



恒生投資
HANG SENG INVESTMENT

Responsible Investment Policy

Jun 2024





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Our Responsible Investment Strategy

At Hang Seng Investment Management Limited ("HSVM"), we incorporate environmental, social and governance ('ESG') considerations when making investment decision while ensuring investors' best interest. We envisage that, over the long term, integrating ESG factors in our active investments and stewardship considerations across our investment portfolios will achieve our clients' investment objectives.

To demonstrate our commitment to responsible investment and building a more sustainable financial system, HSVM became a signatory to the UN Principles of Responsible Investment ('UNPRI') in December 2021. Signatory to UNPRI is consistent with HSVM's management of client investment interests.

This policy outlines HSVM's approach to responsible investment, our implementation of UNPRI principles and adherence to local regulations across all our major asset classes while ensuring our client's investment interests.



1. Policy Scope

The policy covers both passively managed and actively managed strategies, as well as equity and fixed income asset classes under management depending on the investment strategy articulated in the fund prospectus and/or client agreement.

For passively managed strategies that track a benchmark index, stewardship activities are typically the primary focus because the security selection is determined by the index. However, our passively managed ESG funds' benchmarks already incorporate ESG considerations in its constituent weights to reduce the overall sustainability risk profile, or exposure to a particular ESG factor.

For actively managed strategies that fund manager has discretion in investment decision, ESG consideration are incorporated in the security selection and stewardship activities are exercised where such incorporation is in line with achieving our clients' investment interests.

2. Responsible Investment Principles

Our responsible investment approach takes ESG considerations into account to assess the risks and opportunities, and to ascertain the sustainability of the companies we invest in when we make our investment decisions. Our policies on Stewardship and Engagement, Climate Change, and Proxy Voting Guideline elaborates on our approaches in ESG integration and stewardship.

Based on these key policies and guidelines, our approach to responsible investment consists of the following:

- Investment Process – our actively managed equity and fixed income portfolios, while keeping our clients' investment objectives as paramount, considers sustainability risks on portfolio level and securities issuer level, along with financial and other business-related factors during the investment process.
- Stewardship and Engagement - Engagement with companies forms part of our stewardship activity across all our portfolios. Thematic ESG topics drive the engagement discussions and our Proxy Voting Guideline guides the escalation strategy of stewardship activities.
- Restricted Investment Screen – issued securities involved in banned weapons are prohibited from both passively managed and actively managed direct investment.

Further detail of our practices are elaborated in “Our Responsible Investment Approaches”.



3. Our Responsible Investment Approaches

Our approach is underpinned by two pillars, namely ESG Integration and Research and Stewardship and Engagement. Given the continuous development of ESG practices in asset management industry, HSVM regularly reviews and enhances our responsible investment approaches whilst always keeping clients' investment interest in mind. Below are the key approaches we adopted.

3.1 ESG Integration and Research

A company's ESG aspirations may have material bearings on its 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 to ensure it aligns with clients' investment objectives, considers the evolving industry practices, regulatory requirements, and responsible investment norms.

The identification and consideration of ESG factors, including climate-related risks in our actively managed investment form part of the investment process, subject to the analysis of financial and business factors. Based on data availability from reputable third-party ESG data providers, coupled with our own in-house research and engagement, our ESG analysis identifies sustainability risks of our investee companies and their compliance to the UN Global Compact Principles, where Enhanced Due Diligence ("EDD") and potential negative screening may be triggered. The key elements of our considerations under ESG integration (after consideration of investors' investment objectives) are highlighted below:

Environmental

To support the goals of the Paris Agreement and to manage the impact of climate change, HSVM, being a subsidiary of Hang Seng Bank Limited ("Bank"), joins the Bank in contributing to HSBC Holdings plc's ambitions of aligning the financed emissions in its portfolio of customers to net zero by 2050.

Our carbon emission reduction approach includes:

- Assessing and accounting for climate-related risks and opportunities in our investment decisions to strengthen the climate resilience of our portfolios where climate-related risks are material and relevant.
- Encouraging investee companies to improve their transparency and disclosure of climate risk exposure, carbon emission reduction targets and climate transition plans to the best of their efforts.
- Tracking progress towards our contribution to HSBC Holdings plc's ambition of aligning the



financed emissions in its portfolio of customers to reach net zero by 2050.

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

Our approach to assessing investee companies on social-related issues includes:

- Creation of an inclusive and diverse working environment.
- Support and respect internationally recognised human rights.
- Protect employee health and safety.

Governance

Our approach to assessing investee companies on governance focuses on material factors such as:

- Board accountability on ESG and sustainability-related matters.
- Board structure, including board diversity and independence.
- Capital issues and shareholder rights.

HSVM also uses 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 proactive engagement with companies.
- Regular ESG disclosures from investee companies.
- Other publicly available information.

We regularly review the ESG performance of our investee companies in our ESG Investment Review Meetings. The detailed responsibilities of ESG Investment Review Meeting can be found in the section "Accountability and Governance Structure."

