



Value Partners Group

# Responsible Investing Policy

November 2023



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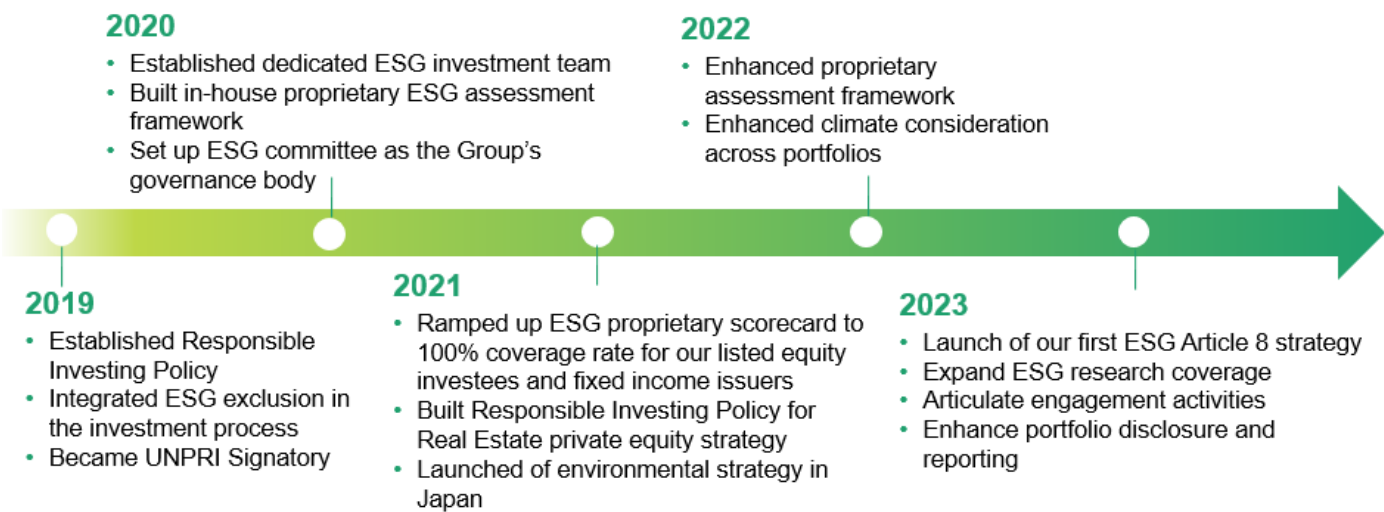


Introduction

It is our belief that Environmental, Social, and Governance (ESG) factors are key considerations for business sustainability and the company’s long-term success. These factors could materially affect businesses and, in turn, investment portfolios. Our ESG integration into the investment process is indispensable, as it enhances our fundamental analysis to identify opportunities and mitigate risks.

Since 2019, ESG considerations have officially become an intrinsic part of Value Partners’ investment process, and we have reached several milestones in our journey.

A snapshot of Value Partners’ responsible investing and ESG journey



The establishment of our proprietary ESG assessment framework and reaching 100% coverage of our ESG assessment for all our listed investees across equities and fixed income security holdings were among the most crucial and essential milestones in our ESG journey, as they set the ESG foundations of Value Partners’ investment process and enables ESG research developments in the inefficient emerging Asia markets.

Our Responsible Investing Policy explains in detail Value Partners’ process of integrating and embedding ESG factors in our investments. This policy is applied in all Value Partners’ investees across our asset classes and the regions we invest in. As our ESG journey is ongoing, we will update this document as needed as we make enhancements to our ESG proprietary assessment and engagement processes.





