LION GLOBAL INVESTORS

Investment Philosophy and Sustainability Strategy

Investment Philosophy

1. Lion Global Investors (LGI) is one of the largest asset managers in Southeast Asia. Affirmed by more than 30 years of investment expertise, we are dedicated to managing various investment strategies that span across different asset classes for our institutional and retail investors globally.

2. LGI aims to excel in executing our fiduciary responsibilities when managing our clients' money. We focus on all material factors that impact the risks and returns of the mandates we manage on behalf of our clients, in a bid to provide the best performance for our clients' investment portfolios.

Our Sustainability Beliefs

3. We believe that material environmental, social and governance (ESG) factors impact the risks and returns of the investments we manage and such ESG considerations should be integrated into our investment process to optimize the risk-reward of each investment decision we undertake. This aligns with the investment philosophy to take into account all material factors to provide the best performance for our clients' investment portfolios.

4. Demonstrating our commitment to responsible investing, LGI has started out with two distinct moves. Firstly, LGI joined the Principles for Responsible Investment (PRI) as a signatory in January 2020, putting the organization on a committed path alongside the broader ESG investment community in this ESG journey and maintaining the trust that clients have in our ability to deliver long term sustainable risk-adjusted returns. LGI is committed to the six principles of the PRI, incorporating material ESG considerations and adopting an active ownership approach as part of our ESG integrated investment process. Secondly, LGI has also created an ESG department to provide dedicated resources in this area. The ESG department works with various departments across the organization on ESG matters such as ESG analysis and reporting for investment portfolios, ensuring compliance with regulatory requirements, and other ESG-related initiatives.

Governance

5. In line with LGI's Authority and Governance structure, the Board would oversee the ESG risk management framework (ERM) at a strategic level to ensure that there is a sound ERM framework in place and adequate senior managerial guidance for each piece of the framework, including the ESG integration as part of our investment process. The Board would also be updated every semi-annually on the ESG status of our investment portfolios, prepared by the ESG department and vetted by the management committee comprising the CEO, CIO, COO and CMO.

6. There are three key documents of guidance on ESG integration for our respective investment teams and they include the sustainability strategy, stewardship strategy, and the ESG operating manual that details the execution considerations for both sets of strategies. The CIO would oversee the sustainability strategy, the stewardship strategy and the ESG operating manual. Any changes to these strategies or the operating manual would be proposed by the ESG department, taking into account the feedback from the investment teams.

Our Sustainability Approach Across Various Investment Products

<u>Equity and Fixed Income Funds</u>

ESG risks

7. From an ESG perspective, we focus our resources on ESG factors that have a material effect on our overall portfolios' performance. These can vary in scope and scale across individual securities, sectors, countries and time horizon.

8. Hence, rather than reinventing the wheel, material ESG factors are integrated into the existing investment process. This approach has two merits. Firstly, it allows investment teams to apply a holistic view when thinking about the investment risks and opportunities as a whole for the portfolios under management. Secondly, in security selection, the investment teams are the key experts with regard to the securities in the markets they invest in; the investment teams are best suited to make the assessments on what constitutes material ESG factors that each issuer face and how well each of them are managing these factors. Material ESG factors are considered alongside other considerations that are integral to each security's performance, including but not

limited to factors such as financials and strategies, management capabilities, growth catalysts and valuations. For each issuer, the ESG factors considered and the corresponding level of materiality of each factor is usually determined by the issuer’s industry, where reference is made using the methodology of a reputable third party ESG platform if applicable.

9. To aid our investment teams in ESG analysis, ESG information is derived from key sources such as public information that is provided by issuers both via engagement or company filings, and through reputable third party ESG platforms that LGI subscribes to. Qualitative information includes but is not limited to environmental transition and physical risks, policies and actions that issuers introduced to address those environmental risks, compliance with labor law and industry practices, and corporate governance. Quantitative information would comprise metrics such as ESG ratings and specifically on the environmental front, the carbon footprint and carbon intensity that measure the exposure of issuers and their peers. With this information gathered, the investment team can perform a more targeted engagement with the company to better understand their stance towards these material ESG issues (see Stewardship Strategy).

10. Besides having ESG considerations that form part of an initial investment decision, post investing, the investment teams would continue to evaluate and monitor the ESG quality of the issuers as part of the ongoing portfolio construction and risk management.

Time Horizon and ESG risk considerations

11. Our investment teams expect to generate an outperformance from security selection over the medium term (i.e. a three years investment horizon). Any ESG risks that impact the performance of our investments within this period would form a key part of the overall investment assessment. For instance, where the investment teams expect to gain from improvements in ESG quality of an investee company but had not witnessed sufficient improvements across a period of up to three years, limits would be imposed on the exposure to the company. The portfolio manager would then evaluate the next course of action, in consultation with the CIO, Head of asset class, and the ESG department. Post evaluation, any companies that are deemed non-investible would fall into a blacklist and would not be permitted to be held or purchased for any portfolios managed by the investment teams.

