

# Sustainable Investment Statement

## Harvest Fund Management

Harvest provides comprehensive asset management solutions for clients across a wide range of asset classes and investment objectives. Harvest is focused not only on the sustainable growth of investors' wealth, but also on pivoting capital to support the sustainable growth of the economy and society. Sustainable investment can have a far-reaching positive impact on the environment and society, and ultimately transfer into long-term sustainable returns for investors. Therefore, we are fully committed to sustainable investment.

This statement outlines what sustainable investment means at Harvest, how we approach sustainable investment across equities, fixed income and alternatives, and how our governance structure supports the development and implementation of sustainable investment policies. This statement will be reviewed, updated and approved on a regular basis as we continuously adapt and refine our approach to this fast-evolving market. We may choose to disclose to external stakeholders on our sustainable investment implementation approach and progress whenever it is deemed necessary.

## Our Definition of Sustainable Investment

We define Sustainable Investment as a broad investment approach which incorporates Environmental, Social and Governance (ESG) factors into investment decision making to better manage risk and generate sustainable long-term returns, as well as seeking improved impact on the environment and society. Companies that can adequately address these issues may be better positioned to achieve sustainable growth and long-term value creation for investors. We believe the combination of traditional investment approaches and ESG-driven analysis is aligned with our fiduciary duty to our clients.

At Harvest, we believe that asset managers have an important role in pivoting capital to support the long-term sustainable development of the society and economy. As a leading asset manager with long-term vision and strategic focus on sustainable investing, we are committed to promote quality and sustainable growth of the economy and society.

We position ourselves as long-term fiduciary managers of our clients' capital and assume the responsibilities to protect the long-term value of the assets entrusted to us. We aim to generate attractive and sustainable risk-adjusted returns to meet clients' investment objectives, by incorporating proprietary ESG insights to form a holistic view of investment risks and opportunities.

## Our Approach to Sustainable Investing

Harvest carries out sustainable investment principles through following approaches:

- **ESG Integration**

ESG integration is a process to systematically incorporate material environmental, social and governance considerations in investment research and investment decisions to help enhance risk-adjusted returns, regardless of whether or not a strategy has a sustainable mandate. ESG integration is consistent to our fiduciary duty to safeguard client's assets as material ESG factors are economic in nature and have potential to impact investment risk and returns over time.

- **Active ownership practices: proxy voting and engagement**

As a fiduciary investor, we carry out ownership practices in the interest of our investor clients, including engaging with companies on material ESG issues, voting on shareholder meetings based on proprietary research and voting guidelines. We promote sound corporate governance and sustainable business practices among investee companies.

- **Sustainable investment solutions**

We offer sustainable or ESG-themed investment solutions that put sustainability or ESG factors at the core investment goals and investment decision making. Sustainability or ESG considerations are implemented typically along the spectrum of exclusion and best in class selection, into both active and passive strategies, covering various asset classes.

- o **Exclusion/Negative screening:** involves the exclusion of certain companies or sectors that are associated with high ESG risk or which violate the asset owner's values.
- o **Best in class selection:** involves in increasing exposure to positive ESG outcomes

## Sustainable Investment Governance and Accountability

The Sustainable Investment policy at Harvest is steered and overseen by Harvest's Investment Management Committee, which consists of Harvest's Chairman, CEO and CIOs across investment units. The day-to-day management of ESG integration and investment activities are led by Mr. Thomas Kwan, CIO of Harvest Global Investment, reporting to the Investment and Management Committee.

Harvest has established a dedicated ESG research team to carry out proprietary ESG research and implement the various aspects of Harvest's ESG integration and stewardship program, in accordance with the Sustainable Investment Policy. The ESG research team sits alongside the investment teams and work closely with them in assessing and acting on ESG investment risks and opportunities, as well as carry out company engagement and stewardship activities.

Harvest will maintain and develop the skills and competency necessary to implement the ESG program. Senior management and the relevant teams will maintain the required knowledge and skillset to ensure that investment activities are carried out in accordance to the Sustainable Investment Policy. Opportunities for continuous professional development, trainings, and other external resources will be made available as needed.

## ESG Integration

We take a systematic approach to integrating ESG considerations into our investment decision making. This is based on our proprietary ESG research framework and specialized ESG analysis developed by our dedicated ESG research team, with the input from investment team on a regular basis.

We integrate ESG into our overall investment processes through the following:

- **Proprietary ESG research and analysis**
- **Risk screening & escalation**
- **Portfolio ESG analytics and management**

### **Proprietary ESG research and analysis**

The ESG research team maintains and updates the proprietary ESG framework and methodology, with valuable input and feedback from fundamental analyst and portfolio managers on the materiality of ESG issues for different asset classes or sectors. The ESG research team works with investment analysts to conduct deep-dive ESG research and analysis, and provides investment recommendations on prospective investment opportunities and current portfolio holdings. Synthesis of ESG-related insights will incorporate quantitative and qualitative data or information that are accurate and reliable.

The proprietary ESG research insights, data and analytics tools are integrated in the centralized investment platform that can be accessed by internal investment teams on a daily basis for investment decision making.

Harvest's proprietary ESG research framework is aligned with global ESG frameworks with a focus on adapting material issues and scoring criteria to China-specific considerations and market realities.

Given that ESG considerations tend to evolve and manifest over long investment horizons, Harvest's ESG research framework is continuously developing. We review and update our framework at least annually, with comprehensive research on policy and market development, consultation with internal and industry experts. The ESG research team provides ongoing training to internal investment analysts to ensure that all investment teams are aligned in their efforts to integrate ESG considerations into their analysis.

