



远东宏信
FEHORIZON



Climate-Related Disclosure Report 2023

Incorporated in Hong Kong
with limited liability
Stock Code: 03360.HK

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ABOUT THE REPORT

The report is the first Climate-Related Disclosure Report (hereinafter referred as "this report") of Far East Horizon Limited ("Far East Horizon", "the Company" or "We"). Far East Horizon has officially become a Task Force on Climate-Related Financial Disclosures (TCFD) Supporter in April 2023. Fully aware of the substantial financial and strategic impacts that climate change may have on the Company, Far East Horizon carries out climate risks and opportunities analysis in order to better respond to the potential risks and opportunities. The Company identifies climate change risks and opportunities related to its own business and operations, so as to improve risk management and seize emerging opportunities.

This report discloses Far East Horizon's efforts in addressing climate change based on the The International Financial Reporting Standards Foundation Climate-Related Disclosure (IFRS S2) Requirements issued by the International Sustainability Standards Board (ISSB) in 2023 and the 4 pillars ("Governance, Strategy, Risk Management, Metrics and Targets") and 11 recommended disclosures of TCFD, which demonstrate Far East Horizon's climate resilience to the challenges of climate change.

GOVERNANCE

To strengthen climate governance, Far East Horizon has integrated its climate governance responsibilities into the overall ESG governance structure based on TCFD recommendations, forming a top-down governance structure. Each level conducts ESG and climate governance and management orderly in accordance with the *Working Rules of the Environment, Social and Governance Committee of the Board of Directors* and the *System and Program of the ESG Work Implementation Group of Far East Horizon Limited*.

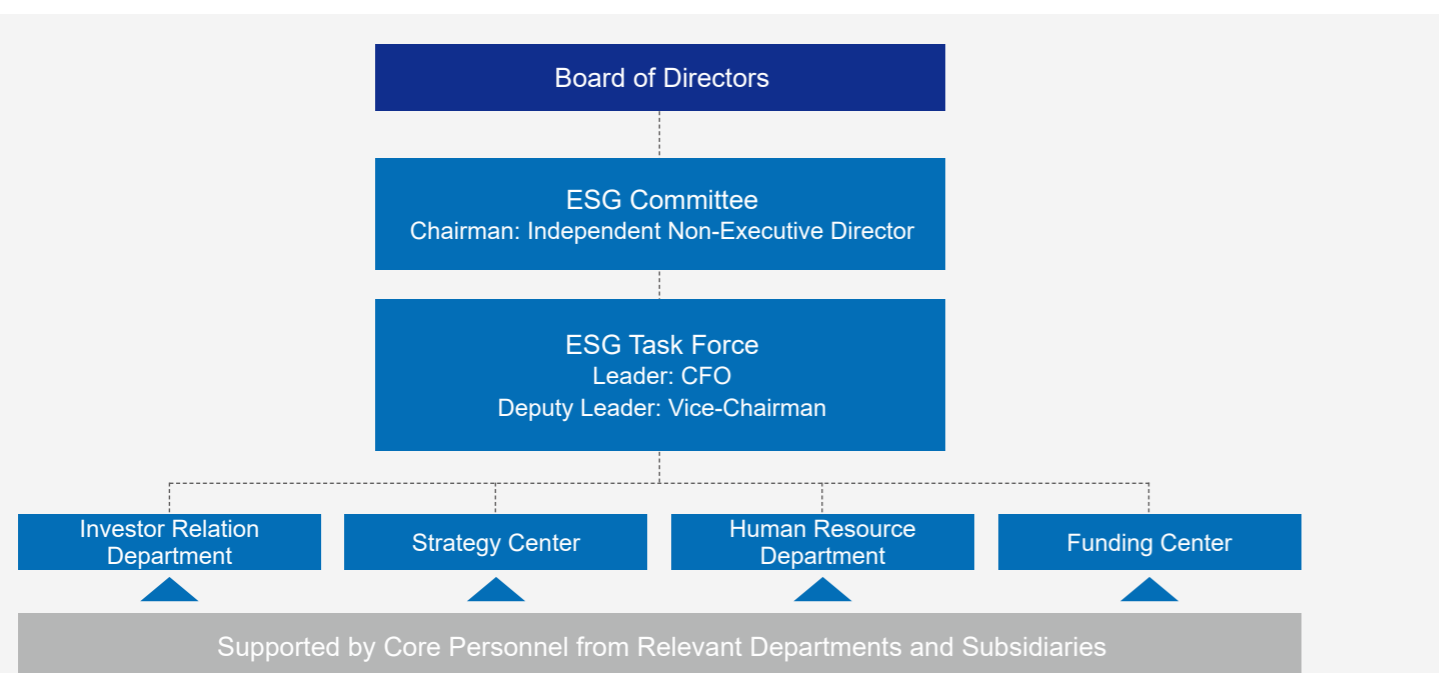
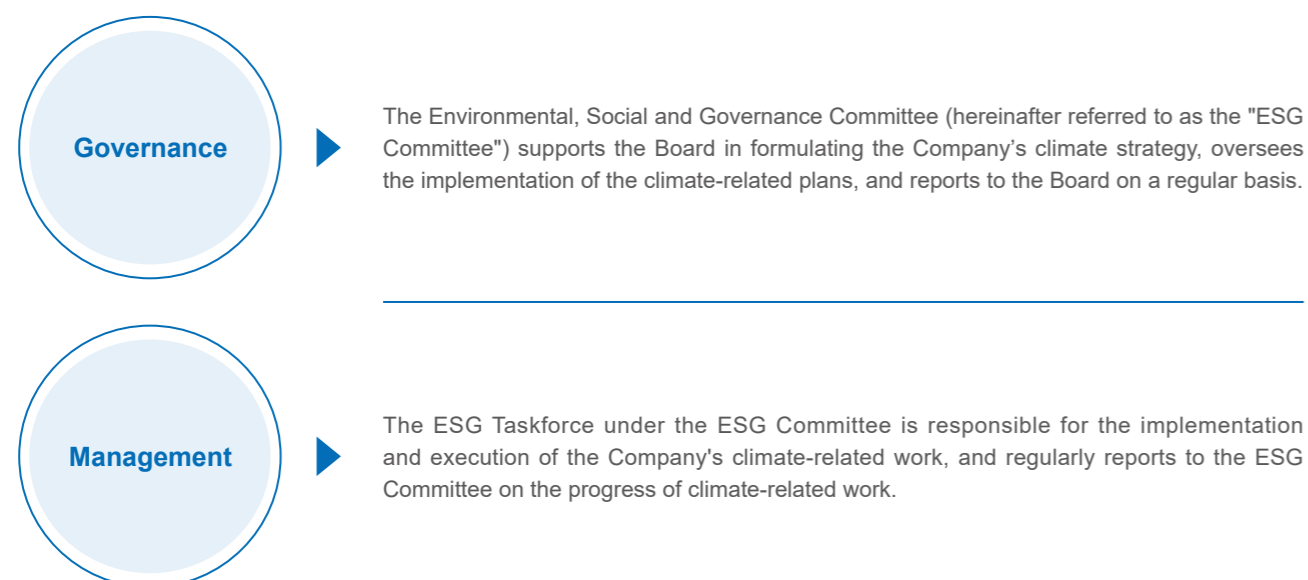