12. Specifically on environmental risks, given the focus on material ESG risks within the medium term, transition risks tend to be the key focus as part of the company research and analysis. The material climate related risks under consideration would vary, depending on the individual sectors and companies that are being assessed. For instance, this would include but is not limited to existing and emerging regulatory requirements and frameworks across different sectors that the investment teams are invested in. As transition risks are expected to increase in line with the global push towards a greener economy, by investing in companies that can navigate material transition risks, we show support for the transition that would hopefully lead to a future world with lower physical risks. On physical risks, we currently monitor for the potential impacts at the overall portfolio level via Climate value at risk (VAR) analysis.

ESG opportunities

13. Besides assessing ESG risks when making an investment decision, investment instruments that are pro-environment and within the respective investment universes would be considered for investment. This includes but is not limited to green and sustainability-linked bonds, as well as equities of companies that would benefit from the transition towards a greener global environment. LGI is also open to managing dedicated green funds and is in the midst of building a track record in managing a dedicated green bond fund for one of our client, taking into account the green properties of each security and their broader risk and return characteristics.

Curated Portfolio Solutions

14. The Curated Portfolios team (CPT) is an investment team dedicated to conducting Mutual Fund/Exchange Traded Fund ("ETF") research and constructing risk-based portfolios that best serve our clients' needs. CPT maintains an open architecture platform where only the best of breed solutions and funds in which we have the highest conviction in their abilities to deliver top-quartile performance within their peer universe are offered to our clients.

15. In line with LGI's sustainability belief that ESG is integral to providing the best performance for our clients' investment portfolios, CPT integrates ESG considerations into its selection, appointment and monitoring process when identifying the best of breed solutions and funds for our clients.

16. The ESG considerations include the assessment of an asset management company's ESG stance, both at an overall firm level and the fund-specific level. This includes but is not limited to the firm's ESG approach and resource allocation to ESG integration. CPT gathers the necessary information via engagement with the asset management companies and third party ESG data providers.

17. Besides assessing the ESG quality of funds, our curated portfolio solutions team can also provide dedicated solutions in environmental and social impact-themed funds.

Catering to Clients' ESG Requirements

18. In addition to LGI's ESG integration across the various investment teams and products, we are aware that different clients could have different ESG beliefs and norms that they would like to express within their investments, and LGI has experience in managing such portfolios with customized ESG needs.

19. This entails detailed discussions with clients or investment partners to better understand their ESG requirements and how best to translate these requirements into investment rules for inclusion in a segregated account or fund. Such ESG requirements include but are not limited to restrictions imposed on high carbon emission names or sectors, or investment mandates that are aligned with a portfolio carbon emission target.

Sustainability Risk Management

20. As part of our portfolio performance and risk management, the Risk & Performance department and ESG department generates and monitors the ESG quality based on data that is generated from third party ESG data providers on a monthly basis. The information in turn provides a feedback loop to our Board, senior management and investment teams, and may lead to further improvements in our sustainability-related strategies and ESG integrated investment processes over the longer term.

21. The ESG metrics are generated via a third party ESG data provider’s platform. There are two groups of metrics that are being monitored; one that provides a current snapshot and another that is forward looking where both measures the ESG quality and resilience of our investment portfolios relative to the benchmark. The snapshot includes metrics such as ESG ratings and specifically for environmental risk assessment, the carbon footprint and weighted average carbon intensity. On forward looking metrics, we generate the climate value-at-risk (climate VAR) and implied temperature rise of our portfolios. These metrics help to provide an impact assessment that would be useful for monitoring risk areas and offer insights to where we may need to pay more attention.

22. Besides the investment teams, the Risk & Performance department and ESG department, we also have the Compliance department and Group Internal Audit department that help to ensure our ESG-integrated process is adhered to. For any investment guidelines relating to ESG from either LGI or its clients that can be hardcoded into the system, the Compliance department, with inputs from the ESG department, would ensure that the system is updated with the latest set of investment rules to ensure investments by LGI do not violate any of these imposed restrictions. The Group Internal Audit department, on a periodic basis, would provide the necessary checks on the investment process to ensure that the ESG-related strategies and procedures are strictly adhered to.

23. ESG is a journey and we aim to improve on our sustainability risk management process over time. Specifically on environmental risk management, we expect the carbon footprint of our investments to reduce over the next few years and target to display carbon metrics (such as the weighted average carbon intensity) that are superior to the universe benchmark at the overall firm level. This is monitored for progress by our investment teams, ESG department and overseen by the CIO.

Building Capacity on ESG

24. As part of our ESG journey, and as ESG thinking in the investment industry continues to evolve, continual learning is an important part of improving the technical abilities of our employees and have a direct influence on the quality of ESG integration. Our employees are trained on responsible investing through courses launched by reputable third party ESG focused organizations. We continue to search for suitable courses to further advance our employees’ ESG knowledge that translates into value add for our organization and our clients.

25. At the strategic level, our Board would also be equipped with the necessary knowledge on ESG to help them oversee the ESG risk management framework at a strategic level. The ESG department, through the management committee, can provide relevant ESG information to the Board at the regular Board meetings to inform of relevant developments in the industry. Such matters include for instance, changes in relevant public policies, new trends/risks in ESG investing or new ESG initiatives that LGI produces.