Advanced techniques, including but not limited to machine learning and data mining, may be utilized within the public domain to extract risk signals which could impact the values of our clients' assets. Risk identification and alerts are an important component of ESG monitoring. The investment teams must account for ESG risk exposure present in client assets and respond to emerging issues and events in a timely manner.

### **Risk screening and escalation**

We categorize our investment universe into different risk levels according to companies' ESG performance, controversies and risk exposure, based on our proprietary ESG database which incorporates internal data and various external data sources. Our investment universe is then systematically monitored and screened for ESG risks on a regular basis.

We have established escalation processes to make sure material ESG risks identified through the screening process are properly addressed by:

- o Conducting in-depth due diligence and impact analysis together by ESG analysts and investment analysts based on publicly available information and engagement information to validate risk levels;
- o High-risk names are validated by in-depth analysis will be escalated to the investment committee for formal approval before making investment decisions. Risk control decisions made by investment committee may include, but not limited to, mandatory underweight, valuation discounts, dedicated engagement, or exclusion.

### **Portfolio ESG analytics and management**

Our portfolios are monitored regularly for ESG risk exposure to ensure that portfolios are invested in accordance with the Sustainable Investment Policy. Adherence to specific ESG principles or mandates are also required based on investment guidelines as dictated by the client.

The ESG team is responsible for preparing the regular portfolio ESG reports independently based on third-party ESG research and proprietary ESG data. The ESG team facilitates the discussion over ESG issues and investment objectives with portfolio managers and the investment committee.

## Active ownership: Engagement and Voting

Harvest believes that companies operating with higher standards of corporate governance, environmental and social practices have greater potential to enhance long-term value creation and investment returns. As a fiduciary manager, effective and responsible active ownership has long been part of our approach, and engagement and voting are integral to our investment process. We are committed to executing voting rights in the best interests of our clients and actively engage with leadership of investee companies to enhance corporate governance and ESG management, within the sphere permitted by relevant local and global laws and regulations.

- **Voting**

The exercise of voting rights provides investors with ability to influence on investee companies' governance and ESG issues. It is an important aspect in our investment management process and our fiduciary duty to safeguard investments entrusted to us. The overriding principle governing our approach to voting is to act in line with our fiduciary duty in what we deem to be the interests of our clients.

It is our policy to vote all shares at all meetings, except where there are restrictions that make it onerous or expensive to vote compared with the benefits of doing so (for example, share blocking practice whereby restrictions are placed on the trading of shares which are to be voted). Given our focus on integration and active ownership with the aim of enhancing returns, we encourage clients to grant voting discretion to Harvest wherever possible. We will vote based on clients' specific voting principles and guidelines if instructed by clients to do so. In other cases, we will vote base on our own voting guidelines and detailed company research collaboratively conducted by our team of ESG analysts and investment analysts.

We use our proprietary platform to process proxy voting instructions electronically. We regularly review the voting records and may provide records to institutional investors on a request basis.

“Corporate Governance” refers to the process and structure by which the business and the company is governed. We consider matters relating to the structure and remuneration of the board; mechanisms to ensure shareholders' voting rights on material matters; internal control and financial reporting accountability; transparency and attention to long-term sustainability issues, to fall within corporate governance. Our positions on corporate governance and voting execution processes are set out in our voting guidelines in the appendix.

Despite the individual companies may have different corporate structures and management practices, we generally support the rationale of securing sufficient disclosure so that investors and others can assess a company's governance practices and respond in an informed way.

- **Engagement**

Harvest's ESG team, together with investment teams, engage with our investee companies on material corporate governance and environmental, social issues. Engagement is a core element of our active ownership practice and has the advantage of enhancing communication and understanding between companies and investors we invest on behalf of.

We generally engage for at least one of these reasons:

- o To seek additional understanding through dialogues and information exchange with investee companies to enhance our ESG and fundamental analysis
- o To seek change that will protect and enhance the value of investments for which we are responsible,
- o To promote sustainable business practices to unlock long-term investment value where necessary
- o To carry out specific engagement request on behalf of our clients

Our engagement activities combine the perspectives of our portfolio managers, investment analysts and ESG analysts in order to form a deep dive view of each company and the issues it faces.

Our mechanism and tools for engagement typically involves below

- o One-on-one meetings and phones calls with company representatives and management either collaboratively with our investment analysts and portfolio managers, or focused ESG engagements undertaken by the ESG analysts
- o On-site company visits
- o Discussions with company advisers and stakeholders
- o Collective engagement with other investors

We prioritize our engagement activities based on the materiality of the issues and our exposure to the individual company, which is based on the absolute amount invested or the shareholding in the company. Our investment teams and ESG research team work together to identify priority engagement themes and specific areas that warrant discussion with individual companies. We proactively arrange engagement sessions with our key holdings assessed as ESG laggards or triggered by material negative ESG incidents. We also take a top-down approach, and set out priority ESG engagement topics deemed to

be material at the market level and formulate engagement program to address these topics in a medium to long term.

Harvest participates in select collective engagement initiatives and events when it is determined that action is necessary in order to protect the interests of the client's investment and we believe it will enhance our engagements efforts or promote responsible investment development, but only insofar as those actions are not prohibited by law or regulation.

Harvest actively participates in multiple investor groups and collective engagements, including:

- Climate Action 100+ (APAC)
- Carbon Disclosure Project (China)

Last update: March 31, 2021