Figure 1-1: Far East Horizon's Climate Governance Structure

BOARD OVERSIGHT

As the highest governance body of the Company, the Board of Directors of Far East Horizon is responsible for reviewing and approving the Company's climate-related work. The Board has established the ESG Committee, which works in conjunction with other professional committees to assist the Board in fulfilling the Company's ESG governance responsibilities. The ESG Committee consists of a total of three directors, with an independent non-executive director serving as the chairman.

Under the authorization of the Board of Directors, the ESG Committee is responsible for studying and making recommendations on the Company's climate-related policies and practices, including identifying and assessing the potential impacts of climate risks and opportunities on the Company's business, overseeing scenario analysis, and reviewing progress towards climate-related targets, etc. The ESG Committee will report to the Board of Directors on important climate-related matters through occasional reports and committee meetings, in accordance with the working progress on climate-related issues and the major milestones to ensure the continuity of the Board's supervision.

In 2023, the Board of Directors of Far East Horizon held four meetings on the Company's material climate-related risks and opportunities, providing guidance on the next steps on climate response, which fully promoted the implementation of climate related work. In tracking the progress of climate-related work, we paid attention to international and domestic climate policies and related knowledge to solidify the Board's understanding of climate-related work and enhance our climate governance capabilities.

The Board of Directors of Far East Horizon held



4

meetings

MANAGEMENT RESPONSIBILITY

To support the work of the ESG Committee, the Company has established an ESG Task Force to assist the Committee in fulfilling its decision-making and supervisory responsibilities for climate-related work. The ESG Task Force will also help to coordinate and promote the management of the Company's climate-related work and implement detailed tasks. The ESG Task Force consists of several functional departments within the Company, with the Chief Financial Officer (CFO) as the leader and the Company's Vice Chairman as the deputy leader to guide the work of the ESG Task Force.

In 2023, the ESG Task Force coordinated climate-related work among different business segments of the Company and adjusted flexible strategies to address identified climate-related risks and opportunities according to the business composition and the Company's stage of development. Specific tasks include analyzing climate-related scenarios, assessing climate-related risks and opportunities, setting climate-related goals and targets, and studying and formulating climate response plans. In the course of the work above, the ESG Task Force reports to the Board of Directors and the ESG Committee on a quarterly basis on the results and progress. At present, the achievement of greenhouse gas emission reduction targets has been incorporated into the performance assessment indicators of the departments responsible for climate change issues in the ESG Task Force and the operating units of the Company.





STRATEGY

Far East Horizon is dedicated to strengthening climate resilience by proactively identifying climate risks and opportunities, formulating climate risk management measures, and developing strategies to respond to climate change. In 2023, We conducted climate related risks and opportunities scenario analysis and analyzed potential impact on the Company's operations. In addition, we also assess financial impact of climate change risks for the first time, which will provide a basis for risk mitigation and adaptation in the future.

PHYSICAL RISK

Far East Horizon screened the owned assets based on the selection criteria of direct impact on the Company, business segment coverage and asset holding period, and confirmed 24 assets to be included in the scope of the physical risk scenario analysis, covering Horizon Healthcare, Horizon Construction Development, Horizon Construction Investment, and the financial business, containing 9 types of assets.



Time Horizons and Climate Scenarios

Far East Horizon has assessed the potential impacts of physical climate risks on the Company's operations at the baseline, mid-term (2030) and long-term (2050) to prepare response measures for the associated impacts. In order to compare the Low Emission Orderly Scenario and the High Emissions Disorderly Scenario, two scenarios were selected for the physical risk assessment, both from the Shared Socio-Economic Pathway (SSP) of the Intergovernmental Panel on Climate Change (IPCC) 6th Assessment Report (AR6)¹.