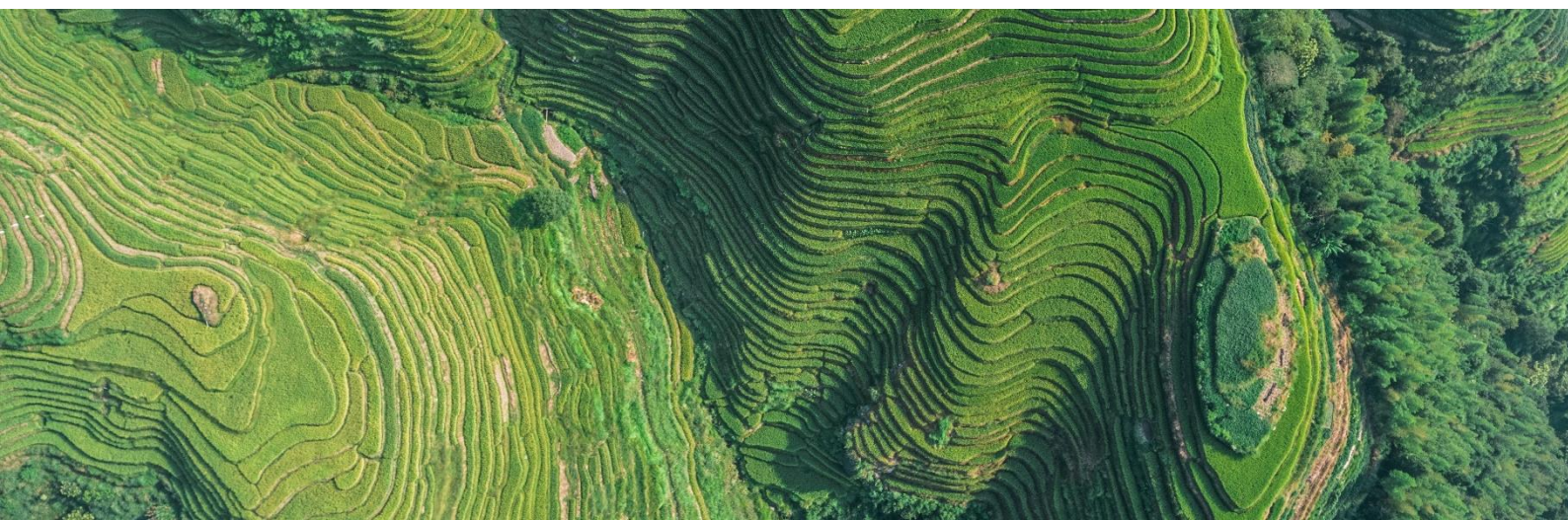
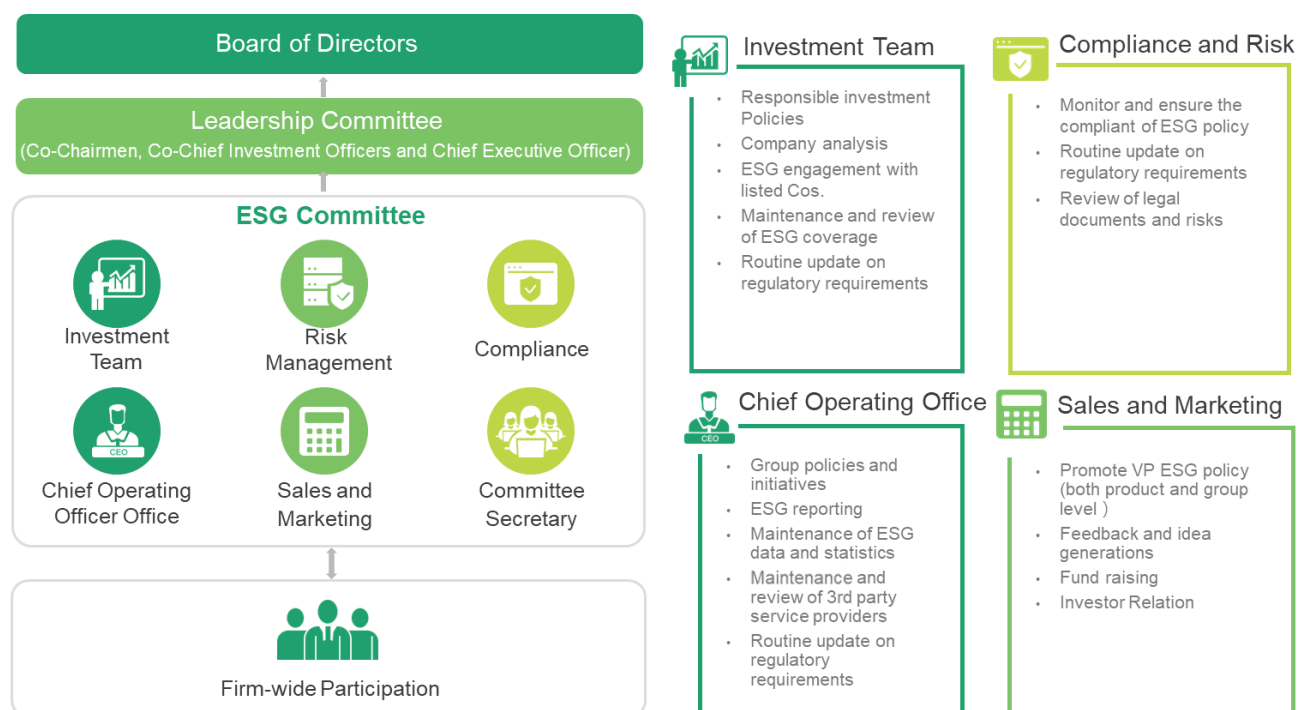
## ESG governance

