



# Sustainable Investment Policy

July 2024



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## Introduction

China Asset Management (Hong Kong) Limited (“ChinaAMC (HK)”), a wholly-owned subsidiary of China Asset Management Co. Limited, was incorporated in Hong Kong in September 2008. As a top Chinese fund management company in Hong Kong, ChinaAMC (HK) is committed to developing offshore and cross-border asset management businesses by leveraging the expertise of its experienced investment and research teams and its shareholder companies’ resources, services and connections in Mainland China.

ChinaAMC (HK) adheres to the parent company's ESG investment principles and develops detailed ESG investment processes within Hong Kong's regulatory framework and based on Hong Kong market characteristics. China Asset Management Co., Ltd. (“ChinaAMC”) was founded in April 1998 and has since maintained its top position in the asset management industry of China. ChinaAMC provides a full range of services to retail and institutional investors in China and abroad, with funds under its management covering equity, fixed income, money markets, etc.

In March 2017, ChinaAMC signed on to the United Nations-supported Principles for Responsible Investment (PRI), becoming the first full-service asset manager in China to join the organization. ChinaAMC is committed to implementing the responsible investment principles in its investment activities, to persistently explore the feasible environmental, social, and governance (ESG) key issues in China and Hong Kong, as well as to promote Chinese companies’ responsible investment progresses to the global sustainable investors as an ambassador.

ChinaAMC (HK) articulated this Sustainable Investment Policy (“SIP”) with an aim to provide sufficient guidance to portfolio managers and other related employees involved in sustainable investments to ensure investments are made in the best interests of clients and in alignment with our fiduciary duties with ESG centric.

## Goals, Philosophy and Commitments

Sustainable investment becomes more and more important in global industry and investment market, as government authorities, business operators and investors increasing their attentions to sustainable investment. Sustainable investment is based on traditional investment analysis and are refined and emphasized for quality and sustainable development. The value orientation of different practitioners may be different. ChinaAMC (HK) carries out practices according to our philosophy and understanding of sustainable investment, which is derived from internationally recognized principles.

As a China investment expert, ChinaAMC (HK) places particular focuses on the sustainable investment development in China. The sustainable investment in China within its continuous evolving infrastructure and ecosystem has seen rapid development over the years. Our practice will continue to be enhanced and deepened together with this continuous development.

### Company Goals

ChinaAMC (HK) adopts UNSDGs as firm-wide goals in investment and business operations, and have selected Decent Work, Economic Growth, Reduced Inequality, Climate Action, Peace/Justice/Strong Institution and Partnership as our current focuses.

### Philosophy

Our view is that a company with distinguished ESG profile delivers enhanced long-term business performance and competitive advantage that benefits its investors and generates positive societal impact. We believe companies' better performance on "E", "S", "G" will contribute positively to the global natural environment, social efficiency and welfare, and substantially promote the global sustainable development.

We believe that companies should demonstrate some or all of the following in order to be considered as having satisfactory ESG profile:

- For the "E" factor, enhance internal organizational awareness of climate-related risks and take due responsibilities and actions, including but not limited to, recognizing and responding to transition risks and physical risks faced by companies; proactively reduce greenhouse gas and carbon emissions, increase the use of clean and renewable energy, and improve the efficiency of current energy use; improve the efficiency of natural resource use, reduce pollutants, waste emissions and improve treatment capacity.
- For the "S" factor, provide employees with a safe working environment to ensure health and safety hazards are prevented; provide employees a fair treated working environment;



improve the safety and healthiness of products; and make best efforts to reduce social poverty and promote rural development.

- For the “G” factor, no involvement in unfair competition; improve the transparency and compliance of accounting and taxation standards; communicate with investors promptly, fairly and transparently; and prevent internal transactions and other acts which may infringe shareholders' rights and interests.

## Commitments

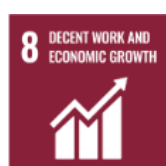
ChinaAMC (HK) is committed to becoming a practitioner and promoter of sustainable investment in the asset management industry. ChinaAMC (HK) is committed to practicing our sustainable investment philosophy in our investment strategies and deploying strong efforts to promote sustainable investments worldwide.