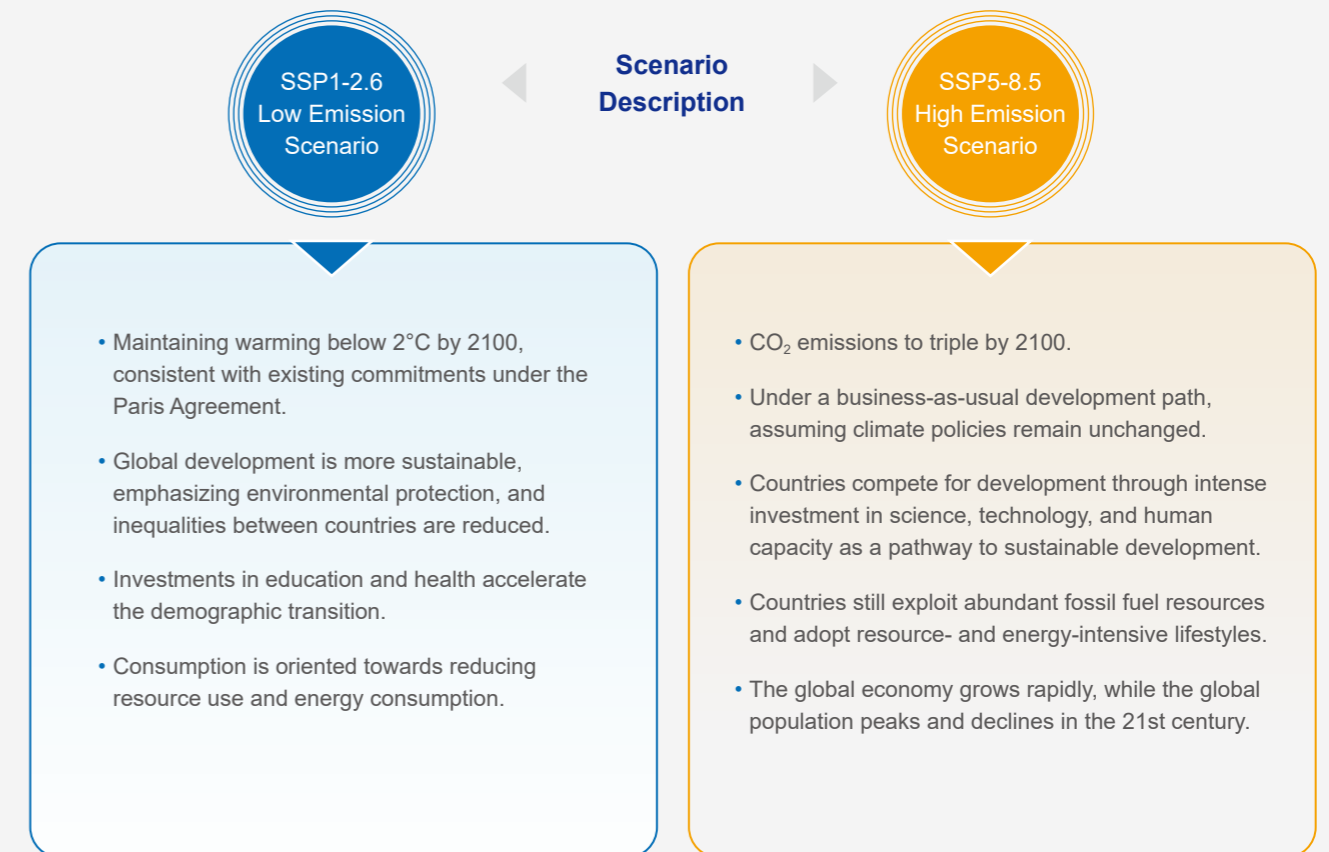


Table 2-1: Physical Risk Scenario Description

¹The Intergovernmental Panel on Climate Change (IPCC) was established in 1988 to provide integrated assessments of the scientific, technical, and socio-economic knowledge of climate change, its drivers, potential impacts and response strategies. Since its inception, the IPCC has developed five assessment reports and is currently in its sixth assessment cycle.

Risk Category and Indicators

In the assessment of physical risk, we use the following indicators:

Climate Hazard	Indicator	Unit
Extreme Heat	Warm Spell Duration Index (WSDI)	Days
Extreme Cold	Cold Spell Duration Index (CSDI)	Days
River Flooding	River Flooding Inundation Depth	Meters
Extreme Rainfall Flooding	Pluvial Flooding Inundation Depth	Meters
Coastal Flooding	Coastal Flooding Inundation Depth	Meters
Storms and Extreme Winds	Maximum Tropical Cyclone Windspeed	Knots
Wildfires	Forest Fire Danger Index (FFDI) / Maximum Burned Area	Days
Rainfall-Induced Landslides	Rainfall Induced-Landslide Index	Days
Water Stress and Drought	Water Stress	/

Table 2-2: Physical Risk Category and Indicators

Assessment Results and Response

According to the results of the scenario analysis, the overall physical risk shows an increasing trend, except for extreme cold. Under the High Emission Scenario (SSP5-8.5), the increase of climate risk is more significant, especially in the long term (2050). Within all the physical risks, the assessed assets of Far East Horizon are exposed to 4 material physical risks: water stress and drought, flooding, tropical cyclones and extreme heat. The detailed results are shown in the table below:



Risk Category	Impact Scope	Potential Impact	Baseline	Risk Level (SSP1-2.6)		Risk Level (SSP5-8.5)		Response
				2030	2050	2030	2050	
Extreme Heat	Own operations	<ul style="list-style-type: none"> High temperatures increase the cooling needs of assets, leading to increased operating costs, and extreme heat may increase the heat stroke risk for outdoor staff. Extreme high temperatures may trigger widespread power restrictions or outages, or lead to localized shutdowns of assets, affecting the operational efficiency as well as asset revenues. 						<ul style="list-style-type: none"> Consider climate resilience (taking into account geographic factors such as flooding, terrain, etc.) in the design and construction of assets and in the site selection process and improve the resilience of facilities and equipment to minimize the impacts of extreme weather.
		<ul style="list-style-type: none"> Flooding may cause damage to the asset's buildings, infrastructure and equipment, increasing additional maintenance costs and potentially reducing the asset's carrying value. Flooding may affect the asset's critical equipment and damage the main access routes to the asset, thereby affecting the operation of the asset and its revenue. 						<ul style="list-style-type: none"> Develop and implement contingency plans for extreme weather events (flooding, tropical cyclones, and extreme heat). Construct and regularly maintain facilities and equipment to cope with extreme weather (e.g. drainage systems, windows, gates) to prevent critical equipment from being affected and damaged by extreme weather. Take wind protection measures before the typhoon lands to avoid direct damage to critical equipment from strong winds.
Tropical Cyclones		<ul style="list-style-type: none"> Strong winds, heavy rains and storm surges may cause damage to buildings, infrastructure, equipment, etc., adding additional maintenance expenses and possibly reducing the value of assets. Tropical cyclones may affect the asset's critical equipment and cause disruption to operations, which may affect revenues. 						<ul style="list-style-type: none"> Provision of supplies for extreme weather, such as backup power and flood sandbags. Enhance the heat dissipation capacity of buildings and the equipment efficiency, build and regularly maintain backup power sources, ensure the reliability of backup power sources, and formulate and implement strict guidelines for working outdoors in high temperatures.
Water Stress and Drought		<ul style="list-style-type: none"> Prolonged drought reduces the availability of water and increases the price of water, leading to higher operating costs. Severe water shortages or impacts on refrigeration and the operational efficiency of production equipment, resulting in lower revenues. 						<ul style="list-style-type: none"> Increase the proportion of water recycling and backup water sources and consider installing alternative water sources and backup water facilities (such as emergency water trucks and cisterns) in case of water shortages. Improve facility management by selecting water-saving equipment and rainwater recycling systems, etc., to reduce water consumption and water usage and improve water resource utilization efficiency.
Extreme Cold		<ul style="list-style-type: none"> Low temperatures increase the heating needs, leading to increased operating costs. Extreme cold weather may increase health risks for outdoor personnel. 						
Rainfall-Induced Landslides		<ul style="list-style-type: none"> Landslides may cause damage to an asset's buildings, infrastructure, equipment, etc., increasing additional maintenance expenses and potentially reducing the assets' value. Landslides pose threats to the safety of people at the asset's location, suspending the asset's operation and resulting in revenue loss. 						<ul style="list-style-type: none"> The assessment results show that the risks of three types of climate hazards, namely, Extreme Cold, Rainfall-induced Landslides, and Wildfires, are low, and we will continue to monitor these risks and make timely adjustments to our response strategies.
Wildfires		<ul style="list-style-type: none"> Wildfires may cause damage to buildings, infrastructure, equipment, etc., adding additional maintenance expenses and potentially reducing the assets' value. Wildfires may threaten the safety of people at and near the asset, affecting the normal operation of the asset and leading to a revenue loss. 						

