, or indirect, as with impacts on international relations. We do not seek to invest in 'green' companies, instead we seek evidence, when appropriate, from our portfolio companies that they have put into place the necessary policies and practices for the effective management of environmental issues. We also understand that for many of our clients, the social and environmental impact of their portfolio is an important consideration in conjunction with investment performance.

This report describes how ANDA supports Korea's transition towards a low-carbon economy, how it protects activities and performance from climate-related risks and how it seizes climate-related opportunities. It reflects ANDA's response to the recommendations of the Taskforce on Climate-related Financial Disclosure ("TCFD") and how we plan to reflect the Paris Agreement in our portfolios over time.

ANDA Asset Management's Statement on Climate Change

We recognize climate change as one of the greatest challenges the global community faces, and our fiduciary duty to address it in managing our clients' assets. This position statement sets out our approach to climate change. It should be read in conjunction with our Responsible Investment Policy.

1. ***Develop internal capacity***
   Our investment approach focuses on 'ESG integration'. Thus, we strive to keep abreast of and continuously improve how we assess climate change risks and opportunities. This includes appreciating the science as well as the changing operating environments for the companies we analyze, and scenario analysis at the portfolio level to include a 2°C or lower scenario.

2. ***Collaborate with the investment community***
   We believe collaborative relationships can help to accelerate common objectives within the investment community, such as peer learning and joint-engagements with other UNPRI signatories.

3. ***Active stewardship***
   We recognize that active dialogue and exercising voting rights, where appropriate, can promote positive outcomes for the investee companies, our firm and our clients in regards to climate change. We regularly engage the companies in our portfolio and have active dialogues with our clients to further promote an awareness for climate change.

4. ***Report on our activities***
   We are responsive in addressing our clients' needs regarding reporting requirements for climate change.

   In line with TCFD recommendations, we encourage our investee companies to take steps to:

   - ✓ Identify material climate change risks and opportunities, over relevant time horizons and across different scenarios including a 2°C or lower scenario.
   - ✓ Integrate material climate change risks and opportunities into their overall strategy, risk management, and
   - ✓ Disclose policies, processes and performance in relation to the above.

Figure 1: The TCFD Framework

Report Structure

This report follows the TCFD recommendation categories: governance, strategy/risk management as well as metrics and targets. Our responses to the three areas of disclosure are outlined below. These will continue to evolve over time.

Governance

1. Oversight

ANDA's Board of Directors (the "Board") oversees climate-related risks as a subset of all enterprise-wide risks. The Board reviews climate-related enterprise risk and the firm's approach to climate-related risks and opportunities at least annually. The Board's oversight supports the firm's long-term objectives and influences firm behavior to consider potential effects of climate change.

2. Investment Team

We believe ESG analysis should be based on materiality and customized by investment style. This approach enables each portfolio manager to integrate climate-related risk analysis into her/his respective investment process for investment decision-making. We believe that climate change presents both opportunities and risks for all strategies at ANDA, but the degrees and mechanisms by which they may be material will vary between individual strategies and investment time horizons. Therefore, depending on the holding period, the short, medium and long-term risks will be considered accordingly.

As part of its broader oversight of the firm's Policy on Responsible Investment, ANDA's senior management is responsible for providing overall oversight of the integration of climate-related risks and opportunities by portfolio managers.

Strategy/Risk Management

Our climate-related strategy is based on three core pillars:

