



2020 RESPONSIBLE INVESTMENT POLICY

VERSION 1.0



FountainCap
Research & Investment
方瀾研究與投資

1. FountainCap Responsible Investment Philosophy

As a fundamental investor with a long-term investment horizon, Responsible Investment is a core tenet of FountainCap's investment philosophy. Through our in-house research we seek to identify and invest in high quality companies that can generate sustainable long-term returns through superior understanding and management of internal and external risks and opportunities. We recognize that Environmental, Social, and Governance (ESG) issues can materially impact a company's business and thus affect our clients' overall investment results. Therefore, as part of our fiduciary duty to our clients, it is paramount that ESG issues are evaluated alongside other fundamental drivers when evaluating the attractiveness of an investment.

2. ESG Governance

FountainCap's Responsible Investment efforts are led by our Responsible Investment Committee (RIC). The committee consists of senior leaders in the company who provide oversight into our responsible investment efforts and reports to the company's board of directors and serve to sponsor on-going adoption and implementation of ESG considerations into the business. Key roles for the committee include:

- Working closely with the investment team to integrate ESG into analysis and decision-making
- Review efficacy of ESG integration and reporting
- Respond to specific client queries on ESG-related matters
- Maintain a thorough understanding of current ESG industry trends and themes
- Foster and nurture a strong ESG culture within the company

The responsible investment landscape is constantly evolving, and each region has a different level of progression. It is of critical importance that team members keep abreast of new industry developments relating to ESG. The RIC aims to provide regular updates on ESG best practices to team members and everyone is encouraged to attend ESG related seminars and conferences. Over time, as the company continues to institutionalize, we aim to design and offer personal development programs, including ESG modules.

3. ESG Issues

As a long-term fundamental investor, we are searching for high quality companies that can deliver sustainable earnings growth and superior risk-adjusted returns. Taking into consideration the nuances within different sectors and companies, our investment team will evaluate the materiality of the ESG issues affecting those companies we have selected for investment. Where we consider an issue to be material, we will monitor and assess if there is any improvement over time in addressing such issue by the company's management. Below are some common ESG issues that are of consideration (but not limited to) during our research and investment process:



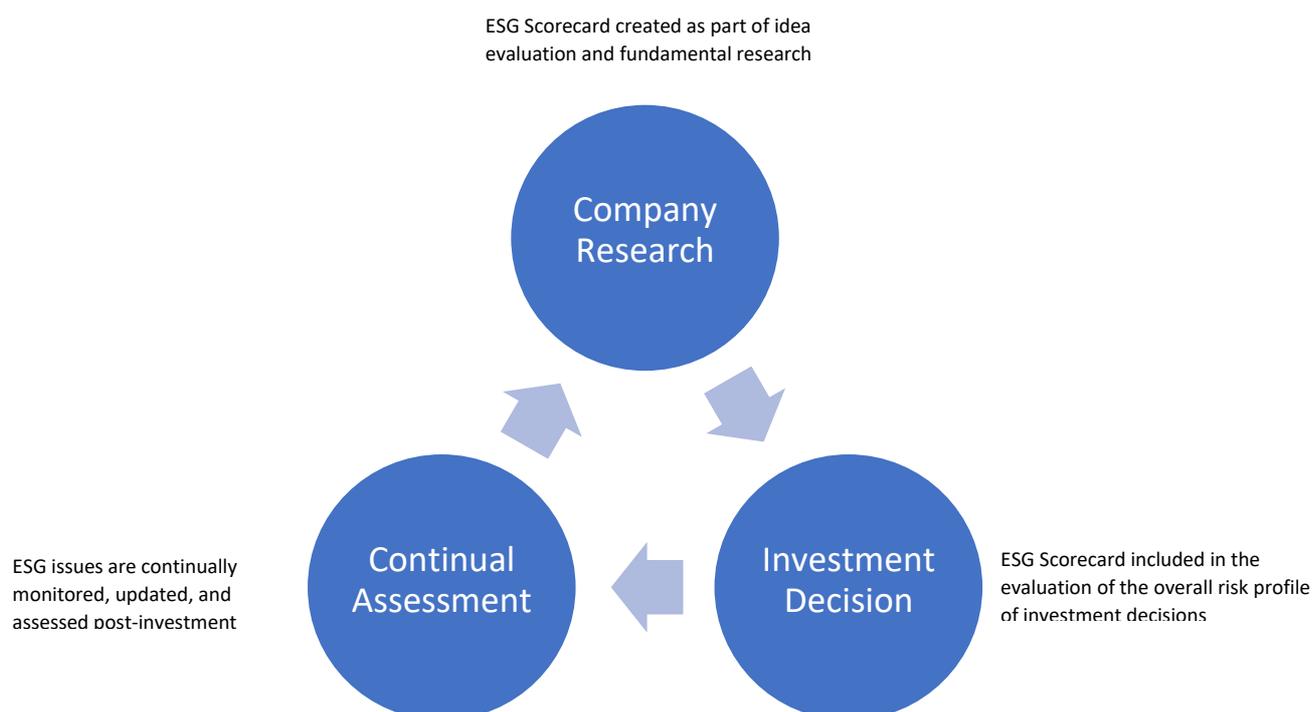
With a global investor base, we understand each investor might have a specific set of ESG issues that they need to consider and upon any specific request, we can adopt to a specific set of ESG guidelines for their investment portfolio.