Table 2-3: Physical Risk Assessment Results

Physical Risk Scale
 Limited risk
 Low risk
 Moderate risk
 High risk
 Very high risk

TRANSITION RISK

In the process of transition risk identification, Far East Horizon first conducted a qualitative assessment of the risks (including reputation risk, policy and legal risk, market risk, and technology risk) facing the operation and value chain (see Tables 2-6 and 2-7 for the results of the qualitative assessment). According to the qualitative assessment results, Far East Horizon's transition risk mainly comes from the financial business, i.e., the operating and financial conditions of our portfolio company are affected by policy changes, technological innovations, public consumption patterns, and investor preferences, which affects the quality of the Company's assets and exacerbates credit risk. Therefore, we comprehensively consider industry exposure, as well as the carbon market regulations, national and local environmental policies, and transition finance, and sort 5 sectors (Chemicals, Construction, Industrial and Machinery Manufacturing, Electronic Equipment, and Road Transport & Infrastructure) for which we will conduct a detailed transition risk analysis.



Time Horizons and Climate Scenarios

The Company has assessed transition risk and opportunities in the short term (2025), medium term(2030) and long term (2040 and 2050). Meanwhile, we selected the Current Policies scenario and the more ambitious Net Zero 2050 scenario of the Network for Greening the Financial System (NGFS).

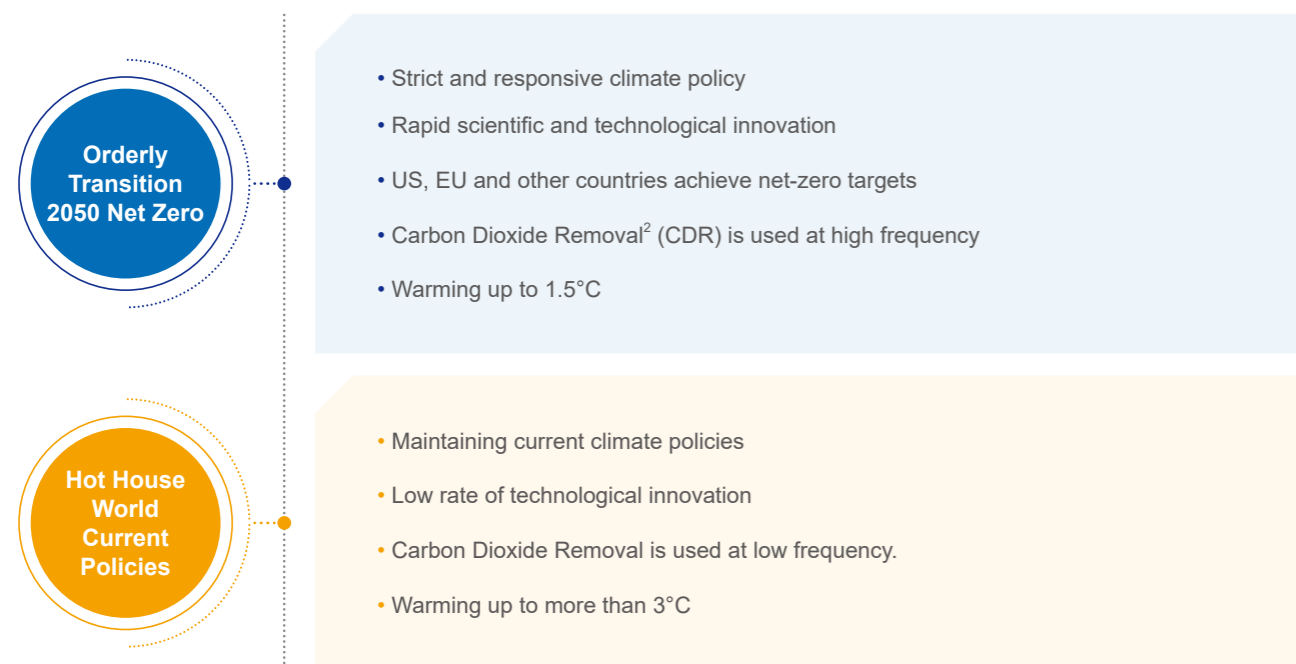


Table 2-4: Transition Risk Scenario Description

² Carbon dioxide removal (CDR) refers to the removal of carbon dioxide gas from the atmosphere through deliberate human activity and its long-term storage in geological formations, on land, in the oceans, or in other manufactured products. Common CDR technologies include afforestation, bioenergy, and carbon capture and storage.

Risk Category and Indicators

Based on the selected sector and scenario databases (including NGFS Phase 4 climate scenario dataset, as well as relevant data from the International Energy Agency (IEA, World Energy Outlook), we identified 17 scenario indicators applicable to the five sectors to support the subsequent analysis. The indicators used are shown in the table below:

No.	Indicator
1	CO ₂ intensity of GDP
2	Energy Intensity of GDP
3	Oil Price
4	Gas Price
5	Renewable Energy Capacity
6	Petrochemical feedstock demand
7	Industry Emissions
8	Electricity Generation Energy
9	Buildings Emissions
10	Transport Emissions Intensity
11	Oil Share of Transport Energy Demand
12	Chemicals Emissions
13	Steel Energy Intensity
14	Cement energy Intensity
15	Nitrogen Fertilizer Use
17	Passenger Rail Demand

Table 2-5: Transition Risk Indicators

Assessment Results and Response

The following table describes the results of the transition risk assessment and the response measures for Far East Horizon. Currently, Far East Horizon's financial business is facing relatively significant transition risks, i.e., low-carbon transition, China's economic development, energy structure, technological path, production and consumption modes will undergo profound changes, and the financial conditions of the relevant enterprises will undergo different degrees of changes, which may affect the solvency of these enterprises and lead to an increase in the default rate in the future.