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

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

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

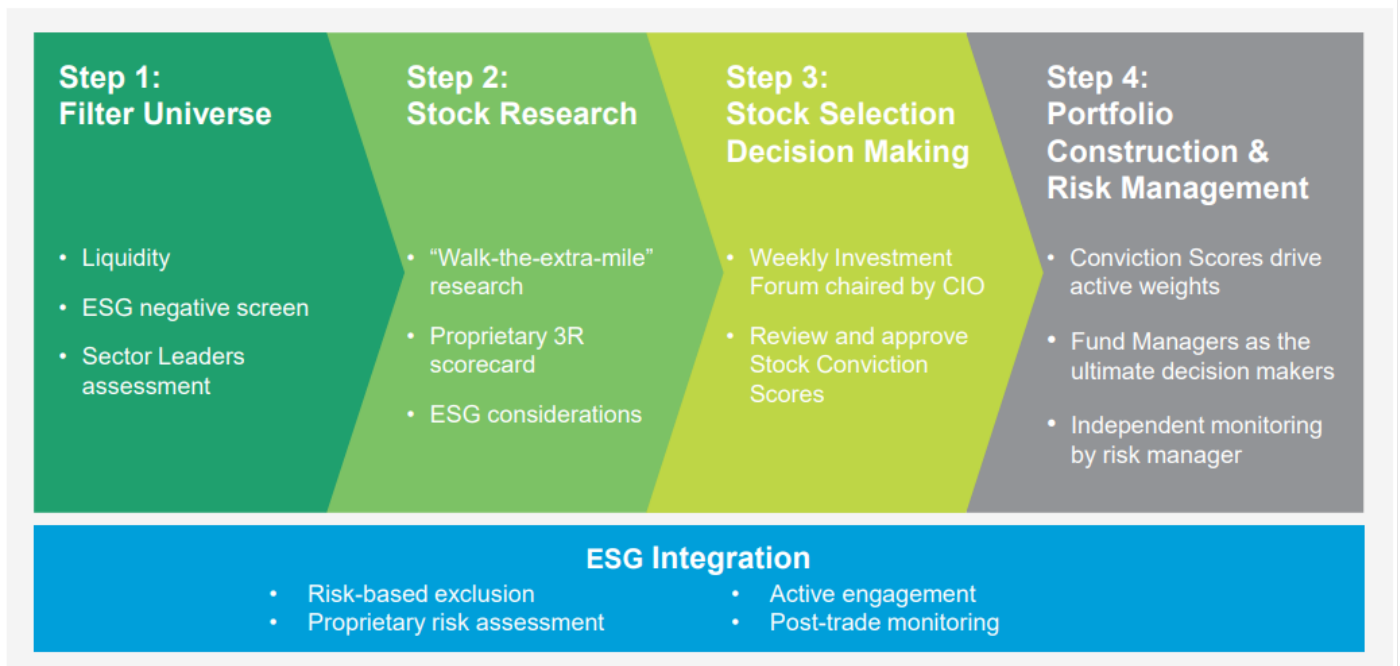
### ESG committee and governance framework:










