



恒生投資
HANG SENG INVESTMENT

Responsible Investment Policy

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Contents

Introduction

1. Responsible Investment Policy Standards

2. Our Responsible Investment Approach

2.1 Integration of ESG factors

2.2 Asset Classes

2.3 Active Ownership and Stewardship

2.4 Banned Weapon Exclusions

2.5 Climate Risks

2.6 Conflicts of Interest

2.7 ESG Accountability and Governance Structure



Introduction

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

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



1. Responsible Investment Policy Standards

The basis of our approach is our belief that responsible investment and ESG factors will impact the sustainability of the financial performance of the securities which we invest in. HSVM's approach to responsible investment includes the following areas:

- Investment Process - Fund managers and investment analysts who are responsible for active investments will consider ESG factors, including climate-related risks, along with 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 incorporates our views on ESG related topics.
- Restricted Investment - Companies involved in banned weapons are prohibited from both passive and active investment.



2. Our Responsible Investment Approaches

To demonstrate our commitment to responsible investment and our pursuit in building a more sustainable financial system, HSVM became a signatory to the Principles for Responsible Investment (PRI) in December 2021. Given the continuous development of ESG practices and ESG disclosures in global investment markets, HSVM is constantly reviewing and enhancing our responsible investment approaches. Below are the key approaches we adopted.

2.1 Integration of ESG factors

We believe that ESG aspirations can have material bearings on a company's fundamentals and performance over the long term. Evaluating how a company manages its impact on environmental, social and governance issues enables us to identify potential risks and opportunities. We review our ESG integration practices at least on a yearly basis, modifying them in response to changing industry practices, regulatory requirements, and social expectations.

The identification and consideration of ESG factors in our active investment strategies are included as part of the investment process, along with the analysis of financial and business factors. We regularly review the ESG performance of our investee companies through our ESG Investment Review Meetings. Based mainly on data from reputable third-party ESG data providers, coupled with our own in-house research and engagement, our ESG analysis identifies investee companies with significant ESG risks, including climate-related risks. The key elements of our ESG development and integration are highlighted below:

Environmental

To support the goals of the Paris Agreement and to manage the impact of climate change, HSVM has set a climate goal of achieving a 30% reduction of our entity-level weighted average carbon intensity ("WACI")¹ of Scope 1 and Scope 2 GHG emissions by 2025, and a 50% reduction by 2030, as compared with 2019². HSVM, being a subsidiary of Hang Seng Group, will also join the group in contributing to HSBC Holdings plc's ambitions of aligning the financed emissions in its portfolio of customers to net zero by 2050.

¹ Weighted Average Carbon Intensity ("WACI") (tCO₂e/ m\$): the portfolio weighted average of investee companies' Carbon Intensity (tonne emissions/ million USD sales)

² Carbon reduction targets are measured on 31 December 2025 and 31 December 2030, with a base year of 31 December 2019



We are devoted to the cause of carbon emission reduction through:

- Assessing and accounting for climate-related risks and opportunities in our investment decisions to strengthen the climate resilience of our portfolios.
- Encouraging investee companies to improve their transparency and disclosure of climate risk exposure and carbon emission reduction targets to the best of their efforts.
- Tracking progress towards our pre-set climate goal to sharpen our focus and demonstrate our commitment towards a net zero pathway.

Please find more details on our approach and commitments in our Climate Change Policy:

https://www.hangsenginvestment.com/cms/ivp/hsvm/document/ClimateChangePolicy_%20EN.pdf

Social

We uphold the significance of social values, pay attention to social-related issues, and encourage our investee companies to:

- Create an environment without discrimination with regard to employment and occupation.
- Support and respect internationally proclaimed human rights and prevent any forms of human rights abuses.
- Promote a working environment with equal opportunities and protect employee health and safety.

Governance

We focus on material factors like board structure and business ethics, and thus encourage our investee companies to:

- Adhere to anti-corruption practices, including those against extortion and bribery.
- Enhance their board structure, including board diversity and board independence, to be aligned with global standards.
- Prevent anti-competitive behaviours within their industries.

HSVM may consider the following sources of information when conducting an internal ESG analysis:

- Third-party ESG rating analyses and databases.
- Industry and company-specific ESG information collected through active engagement with companies.



- Regular ESG disclosures from investee companies.
- Daily observations of market and company-specific development.