Risk Category	Impact Scope	Potential Impact	Response	
Transition Risk	Policy and Legal	Financial Service, Lending and Financing	Changes in policies and regulations result in a decrease in portfolio companies' profits and an increase in credit risk, which in turn led to the impairment of Far East Horizon's assets. The financial impact on portfolio companies may include the following: - Write-offs, impairments, or early retirement of clients' assets due to policy changes. - Increased cost of clients' products and services or reduced demand for products and services due to fines. - Decrease in cash flows of subsidy-dependent clients due to the elimination of government subsidy policies.	Continuous monitoring of national and regional policies and timely feedback of relevant information to business units, as well as incorporating climate change considerations into due diligence and investment decisions.
	Technology	Financial Service, Lending and Financing	A decline in the share price or an increase in credit risk due to additional costs associated with low carbon transition or an untimely transition that results in lower revenues and lower profits, which could lead to impairments of Far East Horizon's assets. The financial impact on portfolio companies may include the following: - The emergence of low-carbon technologies results in the write-off and early retirement of clients' existing assets. - Reduced demand for clients' products and services during the low-carbon transition process. - Increased spending by clients on research and development of emerging and alternative technologies. - Increased costs for clients to adopt and implement new practices and processes.	Formulating the <i>List of Industries Classified for Access</i> , where high-risk industries such as carbon-intensive industries are listed as "restricted" or "compressed" to scale down the business conducted with them.
		Equipment Operation	Operation	In the context of tackling climate change and promoting low-carbon transition, the development and application of low-carbon technologies are gradually replacing traditional emission intensive technologies and equipment, and Horizon Construction Development's business may phase out high-emission technologies and equipment and thus invest in the acquisition of new low-emission technologies and equipment, which may lead to an increase in capital expenditures and operating costs.
	Market	Financial Service, Lending and Financing	Lower revenues for portfolio companies as a result of market contraction due to the low carbon transition, which increased credit risk and resulted in the impairment of Far East Horizon's assets.	Formulating the <i>List of Industries Classified for Access</i> , where high-risk industries such as carbon-intensive industries are listed as "restricted" or "compressed" to scale down the business conducted with them.
	Reputation	All Operations, Operation	Institutional investors have been more concerned about climate change and environmental issues, and investors have become skeptical about the safety of their assets and have even withdrawn their investments in large numbers, resulting in a decline in the company's investable capital. For example, negative press (e.g., greenwashing) on green bond projects issued by the Company, which in turn affects the Company's reputation.	Enhance the transparency of climate-related information disclosure through ESG reports, TCFD reports, official websites, WeChat post and other channels in accordance with internationally recognized disclosure frameworks.

Table 2-6: Transition Risk Assessment Results

Risk Category	Impact Scope	Potential Impact	Response	
Transition Opportunity	Product and Service	Financial Service	The market for green financial products continues to expand, giving rise to more flexible product innovations such as green funds and green trusts to meet the specific needs of clients.	Launching diversified financial products themed on carbon neutrality and sustainable development, exploring green stock assets, issuing green bonds, issuing sustainable development-linked bonds and other green financial products.
		Equipment Operation	With the increasing frequency of climate hazards, the market demand for green city construction and urban infrastructure construction has increased, and Horizon Construction Development now has a head start in equipment holding and sustainable materials.	Continuous monitoring of the development of new equipment and technology, and timely replacement of diesel equipment.
	Market	Financial Service	Under the carbon neutral policy, the financing needs of small and medium-sized energy-saving and environmental protection service enterprises will increase, and green financial business will be more popular in the market.	Explore new demand for transition funds, enhance the connection between green funds and the green transition of the real economy through green financial business and service innovations. Develop investment and financing policies to guide the inflow of funds into green activities and enhance operating income.
		Equipment Operation	Overseas markets are relatively vulnerable to climate change, and the demand for equipment and construction projects may increase in line with the intensified impact of climate change, so there is more market opportunity for Horizon Construction Development.	Continuously focusing on the new direction of urban construction development and supporting the construction of green cities.

Table 2-7: Transition Opportunity Assessment Results

Based on the total amount of accumulated assets and sector vulnerability to climate change, we have identifies 5 sectors for quantitative analysis, namely Chemicals, Construction, Industrial and Machinery Manufacturing, Electronic Equipment and Road Transport & Infrastructure. The assessment was carried out based on appropriate climate indicators (see Table 2-4: Transition Risk Indicators). The results show that Chemicals, Construction and Road Transport & Infrastructure sectors are shown to be at a low risk level in the short term (2025), but the risk rises significantly in the medium to long term. The Electronic Equipment sector has an overall opportunity rating higher than the risk rating, mainly due to the electrification of markets and economies and the development of the renewable energy industry, which is expected to be a key driver of decarbonization. The Industrial and Machinery Manufacturing sector has a greater level of opportunity than risk in the short term, while risk level is expected rise in the medium to long term.

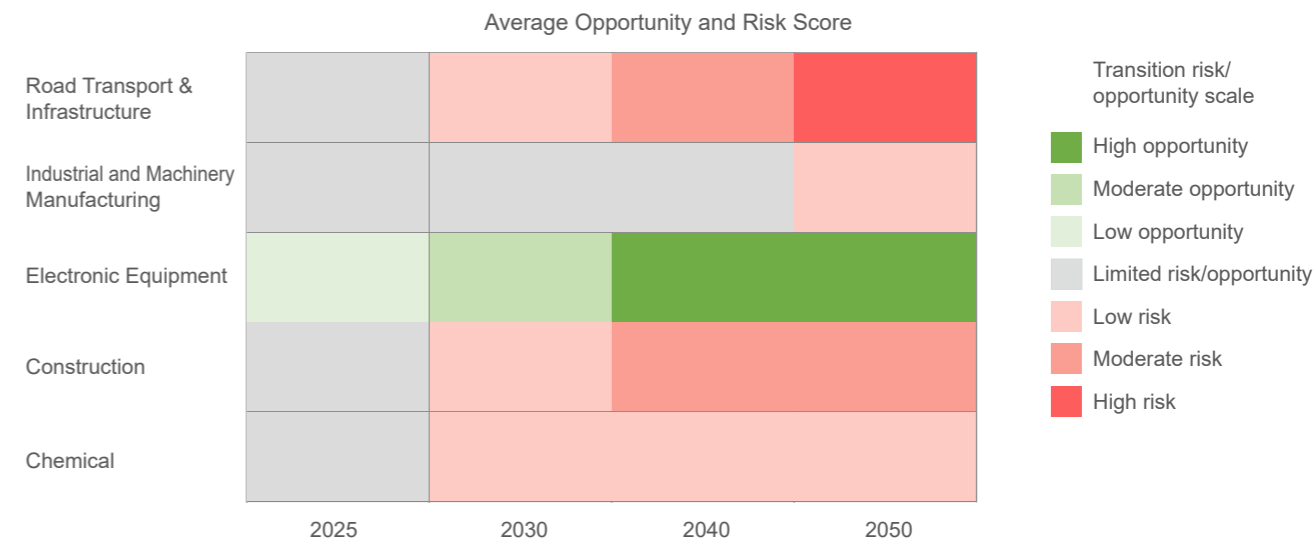


Table 2-8: Heat Map of Transition Risks in 5 sectors

Financial Impact Assessment

To assess the impact of transition risk on credit risk, the Company adopts the scenarios developed by NGFS to construct a bottom-up sector-level transition risk modeling framework with reference to the regulatory requirements of the Hong Kong Stock Exchange and peer practices, and selects the period from 2025 to 2050 as the timeframe for climate risk financial quantification. This is to measure the financial stress faced by industry participants in the light of climate factors such as energy restructuring, rising energy prices and the cost of additional carbon taxes, thus further estimate the underlying climate risk exposure of Far East Horizon.