## Overview of the Group's ESG analysis and tools

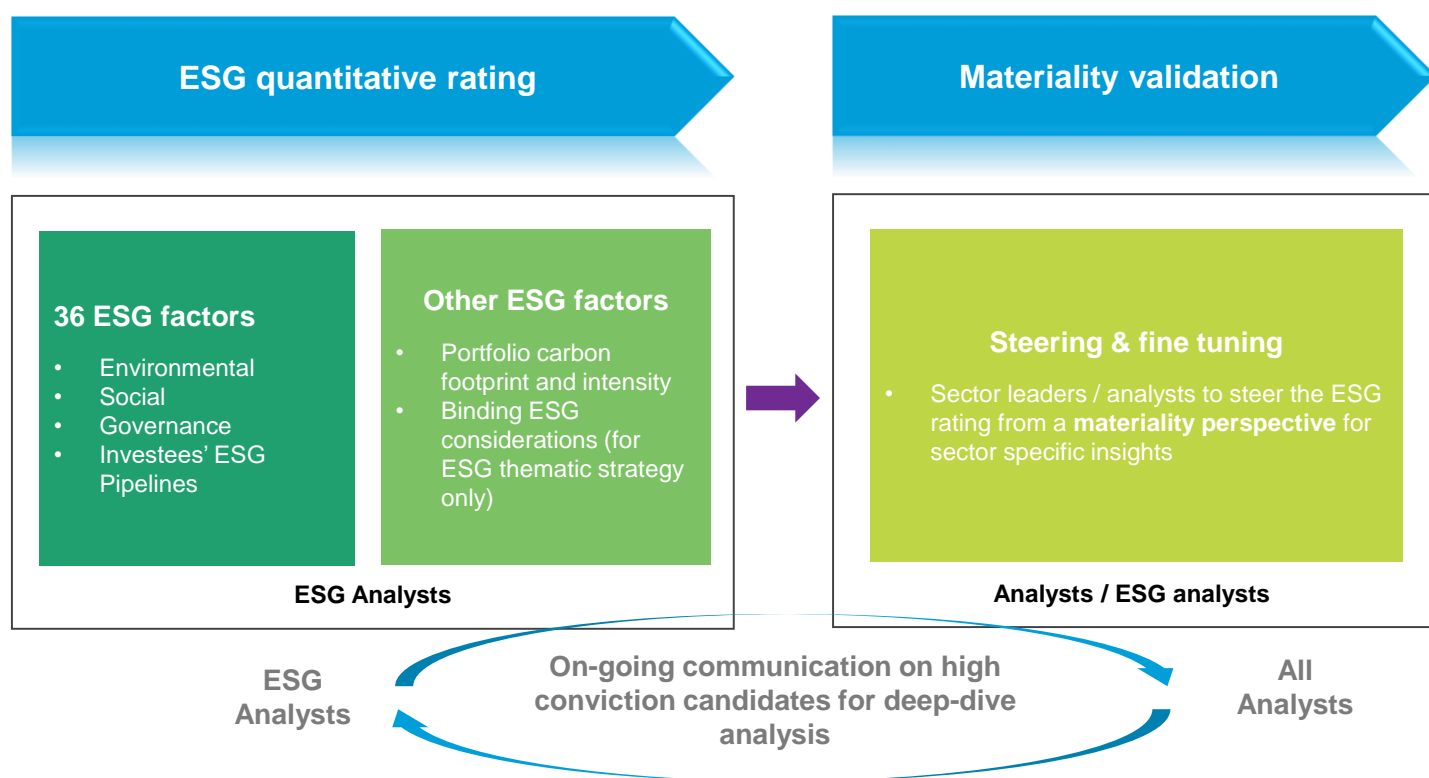
Value Partners integrates ESG considerations in every investment decision we make as it is an integral part of the Group's investment process. It is our belief that the Responsible Investing framework is a crucial factor to identify **Risks** and **Opportunities**.

