

## New Harvest Wealth Securities Company Limited ESG Statement

New Harvest Wealth Securities Company Limited (“**NHWS**”) strongly believes that a thoughtful and proactive management of environmental (which covers climate-related risks<sup>1</sup>), social, and governance (collectively known as “**ESG**”), regulatory, geopolitical, and reputational issues makes NHWS a responsible fund manager and investor, and is an essential part of long-term business success in a rapidly changing world. For the purpose of this statement, factors of environmental, social and governance are collectively referred to as “**ESG Factors**”.

The aim of this ESG Statement is to provide a greater level of transparency on how NHWS approaches the management of ESG Factors.

### **GOVERNANCE & OVERSIGHT**

#### NHWS Commitment

To incorporate ESG Factors into daily operations and decision-making of NHWS, members of the ESG Committee (as defined below) will be actively involved in discussion and decision-making processes over management of ESG Factors.

#### Governance Structure

In particular, the board of directors (“**Board**”) of NHWS is ultimately responsible for NHWS’s overall strategy and ongoing practice on managing and assessing ESG Factors. In this regard, the Board shall take lead in:

- Understanding the potential impact and related risks of ESG Factors on NHWS’s business as well as funds managed by NHWS.
- Aligning with what investors and regulators expect and require in terms of management over ESG Factors.
- Enforcing a materiality assessment and reporting process on ESG Factors to ensure actions are well followed through and implemented.
- Promoting a culture from the top-down to ensure ESG Factors are part of the business decision-making process.
- Approving initiatives and expenditures and related systems in relation to the management of ESG Factors.
- Observe and adhere with its role and responsibilities on ESG Factors as laid down by relevant Securities and Futures Commission (“**SFC**”) rules, codes, guidelines, circulars and regulations, including but not limited to, the Fund Manager Code of Conduct and the “Circular to licensed corporations – Management and disclosure of climate-related risks by fund managers” issued by the SFC on 20 August 2021.

At management-level, NHWS has formed a ESG committee (“**ESG Committee**”) to specifically identify, assess, monitor and manage various ESG Factors in relation to various investment portfolios of NHWS throughout the investment process.

The ESG Committee has been assigned by the Board to be mainly responsible for, amongst others:

- Setting and directing NHWS’s ESG strategy in collaboration with other stakeholders in NHWS.
- Conducting regular assessment and progress updates of ESG Factors, as well as reviewing and considering any necessary changes.
- Monitoring the status and progress of managing ESG risks of the investment portfolios across the firm.

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<sup>1</sup> By virtue of the Fund Manager Code of Conduct as issued by the Securities and Futures Commission of Hong Kong (as may be amended from time to time), “climate-related risks” will cover physical risks which stem from the direct impact of extreme weather events and progressive, longer-term shifts in the climate patterns and transition risks associated with the transition to a low carbon economy. Physical and transition risks may trigger liability risks which the fund managers (i.e. NHWS) should also take into consideration in the risk assessment processes. In addition, climate-related risks may have implications for other financial risks such as credit, market and liquidity risks. NHWS will take the above into account when it assesses the “climate-related risks” as a whole in its practice.

- Facilitating the sharing of research, analysis and insights on ESG Factors, as well as the publication of ESG research for use by clients where possible.
- Reviewing the investment management framework and risk management framework covering the ESG Factors from time to time.
- Discussing any new investment strategies that may integrate ESG Factors as part of investment and/or risk management process.
- Reporting annually to the Board progress update and summary findings on the performance and developments in relation to ESG Factors.

NHWS has adopted a ESG policy (“**ESG Policy**”) pursuant to which it aims to promote sound ethical and appropriate ESG Factors and standards as an integral part of each phase of the investment process. The ESG Policy is specifically designed to ensure adherence to NHWS’s guidelines and regulatory requirements regarding ESG Factors. Investors may contact NHWS if they wish to request any further information in relation to the ESG Policy.