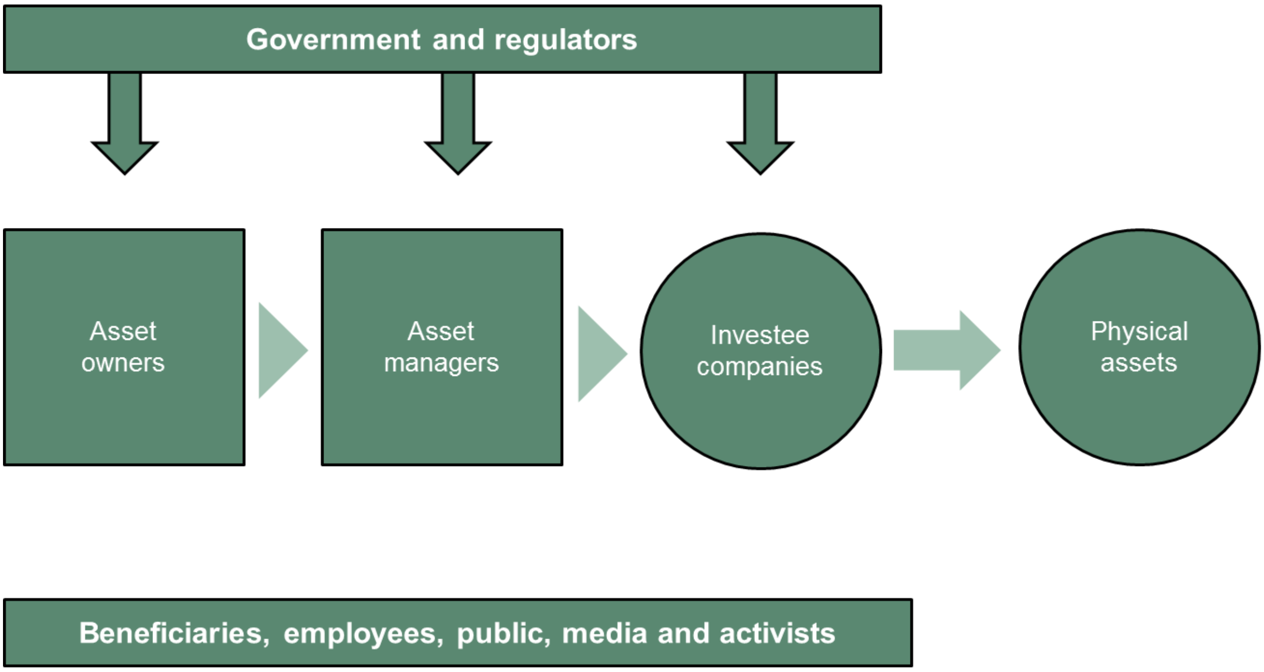
- ✓ **Climate-related Risk Management:** Integrating climate-related risks into our overall risk management framework across investments and business operations;
- ✓ **Climate-related Opportunities:** Identifying attractive investment opportunities related to climate change; and
- ✓ **Communicating Metrics and Targets:** Communication with clients regarding climate-related risks and opportunities, including monitoring and reporting relevant metrics and targets for our portfolios.

1. Climate-related Risk Management

We can segment climate-related risks into two broad categories:

- **Transition Risk:** The global transition to a low-carbon economy will cause policy, regulatory and legal, technology and market shifts as the world addresses the mitigation and adaptive requirements related to climate change over the short, medium and long term. We have identified four types of risks that could potentially affect our business:
  – Investment value chain **(see Figure 2)**
  – Financial impact due to policy risks
  – Financial impact due to regulatory and legal risks
  – Reputational risks

FIGURE 2: The Investment Value Chain



The efficient movement of capital up and down the value chain depends on every player's ability to provide the others with useful and accurate information and guidance

- **Physical Risk:** Physical risks resulting from climate change will be both event-driven (acute) and longer-term shifts (chronic) in climate patterns. These risks may have direct financial implications, such as through weather-related damage to our assets and may have knock-on-effects such as resource shortness, supply chain disruptions and political instability or conflict - all of which could impact our investment portfolios and/or business operations.

2. Climate-related Opportunities

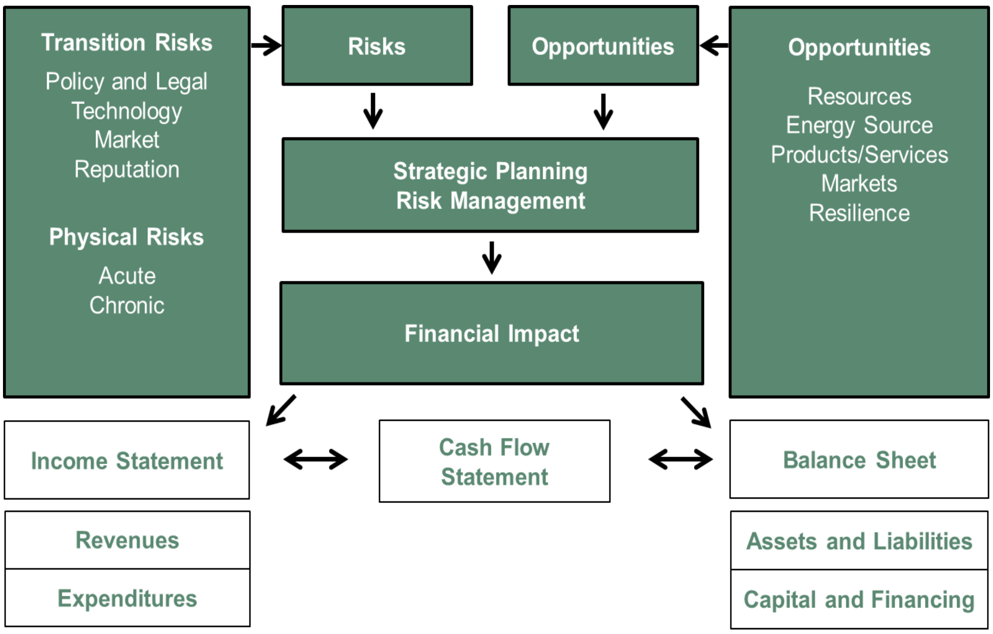
In addition to climate-related risks, there are also potential opportunities from climate change. Identifying and developing these opportunities while managing the climate-related risks is a critical segment of ANDA's climate-related strategy.