ChinaAMC (HK) practices ESG integration strategy in our existing strategies, which includes active equity, active fixed income, and passives (ETFs). ESG analysis is integrated in the daily research process, to ensure that investee companies' business practices align with our sustainable investment philosophy and standards. In view of growing emphasis on sustainable investment, we further extend our ESG strategy through managing ESG focused strategies that target greater sustainability outcomes for the investors.

ChinaAMC (HK) also practices and promotes our sustainable investment by conducting engagement activities including proxy voting, especially in ETFs.

With the continuous improvement and standardization of the basic infrastructure and ecosystem of sustainable investment, we strive to continuously deepen our understanding of ESG factors and optimize our sustainable investment practices by embedding ESG analysis more comprehensively into our corporate valuation and investment decision-making process.

## ChinaAMC (HK)'s ESG Goals in Focus

**SUSTAINABLE DEVELOPMENT GOALS**


PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL



REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES



TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS



PROMOTE PEACEFUL AND INCLUSIVE SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE ACCOUNTABLE AND INCLUSIVE INSTITUTIONS AT ALL LEVELS



PROMOTE PEACEFUL AND INCLUSIVE SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE ACCOUNTABLE AND INCLUSIVE INSTITUTIONS AT ALL LEVELS

Source: Division for Sustainable Development Goals, United Nations

## ESG Governance Structure

### Structure

ChinaAMC (HK)'s governance structure in respect of ESG investments consists of three layers – the Board of Directors, the ESG Committee, and the Sustainable Investment Team.

#### ChinaAMC (HK)'s ESG Governance Structure



Source: ChinaAMC (HK)

### Responsibilities

#### Board of Directors

- Define and the firm's ESG investment and risk goals, philosophy and commitments.
- Oversee the building and improvement of ESG investment and risk management framework against the goals of the firm.
- Assign roles and responsibilities of ESG Committee and delegate ESG Committee to implement the ESG investment and risk management framework.
- Review and approve Sustainable Investment Policy, Engagement Policy, Proxy Voting Policy, Climate-related Risk Management Policy.

- Review and approve ESG Committee annual implementation report on various topics, for example proxy voting, engagement, and climate-related issues.
- Review ESG issues flagged by the ESG Committee from time to time.
- Determine the frequency and formality by which the Board is informed of ESG issues of the firm.

### **ChinaAMC (HK) ESG Committee**

- **Convening of Meetings and Deliberation of ESG Related Issues**
  - Convene semi-annual and ad-hoc meetings to discuss all ESG related matters, such as implementation progresses of ESG initiatives, ESG integration in investment, product plan, implementation of engagement and proxy voting, climate-related risk issues.
  - Lead functional departments to participate and cooperate in the implementation of ESG investments and risk management and the related regulatory requirements.
  - Supervise and scrutinize whether implementation of ESG investments and risk management is in violation of the ESG Investment.
  - Supervise Investment Department to implement ESG investing such as proper level of ESG integration in investment process (including but not limited to identifying climate-related risks and opportunities).
  - Supervise Risk and Performance Department to implement ESG risk reporting and disclosure related works.
  - Review annual implementation report submitted by Sustainable Investment Team.
- **Policy Formulation and Modification**
  - Formulate Sustainable Investment Policy, Proxy Voting Policy, Engagement Policy and Climate-related Risk Management Policy.
  - Lead internal review and policy updates as appropriate and necessary.
  - Establish satisfactory internal controls in relation to management of ESG risks.
- **Other Functions**
  - Assign roles and responsibilities of each ESG Committee members (i.e. CEO, CIO and COO)
  - Devote human, technical and financial resources and flag inadequacy in various ESG initiatives.
  - Review and endorse meeting minutes and/or reports.
  - Report to the Board of Directors on an on-going basis in a frequency and manner determined by the Board.

### **Sustainable Investment Team**

The Sustainable Investment Team is responsible for the application of ESG investment and the execution of shareholders rights in accordance with our fiduciary duties and ESG-related policies.



