



恒生投資
HANG SENG INVESTMENT

Hang Seng Investment Management Responsible Investment Policy

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Introduction

At Hang Seng Investment Management (HSVM), it is our mission to enhance the long term value for our client's investment by integrating responsible investment across all its investment strategies. We believe that, over the long term, integrating responsible investment have an impact on financial performance and value creation. What's more, we regard responsible investing as an essential element in fulfilling its fiduciary duty to the best interests of our client.

This policy outlines HSVM's ambition and approach to responsible investment and how we implement responsible investment commitments across all our major asset classes.



1. Responsible Investment Policy

The starting point for our approach is that we believe that responsible investment, and that ESG factors, will impact the sustainability of financial performance of the securities which we invest. HSVM's approach to Responsible Investment include the following areas:

- Responsible Investment - Fund Managers and Investment Analysts who are responsible for active investments will consider ESG factors alongside financial and other business-related factors during the investment process.
- Active Engagement - Engagement with companies forms part of our stewardship activity. Relevant ESG topics will be included in the engagement discussions. In addition, HSVM has established a Proxy Voting guideline which includes some of our views on ESG related topics.
- Controversial weapons - Investment in companies involved in the manufacture of cluster munitions and anti-personnel mines was banned for both passive and active investment.
- Climate Risks - Represents an urgent threat to societies and economies around the world. We support the Paris Climate Agreement and to lower the carbon economy and limit the global average temperature rise to below 2 degrees Celsius. HSVM will integrate climate risks into the investment process.



2. Our Responsible Investment Approach

Given the continuous development of ESG practices and ESG disclosures in global investment markets, HSVM is constantly reviewing and evolving our Responsible Investment approaches. Below are the key approaches being adopted.

2.1 Integration of ESG factors

We believe ESG issues can have a material effect on company fundamentals and performance over the long term. Evaluating how company manage its impact on the environment and relationships with stakeholders enables us to identify potential risks and opportunities. To strive for best practices, our ESG integration practices will be reviewed at least on a yearly basis, and may be modified properly according to changing industry practices, regulatory requirements and social expectations.

For active investment strategies, consideration of ESG factors is included as part of the investment process, alongside the analysis of financial and business factors. This allows us to identify suitable investment opportunities with sustainable returns. Our ESG analysis is based mainly on data from our selected third-part ESG data provider, coupled with our own in-house research and engagement. Key elements of our ESG analysis is highlighted below.

PILLARS	KEY THEMES
ENVIRONMENT	Climate Change Natural Capital Pollution & Waste Environmental Opportunities
SOCIAL	Human Capital Product Liability Stakeholder Opposition Social Opportunities
GOVERNANCE	Corporate Governance Corporate Behavior



The following sources of information is applied for HSVM's ESG analysis:

- Third-party ESG rating analysis and database to provide us ESG scoring and in-depth ESG research reports;
- Active engagement with companies to collect industry and company specific ESG information;
- Regular ESG disclosure announced by companies;
- Daily observation of market and company-specific development.

2.2 Asset classes

For active equity strategies, the abovementioned ESG approach would be adopted, including ESG rating incorporation, engagement and voting responsibilities; negative screening and exclusion list of securities in the investment decision.

These approach would also apply to fixed income investment such as corporate bonds, although voting rights is more applicable in equity markets. Moreover, ESG factors, especially corporate governance issues, play an important role in our credit analysis. For government bonds, we will make reference to country rating assigned by third-party ESG rating agencies, as well as our internal analysis.

For passive strategies, clients are seeking exposure to an index. Companies in the index are not generally excluded based on ESG grounds with the exception of those companies involved in controversial weapons production, or is explicitly stated as part of the purpose of the fund.

2.3 Active Ownership and Stewardship

Active ownership is a key pillar of our responsible investment. We exercise our active ownership mainly through (a) Active Engagement; (b) Proxy Voting; and (c) Stewardship.

a) Active Engagement:

- We communicate with companies regularly to: (i) improve our understanding of their business and social responsibility strategy, and/or (ii) express support or raise concerns on management actions, including ESG matters and/or, (iii) to deliver our expectations and suggestions.