**An overview of Value Partners' bottom-up investment process and how ESG factors are integrated**



Our Responsible Investing approach involves four key steps that are integrated in our investment process and responsible parties in each step is illustrated as follow:

	What we do	Who's in charge
<b>1. Risk-based exclusion</b> Initial step	Negative screens  →  ESG investible universe	ESG Analysts
<b>2. Proprietary risk assessment</b> The core pillar of our ESG investment process	 30+ ESG factors  Deep dive due diligence	ESG Analysts Investment Team
<b>3. Active Engagement</b> The core pillar of our ESG investment process	 VOTE  Engagement with investees to address concerns & track progress Fiduciary duty	ESG Analysts Investment Team Risk Team
<b>4. Post-trade monitoring</b> Risk management	 Scope of review: <ul style="list-style-type: none"> <li>RI policy enforcement</li> <li>Monitor Portfolio ESG scoring on group and portfolio levels</li> </ul>	







### Value Partners' proprietary ESG assessment scores:

ESG Rating	Category	Description
4-5	<b>ESG Leader</b>	These companies have robust ESG governance structures to manage critical sustainability issues and lead respective ESG agendas ahead of their peers
3-4	<b>ESG Improver</b>	These companies are ramping up their ESG foundations (i.e., policies) and show consistent improvements in managing ESG issues and establishing respective agendas
2-3	<b>ESG Watchlist</b>	These companies have become more ESG-aware and are in the early stage of establishing ESG policies. They tend to have controversial ESG issues, and engagement is critical to understand how management rectifies issues
1	<b>ESG Laggard</b>	These companies lack ESG disclosures and have engaged in severe ESG principles violations without a near-term rectification plan

The ESG rating is not complete without discussion sector analyst, who considers the rating from a sector materiality perspective. This ensures the rating fully reflects the sector-specific sustainability considerations that are impactful to a company. ESG analyst will steer, if needed, and finalize the score. The financial model of a company will be adjusted accordingly should we identify material risks or opportunities in the proprietary assessment.

### 3. Active Engagement

Engagement with companies is the next critical step to fine tune our assessment and to exercise our fiduciary duty to drive our ESG agenda.

Value Partners' ESG team, led by the Head of ESG Investment, drives ESG related engagement. Engagement will be based on our proprietary ESG assessment scores, which are the foundation for our meeting agenda with the investees. The engagement focuses on three key agendas:

1. Data and sustainable-related policy/practice validation
2. Communicate our expectations based on our proprietary ESG rating
3. Set and monitor sustainable-related targets, if feasible

After the engagement, ESG Analysts will review the company's risks and opportunities profile based on the outcomes of the engagement, revise the rating (if needed) and communicate with portfolio managers and sector analysts, who assess the materiality of potential impacts to the company's financial model.

To ensure ESG assessment is embedded in our investment process, if a portfolio contains a company with a lower-than-average (below 3 out of 5) ESG score, the investment team must justify with an additional investment thesis that the respective companies are either ESG improvers or that the ESG risks are of low

materiality. Divestment of low ESG-rated securities may occur if no progress is made and the risks identified become significant.