Scenario

- Current Policies
- 2050 Net Zero



Assessment scope

- Sector: Industrial and Machinery Manufacturing, Electronic Equipment³
- Time horizons: 2025, 2030, 2040, 2050



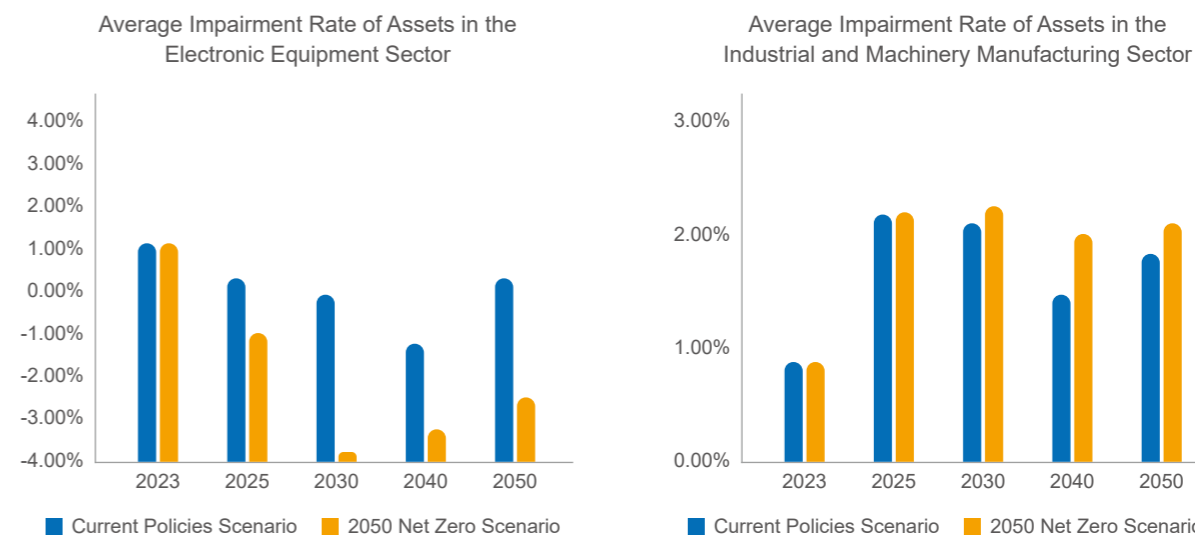
Transmission pathways

- Construct climate indicators under different scenarios applicable to the characteristics of clients in the sector, e.g. GDP, carbon price, investment in carbon reduction technologies, industry carbon emissions, etc.
- Identify the financial indicators (including revenue, operating costs, cost of sales, etc.) that could be affected by climate indicators, and clarify the sensitivity of corporate financial indicators to climate indicators by analyzing the financial statements of clients, industry research reports, etc., and calculate stressed financial data using relevant rules and models.
- Use the Company's internal risk assessment model to assist us in understanding risk exposures to potential losses due to client defaults considering climate factors.

³ Due to the availability of client financial data, this quantitative analysis only covers selected clients.



Climate stress test results



For Electronic Equipment sector, the results show that the average asset impairment rate decreases from 2023 under both scenarios. Under the 2050 Net Zero scenario, the average asset impairment rate falls below 0 after 2025. This suggests that under the influence of climate factors, the economic, technological, or legal environments in which Electronic Equipment companies operate, and the markets in which their assets are located will have a positive impact on the companies. In contrast, the average asset impairment rate for the Industrial and Machinery Manufacturing industry has increased in both scenarios, with a more significant upward trend under the 2050 Net Zero scenario. This indicates that profits realized on its assets will be lower than expected.

In the future, we plan to improve upon this assessment. This means that we will continue to refine climate stress testing methodology, meanwhile expanding sector coverage. We will also make timely adjustments to the Company's investment and financing strategy in accordance with the results of our analysis, so as to strengthen climate resilience.

RISK MANAGEMENT

In order to facilitate the climate transition, Far East Horizon will continue to regularly assess climate risks and opportunities and look for ways to support the low-carbon transition throughout our value chain. We have established a comprehensive risk management mechanism to monitor the business environment, operations and risk management practices of the Company itself and its portfolio companies, which enable us to discover potential risk in advance. The Company then identifies the type, degree and cause of risks and its development trend, track and monitor the effectiveness risk management, and take targeted measures to prevent, control and mitigate risks in a timely manner.

In 2023, Far East Horizons, with the support of third-party experts, undertook a comprehensive and systematic assessment of climate-related risks and opportunities, which included the following four main steps:



Figure 3-1: Climate-Related Risk Management Process



RISK IDENTIFICATION

With the assistance of external third-party experts, the Company forms a long list of climate change risks and opportunities (including physical & transition) relevant to its own operations and value chain. This is done by combining the results of peer benchmarking, macroeconomic policies research, and interviews with internal stakeholders in different business units and functions of the Company.

RISK ASSESSMENT

Using a combination of qualitative and quantitative assessments, Far East Horizon has used external data platforms and tools to conduct scenario analysis of the identified climate risks and opportunities, including the time horizon, scope (business and value chain), and the financial impact, etc. We ranked the risks based on results and prepared response measures accordingly. (For more details on the risk assessment, please refer to the [2. Strategy](#) section of this report).

RISK MANAGEMENT

As the climate change challenge exacerbate, governments are accelerating climate change adaptation and mitigation measures to promote the low-carbon transition. While the climate risk and opportunities assessment enabled the Company to recognize and establish risk mitigation and adaptation mechanisms, we also realized the need for the Company to take advantage of the "Finance + Industry" strategy. That is, the Company should engage ESG practices in various fields of its operation, connecting the demand for transition funds with actual transition services. In the meantime, we are also committed to reducing the carbon footprint in our operations through a number of energy-saving and emission reduction initiatives.

OPERATIONAL LEVEL

In 2022, Board of Directors adopted the company's low-carbon strategic vision with the aim of achieving net zero emissions throughout its value chain by 2050. In 2023, we began a systematic screening for Scope 3 emissions in accordance with the requirements of the Greenhouse Gas Accounting System (GHG Protocol) and the Partnership for Carbon Accounting Finance (PCAF). At present, we are calculating emissions from our financing and lending activities (Category 15 Investments) and emissions from leased equipment of Horizon Construction Development (Category 13 Downstream Leased Assets).

Based on our existing emissions reduction targets and initiatives, we are working on setting a emission target based on the Science Based Target (SBT) methodology and design an emissions reduction roadmap accordingly. We are committed to engage with our value chain to reduce emissions and actively communicate with internal and external stakeholders, so as to increase climate resilience altogether.