It comprises of Asset Team and ESG specialists which contains investment personnel from equity, fixed income and ETF investment teams. The roles and responsibilities of Sustainable Investment Team are set out below.

- **ESG Analysis**

1. Apply and integrate ESG analysis in the investment processes of both equity and fixed income asset classes. Conduct relevant ESG researches within ChinaAMC (HK)'s robust research framework on existing and potential investee companies for the securities to be invested or have invested by investment portfolios and form internal scores on each investee company based on the research results.
2. Maintain internal scoring system and adjust the score of each investee company on a continuous basis by i) monitoring ESG ratings of existing and potential investee companies provided by external vendors; and ii) assessing the investee companies' businesses in relation to internally defined ESG Key Issues. Based on abovementioned analyses and scoring system, provide ESG investment recommendations to portfolio managers.
3. For funds or portfolios employing ESG-focused strategies specially, Asset Team monitors the ESG performance of companies in the funds or portfolios' investable universes to ensure compliance with pre-determined investment limits in construction of investable universe, portfolio construction and weighting adjustment.

- **Engagement**

Asset Team is the lead and coordinator in the context of engagements with existing and potential investee companies, with supports from other various involved departments.

- **Proxy Voting**

Assess the voting recommendation provided by third-party voting advisor, Institutional Shareholder Services ("ISS"), to ensure the recommendations are in line with the best interests of clients and the ESG policies. Asset Team may refer the voting decision to CIO for override if the voting decision contradicts any of the principles in this policy.

- **Other ESG related Works**

1. Keep abreast of changes in the ESG landscape, regulations, basic infrastructure and disclosure framework. Explore potential areas of improvement in the firm's ESG integration and ESG-focused strategies.
2. Lead internal ESG trainings including but not limited to ESG investment blueprint, proprietary ESG framework and ESG products.

## Sustainable Investment Analysis

ChinaAMC (HK) believes in the philosophy of “research creates value”. We combine top-down research with bottom-up analysis to achieve mid and long-term capital appreciation for the clients. As an asset manager, we have the fiduciary duty to ensure the best interest of our clients, and we believe ESG factors are a material aspect of investment analysis. A company's approach to sustainability may present long-term risks or opportunities. Companies focusing on long-term sustainable strategy is more likely to have a better grasp on the future than companies focusing on survival today. Businesses that focus on long-term goals should be better prepared for transition risks associated with climate risks, regulatory and governance changes.

ChinaAMC (HK) has developed proprietary ESG analysis and climate-related risk analysis framework, based on which we extend our sustainable investment practice to investment strategies, corporate and counterparty engagement and proxy voting.

ChinaAMC (HK)'s ESG analysis is based on the combination of both qualitative and quantitative assessment, in which we examine whether the investee company's development is of quality and sustainability, and whether the investee company has awareness of and undertakes initiatives in ESG, which we believe influences the valuation of the company and thus the return on investment.

We use the information and data provided by external third-party databases, data disclosed by industry associations, regular announcements of the company, and internal research reports to conduct ESG analyses.

### Qualitative Assessment

- **ESG Key Issues and Significant Risk Events**

11 ESG Key Issues set out below have been identified as the focus of our analyses. Additionally, we maintain a list of commonly seen "Significant Risk Events", occurrences of which will negatively impact ESG profiles and subsequently ESG ratings of investee companies. The Significant Risk Events will trigger alert to sell the holdings of investee companies. The list of Significant Risk Events does not mean to be exhaustive and covers all the adverse risk events. If the negative ESG events are not on the list, the Sustainable Investment Team will evaluate the event and its impact on a case-by-case basis and suggest action plan for portfolio manager to consider.