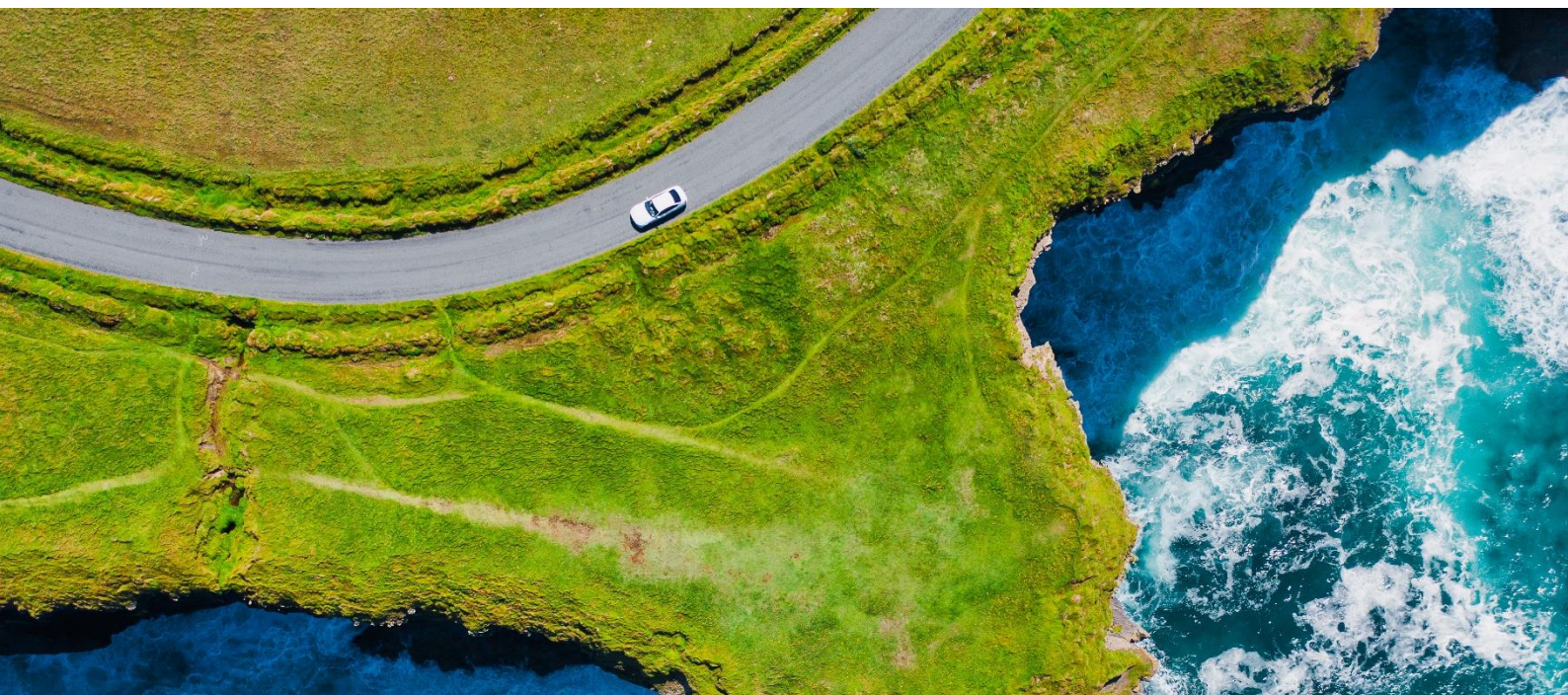
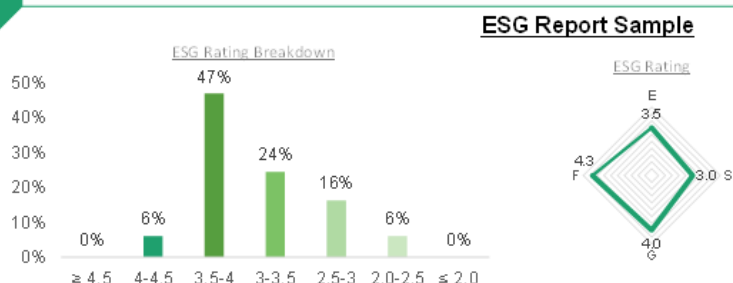
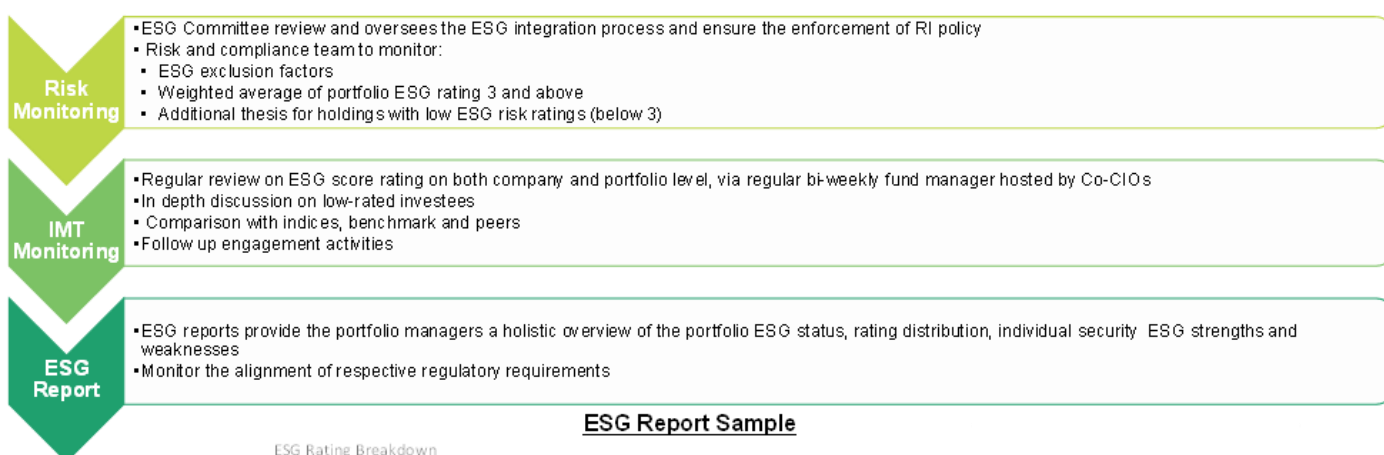
To manage ESG risks, the target portfolio's total weighted average ESG score must also have a minimum threshold of 3 (out of 5) to ensure effective proprietary ESG integration.

