



# Responsible Investing Policy



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# Introduction

Since the inception of Value Partners Group (the “Group”) in 1993, corporate governance is one of the three major considerations deeply embedded in our investment philosophy - to identify the companies with the 3Rs: the **R**ight business run by the **R**ight people and at the **R**ight price. The Group’s emphasis on the right people address the governance quality analysis, which we believe is crucial to act in the best interest of shareholders, and also a key driver for business’s sustainability and value creation.

In line with this, environmental, social and corporate governance (“ESG”) considerations

## 3Rs

Right business

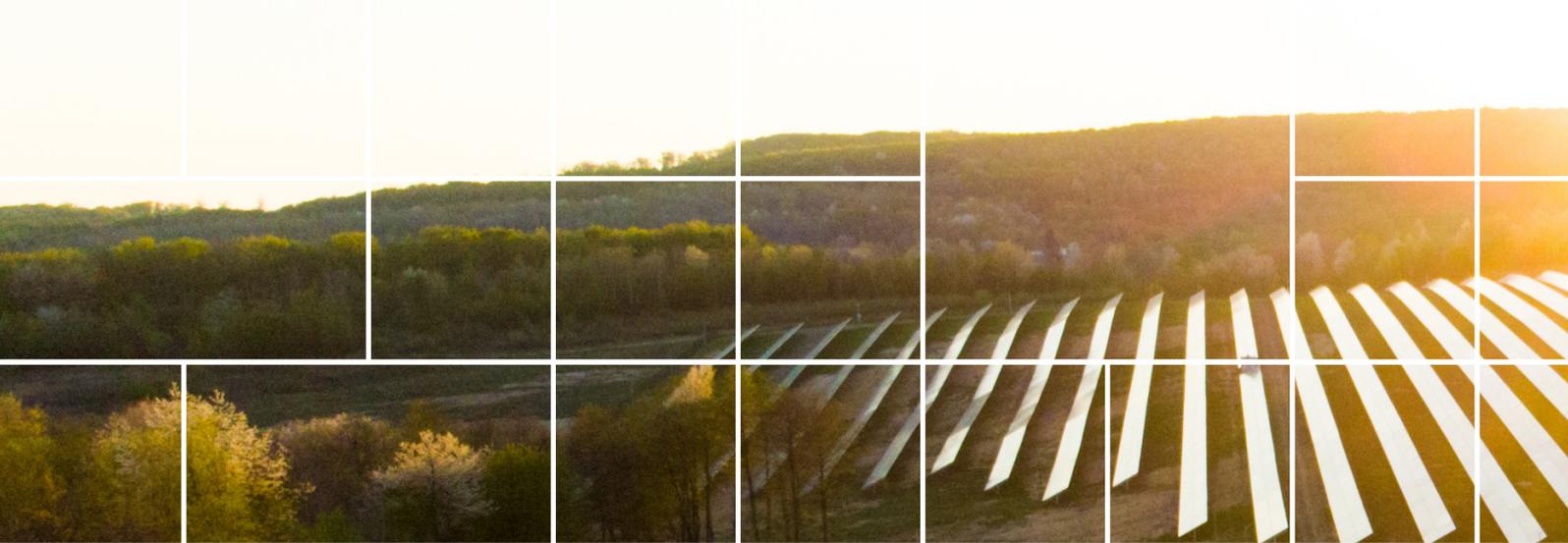
Right people

Right price

have become an intrinsic part of the Group’s investment process since 2019, as it is the Group’s belief that ESG factors play a crucial role to identify companies that can generate sustainable returns and resist competitive pressures in the long run. To do this, our ongoing commitment to articulate responsible investing practices, including our investment process, stewardship and disclosures are the essentials to our investors’ long term success. This document explains in detail the Group’s responsible investing policy and the process to integrate and embed ESG factors in our investments.



# Stewardship - governance & culture



The Group’s Board of Directors provides overall direction on the management of sustainability issues and ESG risks. The implementation of ESG initiatives are carried out by the ESG Committee (“the Committee”) and the Company Secretary with approval by the Board.