- In past few years, our investment team conducted more than 200 company meetings on an annual basis. We also supplement our ESG analysis by sending questionnaires on a needed basis.

b) Proxy Voting:

- Our voting is intended to support and encourage corporate best practices to protect shareholder's interests and to adhere with relevant governance framework.
- We aim to vote at all meetings across our investments, except when it is impractical or un-economical to do so.
- We vote in accordance to our Proxy Voting Guidelines, which aim to protect investors' interests and foster good practice.

c) Commitment to fulfil regulatory recommendations:

Our practice will follow all regulatory recommendations and comments, where practical, and these includes:

(i) 7 Principles of Responsible Ownership issued by SFC:

- Principle 1. Investors should establish and report to their stakeholders their policies for discharging their ownership responsibilities
- Principle 2. Investors should monitor and engage with their investee companies
- Principle 3. Investors should consider and establish clear policies on when they will escalate their engagement activities
- Principle 4. Investors should have clear policies on voting guidance
- Principle 5. Investors should be willing to act collectively with other investors where appropriate
- Principle 6. Investors should report to their stakeholders on how they have discharged their ownership responsibilities
- Principle 7. When investing on behalf of clients, Investors should have policies on managing conflicts of interests

(ii) Recent circulars, including but not limited to following:

- Guidance on enhanced disclosures for funds which incorporate ESG factors as a key investment focus
- Management and Disclosure of Climate-related Risks by Fund Managers



2.4 Banned Weapons Exclusions

Following HSBC group's Banned Weapons policy, we have excluded investment in companies involved in the manufacture of Anti-personnel mines, Biological weapons, Blinding laser weapons, Chemical weapons, Cluster munitions and Non-detectable fragments in all our portfolios. The list of companies is compiled with assistance from a leading third-party research partner and is reviewed on an ongoing basis.

2.5 Climate Risks

For climate related risks, our approach is to increase the resilience of our investments by investing in industries, or companies, with outstanding or improving carbon emissions practices within their own industries. We will measure the overall portfolio carbon emission and climate risks; and encourage companies with poor performance to improve their carbon emission standard and climate risk control.

2.6 Conflicts of Interest

Our engagement and voting are focused upon advancing and protecting the interests of our clients as investors in companies and other issuers.

We recognize that actual and potential conflicts of interest may arise in our engagement and voting. We have established policies and procedures to identify and manage such conflicts. These include: functional and operational independence from other HSBC Group companies and Hang Seng Bank, guidelines for our proxy voting, as well as procedures to escalate, manage and monitor conflicts.

Oversight of conflicts of interest is embedded within our governance framework, which includes regular risk management meetings, ESG Steering Committee meetings, and included in the Chief Executive Officer's responsibility to ensure compliance with HSVMs conflict of interest policy. This includes ensuring the HSVM business and its employees have identified, prevented and managed all types of potential conflicts that could reasonably arise in the context of HSVM's activities; and incorporate conflict of interest management into its day-to-day activity and decision making.



2.7 ESG Accountability and Governance Structure

We have established an ESG Working Group to design and supervise our ESG initiatives. This Group is under the supervision of the Chief Investment Officer, Chief Risk Officer and Chief Operations Officer, and consists of ESG champions across our investment and risk management teams. The ESG Working Group is also supported by relevant operation teams.

An ESG Steering Committee; which is a subcommittee of HSVM Executive Committee; comprising the most senior members in HSVM, namely the CEO, CIO, CRO and COO, has been established to; oversee the progress in implementing the Stewardship and ESG integration; set relevant ESG policies and guidelines; provide direction on the development of ESG integration for the firm; provide regular ESG updates to HSVM Executive Committee as well as the Hang Seng Bank ESG Steering Committee.

Moreover, our senior management reviews the responsible investment policy and validate the responsible investment strategy on an annual basis.