## ESG Key Issues and Significant Risk Events

Pillars	Key Issues	Significant Risk Events
E	Carbon Emission	
	Clean Energy, Renewable Energy, Energy Efficiency	
	Water Stress, Land Use and Raw Material Sourcing	
	Toxic Emission and Waste	Significant pollution event
	Financial Environment Impact	
S	Employees and Supply Chain Labour Standards (Health, Safety and Human Rights)	Significant employee safety event
	Externalities of Company Operations	Significant production risk event
	Product Liability	Significant customer interest violation
G	Unfair Competition	Significant unfair competition event
	Fraud	Significant financial, tax, fraud event
	Transparency, Minority Protection and Insider Trading	Significant governance flaw

Source: ChinaAMC (HK)

- **Internal Analysis Procedure**

- **Sector determination**

For each investee company, Asset Team will assess and determine the appropriate sector such company should be categorized to. For the case if a conglomerate company may have a large number of various businesses, Asset Team will assign such company with 5 to 10 sub-sectors.

- **Research materials and data collection**

Asset Team, supported by ESG Specialist, will collect important information for the investee companies, including but not limited to the external rating in relation to its ESG Key Issues, company's Significant Risk Events reported by the external database, company's announcement and results of shareholder meetings. In addition to the ESG risk exposure mentioned, we focus on the investee companies' ESG-related risk management as well, including but not limited to awareness the importance of ESG Key

Issues, strategic development plan on ESG transition, internal assessment and evaluation, and historical handling of emergencies.

- **Proprietary ESG scorecard**

According to ChinaAMC (HK)'s internal scoring systems, the ESG Key Issues of each investee company will be assigned a score within each comparable peers group. The key issues score varies from 1-5 while the aggregate score is the weighted average of each key issue score where the weightings vary from group to group.

- **Assess Significant Risk Events**

Firstly, we will analyse whether Significant Risk Events have occurred in the company's history, and the company's corresponding response and action. Secondly, we will analyse and determine whether the company has awareness and efficient mechanisms to prevent future events.

- **Weightings of ESG Key Issues in Different Groups**

- ChinaAMC (HK) references to external and internal ESG research and set different ESG Key Issues weightings for different comparable peers group to reflect the importance of different key issues in different sectors.
- This weighting is regularly reviewed and adjusted through our internal research and discussion.

- **Continuous Monitoring**

- Asset Team should continuously monitor existing and potential investee companies' businesses from the ESG Key Issues perspective to capture occurrence of new Significant Risk Events and perform necessary adjustment of scores.
- Asset Team shall regularly update portfolio managers on ESG Key Issues and Significant Risk Events of each investee company.

## Quantitative Assessment

- **Database and Technology**

ChinaAMC (HK)'s ESG quantitative research is based on the third-party data, including MSCI, Sustainalytics, FactSet TruValue Labs. These ESG data providers provide differentiated ESG data and corresponding ratings based on their proprietary frameworks, as well as compilation of key ESG trigger events, which offer more perspectives on ESG investing.

In order to integrate ESG data from different providers, a third-party workstation is used as our data delivery and integration platform to facilitate our internal ESG analyses by aligning ESG ratings on the same investee company. Bloomberg Terminal is utilized as well to support and enhance the construction of ESG-related investable universes.

- **Integration**



ChinaAMC (HK) uses abovementioned data to derive our internal ESG scores. Measures are taken to maintain data integrity for further calculation, including but not limited to identifier consolidation, record correction, data standardization. ESG scores are generated through a specialized formula based on the characteristics of each provider's scores, while also incorporating assessment of each provider's methodology.

Judgements on ESG materiality may also vary depending on regional and industrial difference. To make the output data more comparable, the data processing is on comparable peers group level.

## ESG Integration Strategy

For funds or portfolios which employ ESG integration strategy, which means ESG factors have been considered during selection of investments with no clear or specific ESG goal in its investment objectives or strategies.

During daily research activities, ChinaAMC (HK) integrates ESG analysis to form research results and generate investment decisions. We combine qualitative and quantitative assessment to measure an investee company's exposure to ESG-related risk – whether the company's development is of quality and sustainability, whether the company has awareness of and makes efforts in the development of ESG, whether the company faces material risk exposure to climate-related issues, etc., all which have an impact on the valuation of the company and thus the return on investment.

Companies with ESG scores below our defined thresholds are invested with caution. On the other hand, ChinaAMC (HK) treats Significant Risk Events seriously, a sell decision will be considered by the portfolio managers in such circumstances.