2.2 Strategies on Asset Classes

We adopt the abovementioned ESG practices, including the inclusion of ESG factors and negative screening, along with corporate engagement, in our active equity strategies. The approach also applies, if applicable, to fixed income investments such as corporate bonds. We may refer to the government's ESG rating assigned by a third-party ESG data provider, as well as our internal analysis for our sovereign bonds.

In terms of passive and active strategies, we have an internal policy regarding restricted investments - banned weapons, and we also apply other forms of exclusions if it is explicitly stated as part of the purpose of the fund.

2.3 Active Ownership and Stewardship

Stewardship is a key pillar of our responsible investment. We perform our stewardship activities mainly through active engagement and proxy voting.

Active Engagement

If we deem engagement to be useful for HSVM to reach our investment objectives, our climate goals and other changing sustainable outcomes, we will engage with investee companies to:

- Improve our understanding of their business and social responsibility strategy, and/or;
- express support or raise concerns on management actions, including ESG matters, and/or;
- put forth our ESG expectations and suggestions.

Please find more details of our engagement framework and approach in our Stewardship and Engagement Policy at:

https://www.hangsenginvestment.com/cms/ivp/hsvm/document/SnE_Policy_EN.pdf

Proxy Voting

- We intend to vote for supporting and encouraging corporate best practices to protect shareholder's interests and to adhere to the relevant governance framework.
- We aim to implement voting at all meetings across our investments, except when it is impractical or uneconomical to do so.



- We conduct voting in accordance with our Proxy Voting Guidelines, which are designed to protect investors' interests and foster good practices.

Please refer to our website for our Proxy Voting Guidelines at:

<https://www.hangsenginvestment.com/cms/ivp/hsvm/document/ProxyVotingGuidelines.pdf>

2.4 Banned Weapons Exclusions

We have prepared a Restricted Investments - Banned Weapons policy, which excluded investment in companies involved in 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 Commitment to Fulfil Regulatory Recommendations

Our practices are compliant with the relevant regulatory recommendations and comments. The HSVM Business Compliance Workgroup is responsible for overseeing the progress of regulatory change initiatives led by various business units. It facilitates the implementation of applicable policy changes or updates, and actions arising therefrom. At the same time, the corresponding teams will identify regulatory compliance gaps and track the progress of regulatory compliance, with the coverage including, but not limited to, new or revised circulars, guidelines, relevant enforcement and enquiries from regulators.

2.6 Conflicts of Interest

Engagement and voting with regard to investee companies are focused on advancing and protecting the interests of our clients.

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

Oversight of conflicts of interest is embedded in our governance framework. Potential conflicts of interest will be internally reviewed by risk stewards, who will escalate any identified issues at risk management meetings for discussion and decision. It is the Chief Executive Officer's responsibility to ensure compliance with HSVM's conflict of interest policy, which provides



guidance to its employees on the identification, prevention and management of all types of potential conflicts that could reasonably arise in the context of HSVM's activities. The ultimate objective is to incorporate conflict-of-interest management into day-to-day activities and decision-making.

2.7 ESG Accountability and Governance Structure

The accountability and oversight of ESG integration and stewardship are embedded in our governance structure and are mainly carried out by the ESG Steering Committee and the ESG Investment Review Meeting.

ESG Steering Committee ("ESG SteerCo")

The ESG SteerCo is chaired by the Chief Executive Officer ("CEO") and its members include the Chief Investment Officer ("CIO"), the Chief Risk Officer ("CRO") and the Chief Operating Officer ("COO").

The ESG SteerCo performs the following functions:

- Provide direction and oversight on the progress of ESG pursuits across HSVM, including the investment process, operations, and risk management process.
- Allocate resources to ESG-related operations.
- Define and establish ESG strategies and goals, including the climate strategy.
- Set and review key performance indicators to track progress towards climate change targets.

The ESG SteerCo meets on a quarterly basis. Any updates on the integration of ESG will be reported to the ESG SteerCo.

ESG Investment Review Meeting

Structured under the ESG SteerCo, the ESG Investment Review Meeting is chaired by the CIO, and its members include the CRO and fund managers. The purpose of the ESG Investment Review Meeting is to oversee ESG integration in the investment process, such as by directing engagement with investee companies as needed, and reviewing ESG scores and climate-related risks across investment portfolios. Key ESG risks, including climate-related risks, will also be identified and monitored at the ESG Investment Review Meeting, to identify specific investee companies with ESG issues and to determine the appropriate actions to be taken, such as by engaging with the investee company concerned, tightening restrictions on



holdings, and, in extreme cases, prohibiting the holding of any stakes in the investee company concerned. The meeting is held on a quarterly basis.



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