The Committee meets on a monthly basis and is chaired by the Head of ESG Investment. To ensure a comprehensive oversight and governance on ESG-related subjects, the Committee is composed of key internal stakeholders, including the senior members from investment management team, finance, compliance, operation, sales and marketing units (*Exhibit 1*).

*Exhibit 1:  
ESG committee and governance framework*





The initiatives steered by the Committee will drive the ESG development on both the Group level and the investment level. On the Group level, the Committee endeavors to proactively enhance the disclosure quality and nurture the ESG culture internally. On the investment side, it is responsible for reviewing the ESG risks of our portfolios, evaluating our engagement and voting activities and progressively articulating responsible investing policy.

# Responsible investing policy



ESG analysis is an integral part of the Group's investment process. We believe that ESG issues can exert a material influence on a company's long-term fundamentals, thus reflecting investment opportunities and risks. Therefore, we undertake a holistic approach to ESG analysis in our investment process:

## Step 1 – Exclusion screening

Value Partners applies negative screens as an initial stage to define the ESG-considered investible universe. Based on the ESG ratings acquired, we consolidate a list of significant ESG violators. We refer to the letter ratings between AAA and D, which correspond to ESG risk exposure level from low to very high. Companies with a D rating will fall into our exclusion list that we would rule out of contention for investment. To administer the trades, the Group's Risk Team is responsible for the maintenance of the list which is also integrated in the Charles Rivers Order Management System (CRD) to ensure no breach of investment guidelines.

ESG Committee reviews the exclusion list and portfolios status on a regular basis.

## Step 2 – Proprietary ESG risk assessment

We incorporate ESG assessment into our fundamental research and engage with our investees. This is implemented using our proprietary ESG Scorecards, which are formally incorporated in our investment process for our investees since the first quarter of 2021.

The proprietary assessment is the core pillar of our Responsible Investing Policy as it initiates direct engagement with our investees and leads to a deep understanding of our investees' ESG practices such as scrutinizing respective public disclosures and their forward-looking developments. The thorough research would draw additional information that can supplement



financial modeling, form input for investment analysis and subsequent investment decisions. Ultimately, it helps us identify companies that were engaged in activities seen as compatible with a set of ESG-related beliefs or values.

To quantify and properly reflect our ESG research outcomes, a score from 1 to 5 is assigned for predefined governance, social and environmental issues (*Exhibit 2*). The portfolios' scorings, which are an average of the full portfolio holdings, are reported to the Committee to facilitate benchmarking and monitoring.

Exhibit 2:  
The “ESG” framework of the Proprietary ESG Risk Assessment



### Step 3 – Post-trade monitoring

The exclusion list is enforced on the order trade level as it is directly imported to the Charles River Order Management System (“CRD”). Every month, a regular ESG report will be generated for review and analysis at the ESG Committee meeting. The Committee will review the portfolio scores and the level of ESG risk rating that the investee companies carry. The Committee will seek portfolio manager’s explanations and justifications for the ESG risk undertaking and the Risk Team is responsible for the follow-up with respective portfolio managers on any holdings with low or poor ESG risk ratings.

# Active ownership and engagement

Engagement is crucial for us to bring positive impacts to our investees. We serve our obligations as stewards and our commitment to influence the investees for the better and our approaches to discharging ownership responsibilities are risk assessment (See: *Step 2 Proprietary ESG Risk Assessment*) and proxy voting.

The proprietary assessment is central to reflect our engagement agenda to raise ESG awareness and concerns and encourage positive changes in sustainability terms. It is pivotal for us to host discussions with investee on ESG-related practices, and literally lead to sustainable value creation and long-term resilience. We believe these actions revolve around promoting ESG awareness and support positive change momentum.

The Group has a detailed Proxy Voting policy that guides formal approval or disapproval through voting on resolutions and proposing shareholder resolutions. We believe that voting is essential in order to promote good corporate governance, which aligns with our interests and goals as long-term investors. In line with our fiduciary obligations, we vote diligently and prudently and based on our reasonable judgment of what will best serve the economic and reputational interests of our clients. We also published a complete Proxy Voting Policy to guide our voting rationale and decision on a range ESG issues.



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