## ESG-focused Strategy

For funds or portfolios which employ ESG-focused strategy, which means the funds or portfolios have clear or specific ESG goal in its investment objectives or strategies, ChinaAMC (HK) employs the following filtering tools:

### Negative Screening

- **Norm-based Exclusion**

ChinaAMC (HK) will apply norm-based screening to exclude the companies against minimum standards of business practice, based on international norms issued by organisations including but are not limited to the United Nations Global Compact and the Organisation for Economic Co-operation and Development.

All ESG-focused strategies published by ChinaAMC (HK) shall be in line with the 10 Principles of the UN Global Compact, while other norms and standards shall be applied case by case, based on different theme focus.

- **Controversial Weapon Laws**

There is a variety of weapons that cause disproportionate and inhuman harm which continue to remain a threat. ChinaAMC (HK) shall not invest in companies with ties to cluster munitions, chemical or biological weapons, uranium weapons, nuclear weapons and anti-personnel mines.

- **Business Involvement-based Exclusion**

Companies involved in certain businesses should be excluded from investable universe based on the predetermined limits of particular investment strategies. The screening criteria include but not limited to revenue proportion, capacity proportion.

### Positive Screening

- **Best-in-class**

The best-in-class approach for sustainable investing means finding the companies that are top performers in their sector in terms of meeting environmental, social and governance (ESG) criteria. ChinaAMC (HK) will consider both internal and third-party ESG scores to identify companies that have good ESG profile.

- **ESG Score Momentum**

Other than ESG scores, ESG score momentum reflects the efforts and transition the company have undertaken in ESG-related issues.

We define the positive ESG score momentum as improvement demonstrated in a company's ESG score overtime. ChinaAMC (HK) would select companies that have better ESG score momentum.

- **Tilting**

ChinaAMC (HK) uses tilting approach to allocate larger weightings for those that have better ESG ratings, ESG score momentum or lower carbon emission. The specific method of tilting varies depending on investment strategies.

For passive investment strategies with ESG focus, we shall measure the indices to what extent they utilise the abovementioned approaches defined by ChinaAMC (HK). The indices portfolio level ESG rating, ESG score momentum, carbon emission, etc. will be considered when selecting and/or constructing indices.



## Climate-related Risk Analysis

In addition to ESG Key Issues analysis, ChinaAMC (HK) pays particular attention to climate-related risk and conduct quantitative track based on carbon emission level 1, level 2 and level 3 data provided by ISS. The particular analysis in climate-related risk would enhance our analysis in “E” factor and address the most pressing environmental issues through investment decisions.

Please refer to Climate-related Risk Management Policy for details.

## **Sustainable Investment Stewardship**

### **Engagement**

ChinaAMC (HK) actively engages with existing and potential investee companies to gain a deeper understanding of their ESG performance and future development. Our engagement activities can enhance awareness of ESG issues, promote more sustainable practices and improve ESG performance of the investee companies.

Our ESG engagement with corporates has following purposes: 1) introduce our ESG philosophy and drive companies in recognizing the importance of ESG transition; 2) to improve companies' ESG performance continuously and promote a just transition.

Please refer to ChinaAMC (HK)'s Engagement Policy for details.

### **Proxy Voting**

Voting at annual general meetings, extraordinary shareholder meetings or other similar occasions is a primary and effective tool for engaging with companies to encourage sound governance and improve sustainability performance. Voting records usually are the most visible element of ESG stewardship and engagement as the results are public. We exercise voting rights on behalf of clients to promote ESG development worldwide.

Where ChinaAMC (HK) is granted with voting right attached to instruments held by the funds or investment portfolios under its management, ChinaAMC (HK) should seek to exercise its voting right in a transparent manner and for the best interests of the clients, unless exercising these rights is not in the interest of the beneficial owner of the assets or is prohibited by the relevant and applicable regulation.

Please refer to ChinaAMC (HK) Proxy Voting Policy for details.

## Monitoring and Reporting

We apply two-lines of independent monitoring mechanism to ensure investments are carried out with ESG factors considered and mitigate the company from negligent green washing risk.

