

**Responsibility Investment Policy**  
**of**  
**China Universal Asset Management Company Limited**

(Revised in December 2020)

## Chapter I General Provisions

**1** This *Responsible Investment Policy of China Universal Asset Management Company Limited* (hereinafter referred to as "the RI Policy" or "the Policy") aims to provide an overview of the responsible investment principles that govern China Universal Asset Management Company Limited (hereinafter referred to as "China Universal" or "the Company"). The company has adopted this policy in order to:

- 1) Establish China Universal as a leading responsible investment manager in China.
- 2) Contribute to a prosperous future with better long-term return for our domestic and international investors.
- 3) Be compliant with national regulations including:
  - a. The ***guidance on building a green financial system*** issued by the joint finance department of the People's Bank of China, the National Development and Reform Commission, the Ministry of Ecology and Environment of the People's Republic of China, the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission; and
  - b. The ***Green investment guidelines (Trial)*** issued by the Asset Management Association of China.

**2** The company believes Responsible Investment is a supplement to the traditional methods of financial analysis and portfolio construction in investment and is therefore committed to:

- 1) Integrating Environment, Social and Governance (hereinafter referred to as "ESG") into investment decision-making;
- 2) Actively using its ownership rights to engage with companies on behalf of our clients so that they operate in line with the guiding principles in this policy;
- 3) Allocating capital to themes or assets related to certain environmental or social outcomes;
- 4) Using a systematic approach to excluding certain sectors, companies or projects for poor ESG performance relative to industry peers.

**3** The policy covers four aspects:

- 1) China Universal's Responsible Investment Commitments,
- 2) Governance of Responsible Investment,
- 3) Implementation of Responsible Investment, and
- 4) Information disclosure.

**4** The policy is applicable to most investments made by the Company, with a few exceptions<sup>1</sup>. As asset classes differ in their characteristics, the methods applicable in this policy may vary across asset classes.

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<sup>1</sup> There may be no new investment for existing products before the implementation of the responsible investment policy, so this policy is not applicable.

**5** This policy shall be reviewed every three years, or more often if required. How the Company implements this policy, and the resulting outcomes, will be regularly published in the company's annual report, corporate social responsibility report and other public documents. All disclosure will be available on: <http://www.chinauniversalasset.com/>

## **Chapter II China Universal's Responsible Investment Beliefs and Commitments**

**6** Consideration of ESG factors is an integral part of China Universal's investment philosophy. We believe these factors are critical to long-term investment outcomes. To achieve the best long-term outcomes for our investors, we:

- Integrate our various responsibilities into our corporate mission and culture;
- Integrate ESG factors into our investment process including research, decision-making and implementation;
- Take the advantage of being a financial institution to help tackle environmental challenges including climate change;
- Make full use of our active ownership rights in order to promote responsible investment in the broader industry; and
- Ensure that China Universal and its stakeholders jointly achieve the goal of sustainable development.

**7** China Universal's investment philosophy of "focusing on the long-term" and "selecting high quality securities" is highly consistent with the concept of responsible investment. We therefore officially became a signatory to the Principles for Responsible Investment (PRI) in April 2020<sup>2</sup>. We will continue to bring ESG factors into the investment process and due diligence management practice, promote a sustainable financial system, and comply with the six principles of the PRI.

**8** China Universal is well aware of the serious consequences of climate change on human beings, economic growth and the eco-system. This means the financial resilience of the assets managed by China Universal cannot escape the impacts of climate change. In order to contribute to the Paris Agreement's commitment to limit the global average temperature rise to no more than 2 °C above the pre industrial level, China Universal will encourage companies we invest in to take measures to: a) manage the impacts of climate change (both physical impacts and the impacts of a transition to a low carbon economic model) and b) increase climate related disclosure, especially among high emitting companies and sectors.

**9** China Universal believes that climate change presents both risks and opportunities to investment. We will actively manage these risks and opportunities by:

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<sup>2</sup> More details about the principles of responsible investment of the United Nations can be found in [https://d8g8t13e9vf2o.cloudfront.net/Uploads/i/t/l/\\_763472.pdf](https://d8g8t13e9vf2o.cloudfront.net/Uploads/i/t/l/_763472.pdf).

- (1) including climate change factors in the assessment and monitoring of investment risk management. The assessment and monitoring will include a series of climate change stress tests to determine the risk tolerance of the portfolio, and
- (2) integrating ESG factors, due diligence and thematic investment, to capture investment opportunities arising from a low-carbon economic transition.

**10** China Universal is the first financial institution in China to become a member of the Asian Corporate Governance Association. We actively promote the association and invite other asset management companies to join. The objective of the association is to make positive improvements in the Corporate Governance landscape in Asia through constructive dialogue across investors, companies and regulators.

### **Chapter III Governance of Responsible Investment**

**11** China Universal has established a responsible investment framework, which is overseen by an independent ESG Committee, coordinated by an ESG Implementation Working Group, assisted and supported by research department, cross border investment department, risk management department, international business department, and product department in daily work.

**12** China Universal has set up an ESG Committee, which is in the same level with the company's other investment committees. The members of the Committee include Chief Economist, Head of Cross-border Investment, Head of Investment Research, Head of Risk Management and Head of General Office. The ESG Committee has the following responsibilities:

- (1) Examine and approve the *Responsible Investment Policy*, the *Responsible Investment Handbook* and other relevant materials.
- (2) Guide the investment personnel of each department to implement the principles of responsible investment in their day-to-day work.
- (3) Develop measures to identify and manage systemic or material ESG risks, such as climate change.
- (4) Make decisions on other investment related work.