### Proxy Voting Arrangements

NHWS pays close attention to the following core principles when it votes as a shareholder of portfolio companies:

- Corporate governance
- Board structure, diversity and responsibilities
- Shareholders rights
- ESG Factors (covering climate-related risks) or issues decision making
- Conflict of interests
- Shareholders communication and transparency

As such, NHWS strongly believes that proxy voting is an integral aspect of its role as an investment manager. NHWS strives to uphold the above principles as part of its proxy voting practices, as well as to observe local market guidelines to ensure good and practice. This is because, as NHWS believes, portfolio companies/entities that reflect good corporate governance and effective board responsibilities, and that operate in a transparent, responsible and sustainable manner will support long-term growth and increase shareholders value.

In this vein, NHWS has developed a procedural manual, namely “Proxy Voting Policy and Procedures”, which aims to comprehensively lay out its voting positions, its focus on the potential financial impact on a company in long term from a range of corporate governance, environmental and social issues.

## **ESG INTEGRATION**

### Investment Management

ESG Factors are integrated across the investment cycle.

The table below covers how NHWS has systemically taken into account ESG Factors at each stage of investment cycle:

	<i><b>Opportunity Evaluation</b></i>	<i><b>Conducting Diligence on Company-Specific ESG Factors</b></i>	<i><b>Strategic Initiatives Setting and Review</b></i>	<i><b>Monitoring and Management</b></i>
<i><b>Stage</b></i>	Origination / Pre-Screening	Due Diligence	Making Investments	Post-Investment

<b>Specifics</b>	Review materials to determine whether there are any critical ESG Factors with regards to prospective portfolio companies, issuers, operators, etc.	Evaluate material ESG Factors applicable for the industry or asset class(es) with regards to the prospective portfolio companies or issuers, including climate-related risks and other portfolio-wide considerations and opportunities where relevant	Setting key ESG Factors in the discussions and memorandums as they relate to the prospective portfolio companies or issuers  Track relevant findings on an ongoing basis, even when no additional actions are needed	Post-closing ongoing review  Monitor key ESG Factors in the discussions and memorandums, where applicable  Engage with select companies on value creation efforts  Document efforts on relevant ESG Factors for ongoing tracking as relevant
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All in all, NHWS will adopt a proportionate and systemic approach in identifying, assessing the relevance and materiality and factoring ESG Factors. NHWS is determined to apply a suitable approach (either by a qualitative approach or a quantitative approach or a combination of both) to assess ESG Factors, depending upon the investment strategies and/or risk profiles of each fund/asset class it manages.

In particular, the investment team will use best efforts to embed impact investing practices into its operating rhythm, by way of incorporating climate change impact and risk assessment as part of investment proposals, portfolio company due diligence and portfolio company reporting.

NHWS may also refer to various recognized reporting frameworks including but not limited to, Principles for Responsible Investment and Sustainability Accounting Standards Board (“SASB”) Standards in assessing ESG Factors.

Risk Management

NHWS takes a pro-active approach in identifying, measuring, managing and monitoring risk levels associated with ESG Factors.

In particular, relevant team(s) discharging the risk management function will:

- conduct ongoing assessments of ESG Factors with regular tracking and identifications.
- establish appropriate processes for the timely escalation and reporting of significant issues noted during risk monitoring to the Board or other appropriate functional units such as the investment team and the compliance team in a timely manner.
- review the effectiveness of the risk management systems, on an ongoing basis, to ensure that any potential significant deterioration in ESG Factors is followed up and managed. Such reviews will be documented and reported to the [board of directors] at least annually, but more frequently if warranted.

Tools and Metrics

NHWS will mainly refer to the SASB Standards as its primary source of tools and methodologies in implementing the above. Where appropriate, NHWS may also utilize resources within NHWS group to specifically assess ESG Factors with recognized tools and methodologies, i.e. ESG scoring. The ESG scoring framework has been developed to quantitatively identify, rate and maintain ESG data collection of various portfolio companies as managed by NHWS. The ESG scoring process is also designed to be rule based and incorporated with objective and globally recognised criteria and principles to reduce the risk of conflicts of interests.

## **REPORTING & DISCLOSURE**

As a responsible fund manager, NHWS aims to promote the acceptance and implementation of impact investing and ownership principles/practices within the financial services industry. In this vein, NHWS shall review this ESG Statement at least on an annual basis, and shall update this ESG Statement where considered appropriate and provide updates in relation to material changes to this ESG Statement as soon as practicable.

**Important Information**

The information presented are as of the date published.

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