- **Monitoring in investment capacity**

The CIO, who sits on the ESG committee, oversees the implementation of ESG integration practices. The Sustainable Investment Team will carry out sustainable investment analysis and integrate ESG considerations into investment portfolios according to this policy and report to the CIO on a regular basis.

- **Monitoring in risk capacity**

The Risk and Performance Department, an independent team led by the COO, take the responsibility of monitoring ESG-focused strategies each day against pre-set targets. For ESG integration strategies, the team mainly oversees the implementation of ESG integration practices by reviewing annual implementation reports on various topics, for example proxy voting, engagement, and climate-related issues.

### Monitoring on ESG-focused Funds

ChinaAMC (HK) will regularly monitor and evaluate the underlying investments to ensure the ESG-focused funds continue to meet the stated ESG focus and requirements set out by relevant regulations on an ongoing basis.

Where an ESG-focused fund no longer wishes to pursue its stated ESG focus, ChinaAMC (HK) will inform investors and the SFC as soon as reasonably practicable. ChinaAMC (HK) as the managers of ESG funds should also comply with the requirements set out in other applicable codes and guidelines stipulated from the SFC from time to time.

## ESG Disclosure

Investors and potential investors need to be aware of ChinaAMC (HK)'s determination in sustainable investment. Disclosures relating to sustainable investment should be made to allow investors to make an informed determination as to whether their ESG concerns in investments are addressed and if the company's goal matches with theirs.

It is more efficient and environmental-friendly to make the disclosure on a website rather than to each investor individually via paper format. As such, this policy, the proxy voting policy, the engagement policy, together with other ESG related information are disclosed on ChinaAMC (HK)'s website: [www.chinaamc.com.hk](http://www.chinaamc.com.hk).

The disclosure is reviewed on a continuous basis with at least one update during a year. If there are any changes to the ESG framework, approach or policies of ChinaAMC (HK), the related disclosure will be updated accordingly in a prompt manner.

### Disclosure in Offering Documents

ChinaAMC (HK)'s ESG-focused funds should disclose the followings in their offering documents:

- a description of the fund's ESG focus,
- ESG criteria used to measure the attainment of the fund's ESG focus,
- a description of the investment strategy(ies) adopted by the ESG fund,
- a summary of the process of consideration of ESG criteria,
- a description of whether an exclusion policy is adopted by the ESG fund and the types of exclusion,
- asset allocation,
- reference benchmark,
- additional information reference,
- a description of risks or limitations associated with the fund's ESG focus and the associated investment strategies.

### Disclosure of Additional Information

ChinaAMC (HK)'s ESG-focused funds should disclose the following additional information of the ESG fund or the fund manager or the index provider (where the ESG fund tracks an ESG benchmark), as appropriate, to investors to complement the disclosures in the offering documents:

- a description of how the ESG focus is measured and monitored throughout the lifecycle of the ESG fund and the related internal or external control mechanisms;
- a description of the methodologies adopted to measure the ESG focus referred to in paragraph 14(a)(i) above and the fund's attainment of the ESG focus;



- a description of due diligence carried out in respect of the ESG-related attributes of the fund's underlying assets;
- a description of the engagement (including the proxy voting) policies (if any); and
- a description of the sources and processing of ESG data or a description of any assumptions made where relevant data is not available.

## Periodic Assessment, Reporting and Disclosure

ChinaAMC (HK) should conduct periodic assessment, at least annually, to assess how the fund has attained its ESG focus of ESG-focused funds, and should review disclosures at least annually, update disclosures where considered appropriate and inform fund investors of any material changes as soon as practicable.

ChinaAMC (HK)'s ESG-focused funds should disclose the following information about its periodic assessment to investors in Annual Implementation reports:

- a description of how the fund has attained its ESG focus during the assessment period,
- a description of the basis of the assessment performed, and
- where the fund has provided previous periodic assessment, a comparison between the current and at least the previous assessment period.

## Conflicts of Interest Management

A conflict of interest may arise where there is a conflict between the interests of ChinaAMC (HK) or its employees and the duty ChinaAMC (HK) owes to a client or between the differing interests of two or more of its clients.

