



恒生投資
HANG SENG INVESTMENT

Stewardship and Engagement Policy

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Our Stewardship Ambition

Hang Seng Investment Management Limited ('HSVM') views stewardship as an effective channel to communicate with investee companies, to support our clients' long-term investment objectives. We discuss stewardship issues such as management strategies, deployment of capital, and the ESG standards that are linked to our clients' investment objectives. By communicating such issues with investee companies, we aim to act in the best interests of our clients, and reduce the potential financial loss and reputation damage to shareholders. We regularly review our stewardship practices and approaches to ensure that they are aligned with the prevailing market practices.

1. Scope of our Stewardship

We exercise stewardship oversight of investee companies, in accordance with our Stewardship and Engagement Policy ('Stewardship Policy'). This policy covers both passive and active strategies, as well as equity and fixed income asset classes.

The scope of our stewardship covers both the financial and non-financial aspects of the investee companies, such as their potential financial impacts, business strategies and relevant ESG issues.

2. Governance

The ESG Steering Committee is responsible for embedding the Stewardship and Engagement Policy within our governance structure and it is carried out by the ESG Investment Review Meeting.

ESG Steering Committee ('ESG SteerCo')

The ESG SteerCo directs and oversees HSVM's progress on its ESG strategy, including our engagement with investee companies, the investment and operations process and the risk management process. It is chaired by the Chief Executive Officer ('CEO'), with members



including the Chief Investment Officer ('CIO'), Chief Risk Officer ('CRO'), Chief Operating Officer ('COO'), Head of Sustainability and Head of Responsible Investment.

ESG Investment Review Meeting

This is a governance forum specifically designed for discussing and reviewing ESG matters in our investments. The forum is structured under the ESG SteerCo and is chaired by the CIO and deputy-chaired by Head of Responsible Investment. Its members include the CRO, Head of Sustainability, Head of Indexing, Head of Equities and Head of Fixed Income. The ESG Investment Review Meeting is responsible for overseeing the continual development of ESG integration in the investment processes, directing engagement with investee companies, and reviewing the ESG status, performance, and climate-related risks of investment portfolios, within the context of our client's investment objectives. The ESG Investment Review Meeting also identifies and monitors the key ESG and climate-related issues of our investee companies on a regular basis.

3. Engagement

HSVM's engagement activities with investee companies are determined based on our proprietary analysis, supplemented by external information and research such as public information, brokers' research reports and analyses from independent ESG research vendors.

3.1 Engagement Prioritisation

HSVM prioritises engagement activities based on the below factors:

- The significance of exposure to the investee companies, in terms of the total exposure in our portfolios.
- The ESG performance of the investee companies. Portfolio holdings with a poor ESG performance will be assigned a higher priority for engagement.
- Whether the investee company have material ESG-related issue or controversy that pose a significant risk.



- The quality and adequacy of a company's disclosure or ESG rating research. We assign a higher priority to engaging with companies with limited public information or research coverage.
- Thematic studies focusing on specific ESG issues.

The Responsible Investment Team works with the fund managers to identify target investee companies for engagement and reports its findings at the ESG Investment Review Meeting.

3.2 Engagement Tools and Approaches

The general purpose of the engagement is to establish a direct communication channel with our investee companies. HSVM uses a combination of the approaches listed below to engage with our investee companies:

- Company meetings: Fund managers conduct one-on-one or group meetings with the investee companies' management teams to understand a company's latest financial and business development.

Specific ESG topics, such as climate change, are also discussed with the investee companies at the ESG-focused meetings. The Responsible Investment Team will attend such meetings with the fund managers.

- Surveys and questionnaires: The Responsible Investment Team sends surveys or questionnaires to investee companies on specific ESG topics and to gather industry information.
- Collaborative engagement: HSVM recognises the benefits of collective actions and is open to joining forces with other investors to engage with investee companies on important issues, where it is consistent with the interests of our clients. Considering the resources and management required for such collaborative engagement, HSVM expects such collaborations to be occasional.

The Responsible Investment Team and the Investment Team will review the outcomes of the engagement process to determine any necessary follow-up actions. Quarterly updates on the engagement status will be provided to the ESG Investment Review Meeting. The Responsible



Investment Team monitors the ESG progress of the investee companies and reports to the ESG Investment Review Meeting on an ongoing basis.

3.3 Escalation Strategies

For investee companies that fail to address or meet a reasonable ESG-related standard, or that are non-responsive to specific ESG issues over a period of time, the Responsible Investment Team will report the situation to the ESG Investment Review meeting to determine whether escalation actions are needed. If such actions are deemed to be required, the Responsible Investment Team will correspond in writing to raise our concerns again with the investee companies. HSVM does not restrict the types of escalation action that may be applied. Escalation strategies may include, but are not limited to: 1) voting; 2) collaborative Engagement; and 3) a reduction of our portfolio holdings in the concerned companies, if deemed appropriate.

3.4 Engagement with Policymakers

HSVM recognises that engagement with policymakers is an effective channel to contribute to industry ESG discussions and disclosure standards. We may respond to policymakers' policy consultations and join industry associations to drive discussions on relevant topics, in order to contribute our ideas to the policymakers as part of the industry's collective action.

4. Proxy Voting

HSVM understands that exercising our voting rights is an important aspect of stewardship. Our Proxy Voting Guidelines explain the general principles and guidelines that HSVM adopts in casting proxy votes to reflect the views of the Investment Team.

We aim to exercise all proxy votes to the extent that it is practical, unless the cost or other associated burdens mean that it will not be in our clients' interest to do so. Please refer to our website for our Proxy Voting Guidelines at:

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



5. Conflicts of Interest

HSVM recognises that conflicts of interest may arise from our engagement and proxy voting activities. For the best interest of our clients, HSVM is dedicated to delivering fair outcomes for our clients and to applying a consistent and transparent approach to dealing with conflicts. Hence, we have developed and implemented internal policies and procedures that are designed to reasonably identify, prevent, and manage potential or actual conflicts.

HSVM has procedures in place to:

- Identify all types of potential conflicts that could reasonably arise in the context of its activities.
- Maintain registers of all identified potential conflicts.
- Prevent or manage conflicts on an ongoing basis.
- Disclose conflicts, where appropriate.
- Maintain evidence of all occurrences of conflicts that cannot be managed.

The oversight of conflicts of interest is embedded within HSVM's governance framework and consists of the following:

- HSVM's CEO is ultimately responsible for compliance with all aspects of our Conflict of Interest Policy and actively engages in conflict management.
- The Risk Management Meeting is comprised of HSVM's senior leadership team, which reviews and approves HSVM's Conflict of Interest Register at least annually.
- The Compliance Team is responsible for providing advice and guidance regarding identifying, preventing or managing conflicts.



6. Conclusion

HSVM's Stewardship and Engagement Policy is designed to support our clients' long-term investment objectives. The framework in this policy positions us well for constructive engagement with investee companies.