



# ESG Engagement Policy

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## Introduction

As an asset manager, China Asset Management Hong Kong Limited (“ChinaAMC (HK)”) seeks to guide our stewardship activities related to ESG issues in the investment process by applying this ESG Engagement Policy (“EEP”).

This engagement policy sets out how ChinaAMC (HK) undertakes stewardship and shareholder engagement across investment portfolios (including unlisted mutual funds, exchange traded funds (ETF) and other investment management or advisory mandates) under our management. The EEP applies to all companies invested by our investment portfolios and listed companies in the investable universe, including but not limited to companies listed on the A-share market, Hong Kong market, the U.S. market, and other markets, and unlisted companies. The EEP also applies to all counterparties involved in the business as well.

The EEP is an instrument to address general principle of ChinaAMC (HK)’s shareholder engagement in the context of ESG. It is not meant to specify any special or extreme circumstances and does not serve as a procedure or workflow handbook. If any employee is in doubt of the subject matter or have any questions in relation to the EEP, the ESG Committee should be consulted.

## Philosophy and Objectives

ChinaAMC (HK) believes that the ESG performance of listed/unlisted companies plays a key role in achieving the investment targets of each respective investment portfolio in a long term and good ESG performance will create shareholder value which in return be beneficial to our clients. Effective ESG practices or continuous improvement of ESG performance of an invested company can generate more stable returns for investors. The development of companies should be in line with the pursuit of a more sustainable future.

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 the investee companies' awareness of ESG issues and promote more sustainable practices and improve ESG performance.

It is the responsibility of all market participants to build a more developed ESG infrastructure and ecosystem. We also cooperate with our business counterparties to advance ESG integration.

### Engagement Objectives

#### *ESG engagement with corporates*

- to drive companies to recognize the importance of ESG transition and introduce our ESG philosophy; and
- to improve companies' ESG performance continuously and promote a just transition.

#### *ESG engagement with counterparties*

- to improve counterparties' awareness of the importance of ESG issues; and
- to promote ESG infrastructure and ecosystem in the asset management industry.

## | Oversight Committee and Execution Team

ChinaAMC (HK)'s ESG engagement activities are all led by our ESG Committee, executed by our Sustainable Investment Team and various functional Departments (as the case may be, depending on the target of engagement), and closely monitored by the CIO, who is also a member of the ESG Committee.

Sustainable Investment Team is a newly formed team within the Investment Department. It consists of the Asset Team and ESG specialists, who are individuals in the Investment Department being designated to focus on the ESG related topics in the company.

The ESG Committee flags all ESG engagement issues to the Board of Directors of ChinaAMC (HK), which is the ultimate decision making and responsible organ of the company, on a regular and ad-hoc basis when material ESG events arise.

Board of Directors exercises oversight with respect to the implementation of the Sustainable Investment Policy, Engagement Policy, Proxy Voting Policy, and the Climate-related Risk Management Policy, with the aid of ESG Committee.

Sustainable Investment Team submits an annual implementation report to the board on proxy voting, engagement, and climate-related issues.

## Engagement Guidelines

### Engagement Target

#### Listed or unlisted companies to be invested in (“Corporate Engagement”)

For this type of target, the Asset Team and ESG specialists are responsible to carry out engagement related works in an orderly fashion.

#### Business partners or counterparties (“Counterparty Engagement”)

For this type of target, besides Asset Team and ESG specialists, Product & Strategy Department, and Operations Department are also involved in the engagement.

### Active Engagement

- ChinaAMC (HK) offers investors a wide range of investment solutions, including active equity strategies, active fixed income strategies, ETFs. We take various opportunities to communicate directly with target companies for both Corporate Engagement and Counterparty Engagement. The communications will be carried through including but not limited to target companies’ regular/irregular public meetings, non-deal roadshows, meetings proactively arranged by us or by third-party advisers for assessment and investigation purposes.
- While engaging in direct dialogues with target companies, we seek to:
  - understand the current ESG performance of target company;
  - compare the target company with peers in comparable peers group;
  - offer our recommendations for improvement based on target company’s business nature and the 11 ESG key issues (as defined in the Sustainable Investment Policy”);
  - determine and set specific significant risk events (as defined in the Sustainable Investment Policy”) as red line for target company which will significantly damage companies’ ESG performance and lower its respective ESG rating; and
  - influence target company’s corporate behaviour through investment.
- Potential engagement topics are assessed and prepared by ChinaAMC (HK)’s Asset Team based on the ESG focuses and the target company’s operation situation.
- ChinaAMC (HK) is willing to share resources and act collectively with other institutional investors, enabling our clients to achieve their sustainability objectives and have a growing influence.
- ChinaAMC (HK) communicates with counterparties to raise their awareness of ESG issues, while seeking to cooperate on ESG-related business and product initiatives.

## Corporate Engagement Focus

The key considerations for Corporate Engagement activities are:

- The priorities of global investors on ESG issues at the corporate level and ESG development trends;
- The satisfactory level of 11 ESG key issues;
- The target company's ranking of ESG performance among comparable peers group; and
- The improvement in target company's ESG performance and the way it manages the 11 ESG key issues and significant risk events.

## Monitoring and Escalation Process

- The Sustainable Investment Team is responsible for monitoring progress on changes requested of a target company periodically. For target company that fails to satisfy or continues to fail to satisfy the minimum ESG requirements or significant risk events arises after ChinaAMC (HK)'s engagement, the Sustainable Investment Team shall alert portfolio manager to either cautiously invest in those companies, cease investment or dispose the existing holdings depending on the assessment result of ESG situations of such companies.
- If the target company have a poor ESG performance or its ESG performance deteriorated over time, beside alerting the portfolio managers as mentioned above, the Sustainable Investment Team may reach out to the target company privately to have an initial discussion endeavor to improve the target company's ESG performance. If the target company does not respond constructively during the private engagement, the Sustainable Investment Team will escalate the issues by, including but not limited to the following measures:
  - holding additional meetings with management specifically to discuss concerns;
  - meeting with the chairman or other board members;
  - making a public statement in advance of general meetings;
  - submitting resolutions and speaking at general meetings; and
  - requisitioning a general meeting and, in some cases, proposing to change board membership.
- As an escalation, ChinaAMC (HK) may also partner with other institutional investors or financial institutions to jointly monitor and influence the actions of target companies.



## Miscellaneous

The Sustainable Investment Team and all other involved Departments in engagement activities should keep a record of the engagement process and the results, including meeting minutes, the assessment of a target company's ESG performance and climate-related risks, recommendations to the target company, etc. All records should be kept in our IT system for at least 7 years.

The Sustainable Investment Team has direct responsibility for the implementation of this policy, with actions taken under the policy being regularly reported to ESG Committee. The Sustainable Investment Team should formulate an engagement report at the end of every calendar year and submits it to our ESG Committee for approval.

This policy is available free of charge upon written request.

This policy will be reviewed and updated on an annual basis. All the amendments have to be approved by the ESG Committee.