4. ESG Integration Process

FountainCap’s ESG considerations are integrated through three stages within our research and investment process as illustrated below. In general, ESG considerations are included in our evaluation of ideas, investment decisions, and on-going assessment.

ESG analysis is predominantly carried out by the investment analysts and portfolio managers are active in analyzing the potential effects of ESG issues when making investment decisions. An ESG Scorecard is compiled as our analysts conduct their fundamental research on the company, taking into consideration the relevant ESG issues. Issues for further analysis may also arise from data provided by external ESG rating providers, as part of the analysts’ meetings with companies and from their deep knowledge of industry dynamics and trends. Analysts will rate each of the companies within the portfolio based on a mix of qualitative and quantitative factors leveraging their own knowledge and understanding of the company’s current actions on a particular ESG issue together with external ESG data. While our investment professionals have discretion in taking a view on any given ESG risk or opportunity, any investment in a company with a below average ESG rating versus its peers requires a detailed rationale for the purchase, which will be regularly reviewed.

On a quarterly basis, a set of ESG reports will be generated summarizing the ESG ratings of our portfolio companies. The reports highlight the companies with any substantial controversies and/or events during the quarter and draw the attention of our analysts to such issues. The Responsible Investment Committee will convene on a quarterly basis to review these reports and schedule meetings with the portfolio managers and analysts to discuss the portfolio from an ESG perspective. External ESG reports will also be monitored and the analysts are encouraged to research and investigate into any material issues documented in the external ESG reports.



5. ESG Exclusion

As a general rule, we find working based on engagement, rather than exclusion, to be better aligned with both superior long-term investment results and improving ESG performance. Nevertheless, we will consider the exclusion of companies from our investment universe based on specific ESG criteria. Such criteria will be guided by international conventions and applicable laws and directives. For investor-specific mandates we are often asked to screen out certain industries or securities from the investment universe. Examples of investor-specific exclusions may include controversial weapons producers, tobacco companies, and industries that are deemed to have an adverse effect on the society and/or the environment. We consider these client-specific requests on a case-by-case-basis and generally agree and accept them.

6. Stewardship

Meeting with companies' senior management is a core part of FountainCap's research and investment process and ESG topics form part of the standard dialogue with company executives. The research and investment team may also engage with companies specifically on ESG-related issues if any were identified during their research. Part of our ongoing interaction with company management teams, suppliers, customers, and other stakeholders is to ensure that the companies' are managing ESG issues in line with best practices.

If an ESG issue has been identified and the management team does not have a clear plan to address the issue, we will explore other means to actively engage the company including but not limited to:

- meeting with the board of directors expressing our concerns with a specific agenda for improvement
- organizing or participating in collective dialogues with other shareholders to amplify our concerns
- engaging with third party research providers to gain better access to the company

Post any engagement we will continue to monitor management's response in addressing the ESG issue(s) raised. If management does not have a clear plan to address the issue(s) and company's improvement cannot be identified, we will reevaluate our investment thesis in the company and might consider reducing or selling out our positions in the company completely.

As a shareholder of our portfolio companies, it is our fiduciary duty to vote in a prudent manner in ways that best serve the interests of our clients. We believe voting rights are an asset and when exercised in a considered manner, they are a good tool to promote good corporate governance when used in conjunction with engagement. We obtain the information needed for an informed vote from a variety of sources including internal and external research, meetings with company's various stakeholders, materials provided by the company, or third-party proxy voting advisers. We seek to vote for all our security holdings where possible. A detailed proxy voting policy can be provided upon request.

We encourage our portfolio companies to consult with investors in advance on any material resolutions that they plan to put forth at general meetings. Where our views are different from those of the company, we will seek to engage privately with the company to try and resolve the differences. If this is not successful, we seek to ensure management understands the reason for our opposition.

7. Conflicts of Interest

FountainCap has a comprehensive compliance manual that is designed to identify and manage any potential conflicts of interest between the company and its clients. The manual is available upon request.

Contact Details

Responsible Investment Committee

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