BUSINESS LEVEL

Far East Horizon has a sound risk governance structure, as well as relevant policies and management standards. The risk management framework covers strategic risks, credit risks, market and legal risks, which also includes risks related to environmental protection, social responsibility and corporate governance. Relevant departments and business units are required to establish risk management procedures, monitor risk indicators and risk thresholds, and to strengthen ESG risk management.

Restrictions on Investment in High-Emitting Industries

In response to climate-related risks, Far East Horizon has incorporated climate change and geological factors into due diligence and investment decision-making process. We have formulated *List of Industries Classified for Access*, which assigns "restricted" or "compressed" ratings to higher-risk industries, such as carbon-intensive industries, to reduce lending activities in such sectors and industries.

Supporting Green Finance

In 2023, the Company developed the *Far East Horizon Co., Ltd. Sustainability Financing Framework* to set out its relevant criteria, governance, and process for the Company's proposed green, socially responsible and sustainability bonds or loan instruments ("Sustainability Financing") to finance and/or refinance eligible assets or projects. Under the guidance of this framework, we have actively explored the development and innovation of green financial products to serve the financing needs of enterprises while facilitating momentum of green development of the real economy.

Green Fund

In Hong Kong, two subsidiaries of Far East Horizon, Far East Horizon Construction Investment, Far East Horizon International signed a strategic cooperation agreement with Hong Kong Tianxi Capital Investment Management Co., Ltd. ("Tianxi Capital"). According to the agreement, the three parties will carry out in-depth and diversified cooperation in the field of green infrastructure in Mainland China, Hong Kong, Southeast Asia and other relevant countries or regions around the world. The agreement plans to set up a green infrastructure fund with a total target size of US\$1 billion, focusing on investments in distributed photovoltaic power plants, energy storage, integrated energy and charging stations and other related areas.



Picture: Signing Strategic Cooperation Agreement

Sustainable Development-Linked Syndicated Loans

In June 2023, Far East International Financial Leasing Co., Ltd., a subsidiary of Far East Horizon, successfully completed the Company's sustainable development-linked syndicated loan with a size of RMB 600 million, which was jointly issued by Bank of China and Agricultural Bank of China.

With respect to the amount of financial leasing business placement in the sewage treatment industry, based on the baseline value of RMB 690.75 million in 2022, Far East Leasing proposes the following sustainability performance target (SPT): in 2025, the amount of financial leasing business placement in the sewage treatment industry shall not be less than RMB 900.00 million.

With respect to the amount of marine vessel finance lease business placement, based on the baseline value of RMB 0.00 million in 2022, Far East Leasing proposes the following sustainable development performance target (SPT): in 2025, the amount of marine vessel finance lease business placement is not less than RMB 200.00 million.

During the term of the loan, a third-party organization will annually evaluate and validate Far East Leasing's achievement of the Sustainability Performance Targets (SPT) and issue an assessment report which will include, but not be limited to performance of the linked targets during the reporting period, the realisation of sustainability benefits, and Impact of linked target performance have on the loan structure.

Guolian Securities-Far East Leasing 2022 Green Asset Support Special Program

The total amount of securities in this period is RMB 2,105.4 million,, and the underlying assets are financial leasing bonds suitable for securitization. It is confirmed as green bond and awarded G-1 grade though the green bond evaluation and approval of Zhongcheng Lvjin Technology (Beijing) Co, Ltd. The green industries that the project's underlying assets covers include, but are not limited to, photovoltaic power generation, new energy vehicle manufacturing, solar energy equipment production, wastewater treatment, and other fields that are widely supported by government policy. All green projects of the underlying asset shall meet the relevant categories in the *Green Industry Guidance Catalogue (2019 edition)* and the *Green Bond Endorsed Projects Catalogue (2021 Edition)*, have good environmental benefits, and are in line with the national green development direction. The company provides financial support for the green transformation and development of society through green bonds, green ABS, green bilateral loans, overseas green syndicate and other ways to support energy conservation and emission reduction.

In addition, we give full play to our professional advantages and leading role in the field of green finance and take the initiative to participate in global green initiatives. We have become a TCFD supporting organization and are working together with our industry partners to contribute to the active response to climate change.

RISK INTEGRATION

In order to ensure the consistency of our risk management approach and the standardization of risk assessment and risk prioritization criteria, we will gradually incorporate climate-related risks into our comprehensive risk management system. For identified climate risks, they are included in the risk tracking system as with other categories of Far East Horizon's risks, and the implementation and effectiveness of their risk mitigation measures are regularly assessed and reported.



METRICS AND TARGETS

In response to the Paris Agreement and the carbon neutrality targets of China and Hong Kong SAR, on December 14, 2022, the Board of Directors of Far East Horizon considered and passed a motion on the Carbon Target Planning of the Company, which clearly defines "the carbon peaking and carbon neutrality goals": taking 2021 as the base year, striving to achieve carbon peaking in 2025, and striving to achieve carbon neutrality in the whole value chain by 2050. In 2023, the Company's emission intensity is 3.5 t CO₂e/Million RMB, a decrease of 56.8% compared with 2021, which has already achieved the short-term emission target.

In 2023, the Company's emission intensity is

3.5 t CO₂e/Million RMB

A decrease of
56.8%
compared with 2021

Goal Details

Short-Term

- Striving for Carbon Peaking by 2025
- Linear reduction in GHG emissions density per unit of income by 2% per year between 2021-2025 (i.e., 8% reduction over four years compared to the base year).

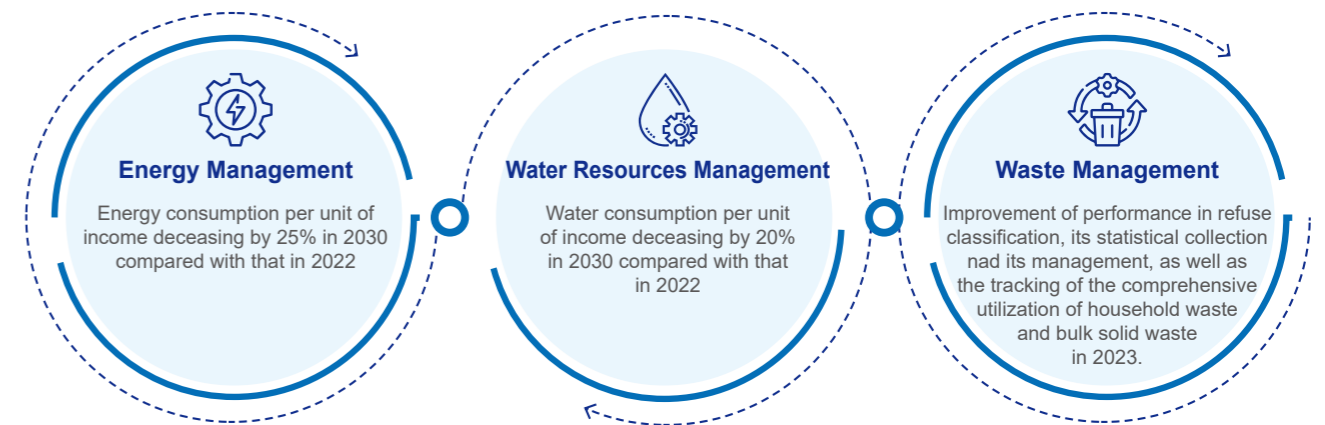
Medium-Term

- Linear reduction in GHG emissions density per unit of income by 4% per year between 2025-2030 (i.e., 20% reduction over five years from the base year).