The core principle of ChinaAMC (HK)'s management of potential conflicts of interest is that – Client interests always come before those of ChinaAMC (HK) and its employees. Therefore, the company's organizational, administrative and remuneration structures should not incentivize behavior that may lead to conflicts.

ChinaAMC (HK) has adopted an internal Code of Conduct and a series of measures to designate proper reporting lines and responsibilities of various functional teams, enabling us to appropriately detect and manage perceived and potential conflicts of interest.

To guard against possible conflicts of interest, ChinaAMC (HK) has implemented the controls set out below:

- Conduct all transactions in good faith at arm's length and in the best interests of clients on normal commercial terms.
- General or implied disclosure in a fund offering document or client mandate that ChinaAMC (HK) may have a material interest or a conflict in a transaction;
- Specific disclosure of an interest or conflict to a client either in writing or orally before ChinaAMC advises or exercises discretion on behalf of that client. This will usually be necessary in highly sensitive transactions. ChinaAMC (HK) must be able to demonstrate that it has taken reasonable steps to ensure the client is being fairly treated;
- Declining to act; or
- Any other measures stipulated by the Legal and Compliance Department on a case-by-case basis depending on the actual circumstances of the conflicts.

In particular, where such a conflict cannot be avoided, and provided that funds or clients' interests can be sufficiently protected, the conflicts should be managed and minimized by appropriate safeguards and measures to ensure fair treatment of fund investors or clients.

## Miscellaneous

All sustainable investment related documents are retained. The documents, includes but not limited to ESG analysis report, investment decisions records, are retained for seven years in accordance with the record keeping requirements of applicable laws and regulations.

The SIP and other ESG policies are available free of charge upon written request.

This policy is subject to review and update once every two years. The update of such policy needs to be approved by the ESG Committee.

## ESG Periodic Assessment and Reporting as of 31 December 2024

### – ChinaAMC HSI ESG ETF (a sub-fund of ChinaAMC Global ETF Series) (the “Sub-Fund”)

The Sub-Fund is a passively-managed ETF that tracks the performance of the HSI ESG Enhanced Index (the “**Underlying Index**”) which is an ESG-focused index. The Underlying Index aims to combine the constituents of the Hang Seng Index (the “**Base Index**”) with environmental, social and governance (“**ESG**”) initiatives from international lens based on internationally recognized ESG principles, data, research and ratings. The Underlying Index applies exclusion rules which are based on three ESG screenings, namely, (i) the ESG Risk Rating screening based on the ESG Risk Ratings from Sustainalytics, (ii) the United Nation Global Compact (“**UNGC**”) principle screening based on the UNGC compliance ratings from Sustainalytics, ESG Book and ISS, as well as (iii) the controversial product involvement screening based on the controversial product involvement data from Sustainalytics.

By the end of 2024, the Sub-Fund invested 99.5% (99.7% as at 31 December 2023) of the Net Asset Value (“**NAV**”) in underlying investments that are commensurate with the Sub-Fund’s ESG focus.

By the end of 2024, 14.5% (14.63% as at 31 December 2023) of the investment universe was eliminated as a result of applying the Sub-Fund’s ESG-related screening.

As the Sub-Fund is a passively-managed ETF, comparison of the performance of the Sub-Fund’s ESG factors against the designated reference benchmark is not applicable.

To attain the Sub-Fund’s ESG focus, the Manager collaborates with the independent third-party proxy voting advisor to vote at the general meetings of the listed companies in which the Sub-Fund invested. The voting is based on the sustainable investment principles jointly agreed. From 1 January 2024 to 31 December 2024, the participation voting rate at the general meetings was 98.98% (98.97% for the period ended 31 December 2023), and the voting completion rate for votable proposals was 97.07% (98.8% for the period ended 31 December 2023). The Manager also has ongoing direct engagement with the index provider of the HSI ESG Enhanced Index.