**13** The ESG Implementation Working Group is set up under the ESG Committee, which is fully responsible for ESG related research work and providing decision support for the ESG Committee. Its main responsibilities include, but are not limited to:

- (1) Supporting the ESG Committee and conducting special research on ESG.
- (2) Cooperating with investment research personnel to carry out ESG evaluation of potential investments.
- (3) Organizing regular responsible investment training to ensure that relevant department staff read and understand the Policy and the *Responsible Investment Handbook*.
- (4) Organizing and coordinate with other departments to carry out relevant work in responsible investment.

**14** The Research Department will conduct in-depth research on ESG factors based on the research framework for responsible investment, provide the ESG evaluation results of potential investments, and actively use our ownership rights to engage with companies we invest; each Investment Department will make investment decisions based on both the ESG evaluation results and traditional financial analysis; the Product Department will design ESG themed funds; the Risk Management Department shall supervise ESG ratings of investment portfolios; the General Office will collect and publish responsible investment information regularly.

#### **Chapter IV Implementation of Responsible Investment**

**15** In order to implement its Responsible Investment Policy, China Universal has adopted the following approaches to responsible investment, and applied them to listed equity, fixed income and fund of fund investments:

- **ESG integration**
- **Stewardship**
- **Sustainability themed investments and**
- **Screening**

**16** In view of the long-term nature of the responsible investment, China Universal regularly reviews and optimizes its implementation methods, so as to ensure the efficient implementation of its responsible investment commitments, in support of its broader goal to maximize benefits to investors and stakeholders.

#### **ESG Integration**

**17** The ESG integration method systematically incorporates ESG factors into investment analysis and decision-making. According to the characteristics of different industries and the importance of relevant factors, China Universal has formulated the evaluation criteria of responsible investment for different asset classes, and established a unified evaluation framework to ensure the consistency of ESG integration across different teams and industries.

**18** Based on the data provided by internal research teams and external databases, China Universal investment research team has, in order to evaluate ESG factors of listed equities. The evaluation criteria include: climate change, resource utilization, environmental management, supply chain management and control, product safety, social responsibility, corporate governance, board structure and other important substantive issues, comprehensively considering the entire sustainability profile of the company.

**19** The CUAM-ESG evaluation system considers the different industry characteristics, integrates the in-depth understanding of all industry analysts of China Universal on the covered industries and companies, and establishes a complete database of controversial public opinions. The evaluation result is typically updated twice in the semi-annual report

and the annual report, and we will make real-time dynamic adjustment according to the company's daily ESG performance. In addition, China Universal will regularly review and improve the scoring system.

**20** Our investment staff of China Universal will refer to the evaluation results of CUAM-ESG when making equity investment decision such as investable universe, updating risk warning list, equity position management and so on.

**21** In the field of fixed income, China Universal mainly considers ESG factors at the issuer level to assess its impact on the company's solvency and ability to repay its debt, so as to manage the downside risk.

**22** For assets under external management, China Universal will also clearly convey its commitment and expectation of responsible investment, and encourage external managers to invest in line with this Policy.

### **Stewardship**

**23** Stewardship aims to bring practical effect to the sustainable development of the region and market, which specifically includes two parts: Voting and Engagement in the work.

(1) According to our internal voting policy, voting on behalf of our clients will follow the following principles:

- Priority of client's interests;
- Professional independent judgment;
- Not seeking control;
- Handling conflicts of interest correctly.

(2) Engagement refers to discussing ESG factors and sustainable development issues through communication and cooperation with portfolio companies, exchanging opinions and discussing potential solutions to core problems, so as to maximize long term value creation and minimize companies' negative impacts on the environment and society.

### **Thematic Investing Method**

**24** The thematic investing method is to invest in companies offering solutions to sustainable development issues. These investment will provide positive contribution according to United Nations' Sustainable Development Goals and will also let us achieve considerable returns within our risk tolerance.

**25** China Universal is particularly interested in the investment opportunities brought about by sustainability solutions such as climate change, aging populations and social security, as these themes could align with stakeholders' values.

**26** At present, China Universal has developed several ESG funds. The active funds include China Universal Social Responsibility Fund and China Universal Environmental Protection Fund; the passive products include China Universal CSI Environmental

Protection Index (LOF). In the future, the company will gradually develop more ESG themed funds based on the goal of sustainable development.

### **Screening Method**

**27** The screening method uses a systematic approach to exclude companies that have material and long-term negative impacts on the environment or society, to minimize the investment risk and manage the reputation risk of China Universal and its stakeholders.

**28** China Universal will urge the invested company to operate in accordance with global norms and conventions. If evidence shows that a portfolio company has violated international standards or conventions, China Universal will first engage and vote through the above-mentioned stewardship method, and then consider whether it needs to be excluded based on its willingness to improve.

### **Chapter V Information Disclosure**

**29** China Universal believes in transparency, and will monitor and report on its responsible investment activities, objectives and plans, consistent with this policy and related articles of association.

**30** China Universal regularly issues or updates relevant reports on responsible investment, including but not limited to:

- Responsible Investment policy of China Universal Asset Management Company Limited;
- Annual report;
- Corporate social responsibility report;
- Annual report to the Principles for Responsible Investment (PRI)

### **Chapter VI supplementary provisions**

**31** The responsible investment policy shall take effect immediately after being ratified by the ESG Committee of the company.