#### 4. Post-trade Monitoring

Stocks are constantly monitored by the Investment, Risk and Compliance teams to ensure compliance with the investment process, vehicle limits and regulatory requirements.

The ESG and investment teams regularly monitor individual investees' ESG status and alert ESG rating changes on both company and portfolio levels.

ESG reports are also generated monthly to provide portfolio managers with a holistic overview of the portfolio ESG score, rating breakdown and distribution, and individual security ESG strengths and weaknesses.







## Engagement

### Objective of engagements

Engagement with companies is a key component of our investment process to maintain an ongoing due diligence exercise with our investees. The proprietary ESG 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.

### Internal Engagement Procedures

#### (i) Criteria for engagement

We prioritize our engagement considering aspects listed below:

- Size of holdings: the selection would be on sizeable as these could pose the biggest risk to the portfolio. The size of holdings criteria would be applied on a case-by-case basis, depending on the overall AUM of the portfolio, dispersion of holdings, sector exposure especially if there high-risk sector exposures within the portfolio.
- Significant change of ESG status: Engagement will be arranged in the wake of events that drive significant change of an investees ESG status. The information in respect of ESG event could be from external data providers, disclosures or public news on the companies or internal research.
- Client request: if there was a specific mandate or request from clients for an engagement in regard to ESG issues, the request would be studied to evaluate the impact, timing, manner and scope of engagement and objective of engagement.

#### (ii) Engagement Approach

Engagement consists of a constructive dialogue with the investee companies on how they manage ESG risks and seize business opportunities associated with sustainability challenges. The proprietary ESG rating provides insight of our assessment and is a foundation for our engagement agenda with the investees.

The engagement focuses on 3 areas:

- Data and sustainable related policy validation
- Communicate our expectation based on our proprietary ESG rating
- Set and monitor sustainable related targets

#### (iii) Evaluate Engagement

Once the decision to have an engagement has been made, it is important for the engagement dialogue to be followed up to assess the effectiveness of the engagement and achievement of the outcomes. Analysts will review the company's risks and opportunities profile based on the outcomes of the engagement.

ESG analysts will review the company's risks and opportunities profile based on the outcomes of the engagement, revise the rating (if needed) and communicate with portfolio managers and sector analysts, who assess the materiality of potential impacts to the company's financial model. Apart from the assessment of the materiality of potential impacts to the company's financial model, engagement outcomes may also trigger further actions and impact voting decisions.



## Escalation strategies

In the event that the engagement did not achieve its intended outcome and if the portfolio manager has determined that the issues raised are of significance, the portfolio manager may consider the following options:

- Escalate to more senior management in the investee company
- Collaborating with other investors to strengthen the engagement
- Filing or submitting a shareholder resolution asking the company to take action on the issues identified
- Voting against the resolutions or the annual financial report
- Reducing exposures or divesting the holdings in extreme

## Proxy voting

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, Value Partners vote in a diligent and prudent manner, based on our reasonable judgement of what will best serve the economic and reputational interests of our clients. Value Partners has engaged professional third-party proxy advisory firm to provide information to assist Value Partners in voting on an informed basis with respect to issues presented by proxies and it applies to all regions. In addition to professional advice, Value Partners will also incorporate findings from our investment and ESG research on our investees to vote in a manner that is in the best interest of our investors. Value Partners may supplement its knowledge by reference to publications or other readily available public sources but Value Partners does not expect to independently investigate facts relating to issues presented by proxy statements.

Please refer to our [Proxy Voting Policy](#) for further details.





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