Below, we have outlined the climate-related risks and opportunities for both (a) our **investment portfolios** and (b) our **business operations**.

3. Investment Portfolios

Our investment team uses third-party tools and resources to identify and analyze transition and physical risks as well as climate-related opportunities at the company level. Korea Corporate Governance Service ("KCGS") a leading non-governmental consultancy which focuses on ESG review, provides ANDA's research analysts with independent reports and ESG scores on companies within our investment universe. The ESG scores consider energy efficiency, emissions intensity, and low-carbon opportunities where it is material. ANDA's in-house company reports include an ESG section and scorecard, and where available and appropriate, analyses a company's climate planning and assess the financial impact of climate change policies. This information allows our portfolio managers to build more resilient portfolios that can help protect client value over the long-term.

Figure 3: Climate-Related Risks, Opportunities and Financial Impact



4. Engagement Efforts

Although investment risks and opportunities have arisen as a consequence of Korea's transition to a lower carbon economy and have already impacted the financial statements of many Korean companies, it is often difficult to assess the financial effects of climate change policies from companies' disclosed financial statements due to the limitations in current legal and accounting standards in Korea. Consistent, comparable and reliable information on how companies manage climate-related risks will not only improve capital market efficiency and unlock sustainable economic growth but also potentially avert disastrous climate outcomes. If the disclosure of a portfolio company with a high carbon intensity level is not detailed enough to make an adequate assessment of its climate-related risks and how the company is managing those risks, ANDA's research analysts will engage the company to encourage the disclosure of supplementary information. On a quarterly basis, ANDA's investment team reviews ESG scores of all companies within the portfolio and actively engages companies with low scores.

- We have maintained a strong focus on climate engagement activities in 2024, focusing on environmental risks and opportunities.
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    - In 2024, we continued our ongoing engagement with POSCO. In May 2024, we joined a collaborative engagement with POSCO Holdings' ESG team to discuss their progress and strategy deadline set for 2026. Under its new Chairman and CEO, POSCO Holdings is prioritizing advanced technologies such as AI-driven smart factories, the development of HyREX technology for steel production, and innovations in EV battery materials. POSCO began constructing its Electric Arc Furnace (EAF) in February 2024, with plans for operation by 2026. The company is seeking government support, including tax reductions and subsidies, to remain competitive in the global market during its transition to greener production.

    - Samsung Electronics ("SEC") has significantly expanded its climate commitments, reinforcing its ambition to embed sustainability into its core business strategy. The company has committed to achieving net zero Scope 1 and 2 emissions by 2050, with a more aggressive 2030 target for its DX (consumer electronics) division. SEC is also advancing its renewable energy transition under the RE100 initiative, having already reached 100 percent renewable energy in key markets including the U.S., China, Europe, Vietnam, India, and Brazil, with further targets set for Latin America by 2025 and Southeast Asia, CIS, and Africa by 2027. In parallel, Samsung aims to improve energy efficiency in key product lines by 30 percent (from 2019 levels) and will invest over KRW 7 trillion by 2030 in environmental management activities including process gas abatement in semiconductors, e-waste recycling, and water conservation.

      In May 2025, during the Climate Action 100+ investor engagement meeting, Samsung provided an update on its decarbonization roadmap. Samsung also discussed strategies to address Scope 3 emissions, particularly in the use phase of its products, supplier operations, and logistics.