3.2 Integration Strategies on Asset Classes

For actively managed equity strategies, we adopt the abovementioned ESG integration practices, including the inclusion of ESG factors, ESG Due Diligence and negative screening, subject always to ensuring our clients' investment objectives are achieved. 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 passively and actively managed direct investments, we adopt an internal policy regarding restricted investments - banned weapons, and we also apply other forms of exclusions, such as UN Global Compact Principles and thermal coal exclusions, when it is explicitly stated in the index methodology of the passively managed ESG funds.

3.3 Stewardship and Engagement

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

Corporate Engagement

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 to support our clients' investment objectives, including ESG matters, and/or;
- put forth our ESG expectations and suggestions.

Besides one-on-one engagement, collaborative engagement is one of the approaches we may adopt for corporate engagement via our membership with UNPRI and Asian Investor Group of Climate Change ("AIGCC"). We developed an Engagement Plan that outlines our engagement strategy for the next 12 months.

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 generally vote to support corporate best practices to protect, enhance shareholder's interests and adhere to the relevant governance code.
- We generally vote 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 to achieve our clients' objectives.

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

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



3.4 Banned Weapons Exclusions

We internally apply a Banned Weapons Policy, which excluded direct exposure to issued securities involved in anti-personnel mines, biological weapons, blinding laser weapons, chemical weapons, cluster munitions and non-detectable fragments in our equity and fixed income portfolios except strategies incorporating third party funds. The list of companies is compiled with assistance from a leading third-party data provider and is refreshed on an ongoing basis.

4. Commitment to Fulfil Regulatory Requirements

Our practices are compliant with Securities and Futures Commission ("SFC") regulatory requirements. 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 (if any) 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.

5. Conflicts of Interest

Engagement and voting regarding investee companies are focused on meeting our clients' objectives.

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. Our compliance with the conflict of interest policy provides guidance to 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.



6. Accountability and Governance Structure

This Policy is owned by the Head of Sustainability. The Chief Investment Officer ('CIO') is accountable for the investment management activities, including ESG integration and stewardship activities. The Head of Responsible Investment and the investment teams are responsible for ensuring the clients' investment interests are met while integrating ESG factors in investment processes and conducting stewardship activities.

Our governance structure comprises of the Board of Directors ("the Board"), Executive Committee, Risk Management Meeting ('RMM'), ESG Steering Committee ("ESG SteerCo") and ESG Investment Review Meeting.

Board of Directors

The Board exercises oversight over HSVM's ESG development and climate-related matters and is ultimately responsible for overseeing its long-term business strategy, including sustainability-related initiatives. The Board holds at least two meetings each year.

Executive Committee

The Executive Committee is chaired by the Chief Executive Officer ("CEO"), and is responsible for supporting HSVM to develop and conduct sustainability-related initiatives. It also facilitates the Board's oversight of HSVM's ESG development.

Risk Management Meeting ('RMM')

The RMM is chaired by the Chief Risk Officer ("CRO"). Relevant sustainability risk matters arising from our business and operations, and the monitoring of threshold-based sustainability risks of our funds, are reviewed and discussed in this forum.

ESG Steering Committee ("ESG SteerCo")

The board, through the Executive Committee, delegates the supervision of responsible investment approaches to the ESG SteerCo. The ESG SteerCo is chaired by the CEO and its members include the Chief Investment Officer ("CIO"), the Chief Operating Officer ("COO"), the CRO, Head of Sustainability and Head of Responsible Investment. It normally meets monthly but at least ten times annually.

The ESG SteerCo performs the following functions:

- Define and establish sustainability strategies and goals, oversees the progress of the ESG pursuits across HSVM.
- Set policies and standards, ensure the engagement plan align with HSVM's sustainability



strategies.

- Prioritises resources to ESG-related initiatives.
- Set and reviews the key performance indicators to track progress towards sustainability-related targets.
- Oversees and monitors disclosure reporting and compliance with the relevant legal and regulatory requirements.

ESG Investment Review Meeting

Structured under the ESG SteerCo, the ESG Investment Review Meeting is chaired by the CIO and deputy-chaired by Head of Responsible Investment, and its members include the CRO, Head of Sustainability and fund managers. The ESG Investment Review Meeting discusses the continued development of ESG integration into the investment processes, stewardship and engagement approaches, the ESG status and performance of investee companies, as well as climate-related risks across relevant funds. The ESG Investment Review Meeting also identifies and monitors key sustainability risks, including climate-related risks of our investee companies, and determines the appropriate follow-on actions to ensure our clients' investment objectives are met in the long term. The meeting is expected to be held at least ten times annually.

7. Reporting

We report on our responsible investment activities annually based on PRI Reporting Framework as a PRI signatory. The Sustainability team and The Responsible Investment team lead the reporting process, with input from various departments and the report is reviewed internally by the risk stewards. The PRI report and results are reported to ESG SteerCo annually.

We comply with SFC's regulatory disclosure requirements and provide reports on our responsible investment practices to specific clients when requested.



Important Information

For cautionary statement regarding ESG and climate-related forward-looking statements, please view details in the link below:

https://cms.hangsenginvestment.com/cms/ivp/hsvm/document/esg_disclaimer_en.pdf