Long-Term

- Striving for full value chain carbon neutrality by 2050.

We have also set quantitative targets for energy, water, and waste, and regularly track the achievement of these indicators and targets.



In addition, the Company actively practices "Conservation Culture" to endorse eco-environmental protection, supports the realization of the national goal of "Carbon Peaking and Carbon Neutrality", and strives to achieve the "synergistic effect of pollution reduction and carbon reduction". We do so by accelerating the innovation of green finance products and services, facilitating the social transformation with the power of finance. At the business level, we have proposed the following green leasing objectives:

With respect to the amount of financial leasing business placement in the sewage treatment industry, based on the baseline value of 2022, the amount of financial leasing business placement in the sewage treatment industry of RMB 690.75 million, Far East Leasing proposes the following sustainability performance target (SPT):

In 2025, the amount of financial leasing business placement in the sewage treatment industry shall not be less than RMB

900.00 million

With respect of the amount of marine vessel finance lease business placement, based on the baseline value of 2022, the amount of marine vessel finance lease business placement of RMB 0.00 million, Far East Leasing proposes the following sustainable development performance target (SPT):

In 2025, the amount of financial leasing business placement for the marine vessel industry shall not be less than RMB

200.00 million

Far East Leasing selects the cumulative investment amount of leasing business in green areas and small and micro inclusive areas⁴ as the key performance indicators and set the following targets:

From January 1, 2019, to September 30, 2023, the cumulative amount of the leasing business in the green area as well as in the small and micro inclusive area shall not be less than RMB

100.00 billion

⁴ Leasing business in the green area refers to the leasing business where the corresponding project of the leased object is in line with the *Green Bond Endorsed Projects Catalogue (2021 Edition)*; and leasing business in the micro and small inclusive area refers to the leasing business for micro and small enterprises with a single credit size of less than RMB 10 million that meet the requirements of the Inclusive Finance Department and have financial needs for the acquisition of equipment, R&D investment and supplemental working capital.

In 2023, Far East Horizon determined the operational boundaries using the control approach, continued to carry out the company-wide Scope 1 and 2 carbon inventory, and initiated the Scope 3 carbon accounting work to continue to improve the transparency of the Company's carbon footprint. At the same time, we regularly monitor, collect, analyze and evaluate climate-related indicators, and regularly disclose our performance.

Indicator	Unit	2021	2022	2023
GHG emissions				
Aggregate GHG emissions (Scope 1)	tCO ₂ e	204,084.39	123,602.98	71,591.94
Aggregate GHG emissions (Scope 2)	tCO ₂ e	68,539.31	62,608.93	61,769.63
Aggregate GHG emissions (Scope 1 and Scope 2)	tCO ₂ e	272,623.70	186,211.91	133,361.57
GHG emissions per unit of revenue (Scope 1 and Scope 2)	tCO ₂ e/RMB million	7.18	5.09	3.51
Energy utilization				
Total energy consumption	tce	107,216.73	70,877.60	49,622.39
Energy consumption density per unit of revenue	tce/RMB million	3.19	1.94	1.31
Aggregate natural gas consumption	m ³	1,662,056.70	1,589,229.94	1,619,498.00
Gasoline consumption of self-owned vehicles/mobile devices	liter	3,253,533.51	1,955,586.70	2,729,332.00
Diesel consumption of self-owned vehicles/mobile devices	liter	7,657,412.85	9,977,494.71	10,327,744.00
Total electricity consumption	MWh	125,191.20	104,779.47	103,000.00
Aggregate steam and hot water procurement	GJ	41,957.13	47,554.16	51,870.63
Use/production of clean energy				
Renewable energy production (aggregate)	MWh	84,621.80	103,283.00	727,683.50
Utilization of water resources				
Aggregate water consumption	m ³	2,860,904.71	2,314,272.07	2,138,066.40
of which, recycled water consumption	m ³	184,223.00	9,845.74	6,350.00
Water consumption per unit of revenue	m ³ /RMB million	85.03	63.59	56.32
Solid waste				
Aggregate solid waste generation	ton	25,159.80	15,055.32	23,258.56
of which, aggregate recyclable solid waste	ton	418.22	2,875.71	0.00
Solid waste generation per unit of revenue	ton/RMB million	0.75	0.41	0.61
Aggregate hazardous waste generation	ton	3,639.78	1,711.94	1,881.03
of which, medical waste (HW01, HW02, HW03)	ton	2,457.14	1,533.05	1,712.36
of which, chemical waste (HW06, 09, 12, 13, 17, 21, 22, 33, 34, 35)	ton	1,098.36	14.21	6.87
Hazardous waste				
of which, electronic waste (HW10)	ton	0.12	1.26	0.60
of which, other waste (HW49)	ton	84.16	163.42	161.20

Indicator	Unit	2021	2022	2023
Industrial waste gas				
SO ₂	kg	20.52	60.00	0.00
VOC	kg	44.69	5.00	0.18
Mobile-source exhaust emissions				
SO ₂	kg	5,486.87	779.20	206.90
NO ₂	kg	38,537.82	30,554.50	28,296.73
PM	kg	3,588.10	2,844.81	2,711.29
Wastewater pollutants				
NO _x	kg	36,679.92	14,282.96	2,086.12
COD	kg	202,260.71	506,790.46	327,478.37
BOD	kg	22,098.44	69,725.39	35,038.36
Ammonia nitrogen	kg	5,588.72	28,985.86	19,333.44

Table 4-1 Far East Horizon Climate Indicators

IFRS S2 INDEX

Climate Related Disclosure	Article	Corresponding Section in this Report
Objective	Article 1-2	Full Report
Scope	Article 3	Full Report
Governance	Article 4-6	1 Governance
Strategy	Article 7-8	2.1 Physical Risk 2.2 Transition Risk
	Article 9-12	
	Article 13	
	Article 14	
	Article 15	
Risk Management	Article 16-18	3 Risk Management
Metrics and targets	Article 19-24	4 Metrics and targets



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