The basis of assessment performed is that the Sub-Fund is an index tracking ETF and



achieves its ESG focus by endorsing the index methodology of the Underlying Index which aims to combine the Base Index with ESG initiatives from international lens based on internationally recognized ESG principles, data, research and ratings. The construction of the Underlying Index is based on, among others, the results from various ESG assessments and ratings as well as the application of certain ESG-based exclusion factors. In evaluating a security or issuer based on ESG criteria, the index provider is dependent upon information and data from the ESG data providers. While the index provider has exercised care in using ESG-related data and information, assessment by the ESG data providers of the ESG screenings may involve qualitative factors and it is possible that the relevant investment criteria may not be applied correctly. The information and data may also be incomplete, inaccurate or unavailable from time to time. The above may in turn affect the Index Provider's ability to assess potential constituents for inclusion or exclusion from the Underlying Index. There can be no assurance that the index provider's assessment will reflect the actual circumstances or that the securities selected will fulfill ESG criteria. There is a lack of standardised taxonomy in relation to ESG investing strategies.

## ESG Periodic Assessment and Reporting as of 31 December 2024

### – ChinaAMC Asia ESG Bond Fund (a sub-fund of ChinaAMC ESG OFC) (the “Sub-Fund”)

By the end of 2024, the Sub-Fund invested 93% (79% as at 31 December 2023) of the Net Asset Value (“NAV”) in the Manager’s proprietary ESG bond pool (the “**Bond Pool**”) built based on a number of ESG selection criteria, which incorporates three categories of ESG bonds: best-in-class, strong momentum and Green, Social, and Sustainability (GSS)-labelled bonds. Among the total of 25 (22 as at 31 December 2023) bonds under holding, 22 (17 as at 31 December 2023) bonds are from the Bond Pool.

After applying the ESG-related screening, the selection rate to form the Bond Pool is 48.8% (42% as at 31 December 2023).

The primary actions taken by the Sub-Fund in attaining the Sub-Fund’s ESG focus are embedded in the Manager’s disciplined investment process, which dictates how the Manager selects, monitors, and manages the securities in the Sub-Fund’s portfolio. The investment strategy mandates that at least 70% of the Fund’s NAV is invested in fixed income and debt instruments which have entered the Manager’s proprietary ESG Bond Pool, which is constructed by systematic security selection process, determining which issuers and instruments are eligible for investment. The Manager applies a clear exclusion policy based on UN Global Compact principles and specific business activities. In addition to incorporating the Green, Social, and Sustainability (GSS) bonds into the bond pool, the Manager utilizes its proprietary ESG rating model, which assesses issuers on both a best-in-class basis and for their ESG momentum (i.e. positive trend in ESG rating). This process is designed to filter out a significant portion of the initial investment universe (expected at no less than 50%).

#### **Basis of the above Assessment:**

The assessment is a proprietary, model-driven process. The key steps are:

1. **Data Aggregation:** The Manager begins by aggregating ESG data from multiple providers to form a broad baseline.
2. **Proprietary Scoring:** The Manager processes the data through proprietary

statistical model to generate a final, in-house ESG score for each issuer.

3. **Systematic Screening:** Issuers are selected for the Bond Pool if they meet the pre-determined thresholds for either “Best-in-Class” (i.e. demonstrated outperforming ESG profile) or “Strong Momentum” (i.e. demonstrated improving ESG profile over time).
4. **GSS Bond Verification:** Green, Social, and Sustainability bonds are verifiable by third-party agencies and assessed for alignment with ICMA Principles.

### **Estimations:**

The process involves estimations, where the Manager applies professional judgment and internal modeling to:

- Generating the final proprietary ESG score;
- Setting the "Best-in-Class" and "Strong Momentum" screening thresholds; and
- Weighting the factors in the specialized scorecards.

### **Limitations:**

The assessment is subject to inherent industry-wide limitations:

- **Data Dependency:** In evaluating a security or issuer based on ESG criteria, the Manager is dependent upon information and data from third-party data providers or may make use of information and data from internal research inputs, which may be incomplete, backward-looking, contain inaccuracies or unavailable from time to time.
- **Lack of Standardization:** There is a lack of standardised taxonomy in relation to ESG investing strategies.
- **Subjectivity:** While the Manager has exercised care in its assessment, the process of assessment involves the Manager's professional and subjective judgment on certain qualitative factors.