5. Collaborative Engagements

In June 2021, ANDA joined Climate Action 100+ (CA100+) as a collaborating investor. Launched in 2017, CA100+ is an investor-led initiative to engage with the world's largest corporate greenhouse gas emitters to ensure they take necessary actions to address climate change issues to meet the standards set out by the Paris Climate Agreement. CA100+ aims to take a strategic approach to form industry specific engagement frameworks to ensure each signatory can effectively engage with the companies.

As a collaborating investor at CA100+, ANDA uses engagement as a tool to facilitate portfolio decarbonization and climate-related disclosure at portfolio companies. We have increasingly chosen to participate in large share coalitions to engage companies. The results are encouraging as companies have been supportive of a coalitional model and the groups have been able to gain access to upper management and effectuate change within the companies. By bringing more capital to the table, collaborative efforts can elevate an issue or strategy far beyond what can be achieved by working alone.

6. Business Operations

Within our business operations, ANDA recognizes that transitioning to a low-carbon economy presents both opportunities and challenges. We actively seek to identify and monitor our potential exposures to climate-related physical risks. Both acute and chronic risks are evaluated for the firm's offices and physical spaces. Acute risk is event-driven, including increased severity of extreme weather events and infectious diseases. Chronic risk is associated with longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause flooding, drought, and/or heat waves. Severe weather-related outcomes stemming from climate change are significant to ANDA's operations.

ANDA's senior management has developed a business contingency plan ("BCP") and annually conducts tests at our emergency offsite offices to respond to significant business disruptions that render our offices inaccessible. Since the timing and impact of disasters and disruptions are unpredictable, the plan allows for flexibility in responding to events as they occur. The incident response plan within ANDA's BCP outlines specific procedures to follow during an event or business disruption. Remote access to our corporate network also ensures business sustainability during times when our offices are inaccessible.

The plan further addresses: data backup and recovery for all mission-critical systems; financial and operational assessments to determine impact caused by the disruption event; alternative communications with customers, employees and regulators; alternate physical location of employees; and critical third-party vendors. The firm stores both physical and electronic copies of its data with third party agents. This is designed to allow prompt recovery and resumption of normal operations in the event of a large-scale disaster or contingency.

Metrics and Targets

ANDA discloses climate-related metrics to our clients annually to help them understand the potential risks and opportunities associated with their portfolios.

a) Carbon Footprint
b) Climate-related engagement, portfolio environmental risk scorecard and proxy voting records

1. Carbon Footprint

Carbon footprints help us to evaluate some elements of climate-related risks, namely policy and legal, regulatory, reputation, litigation and quality of corporate policies and performance. A portfolio carbon footprint also allows investors to understand the contribution of investee companies towards the concentration of CO_2 in the atmosphere and to global climate change.

We report aggregate portfolio weighted average carbon intensity for our active equity value strategies on an annual basis, in-line with TCFD recommendations. The carbon footprint of the portfolio is calculated using third-party ESG data obtained from Bloomberg's ESG Solutions, and may be derived from company disclosures or using sell-side estimates. As of 31 December 2024, the aggregate portfolio weighted average carbon intensity of our flagship product within our active equity value strategy is **0.10 tCO_2e/KRWmn sales**, with coverage of **82 percent** of assets under management. The sales and carbon intensity were calculated based on the figures disclosed in 2023 as 2024 figures have yet to be disclosed by Bloomberg.

2. Climate-related engagement and proxy voting records

We report to clients on an annual basis our proxy voting record, the environmental risk scorecard of their portfolio and engagement activates, including climate-related engagements. Our research team methodically tracks the discussion points from each company meeting, feedback we have provided, and action items from our past ESG engagements. This provides our investment team and clients with insight into company performance over time.

3. Scenario Analysis

We are actively exploring climate scenario analysis tools, particularly those supported and listed by PRI. The field is rapidly developing with tools addressing different climate risks such as transition and physical risk. We learned from leading scientists that, while global trends of the impact of climate change are more clearly defined, there remains a high degree of uncertainty at a regional and company level where it can be most readily applied. We are committed to investigating these evolving tools to boost our capacity, as part of our fiduciary duty to achieve sustainable value for our clients.

Conclusion

ANDA is committed to continue expanding top-down and bottom-up climate risk analysis across investment portfolios and business operations, and engaging our clients to align their portfolios with climate-related opportunities. We believe this approach will ultimately create value for our clients.