

DRAGON CAPITAL



# Responsible Investment Policy



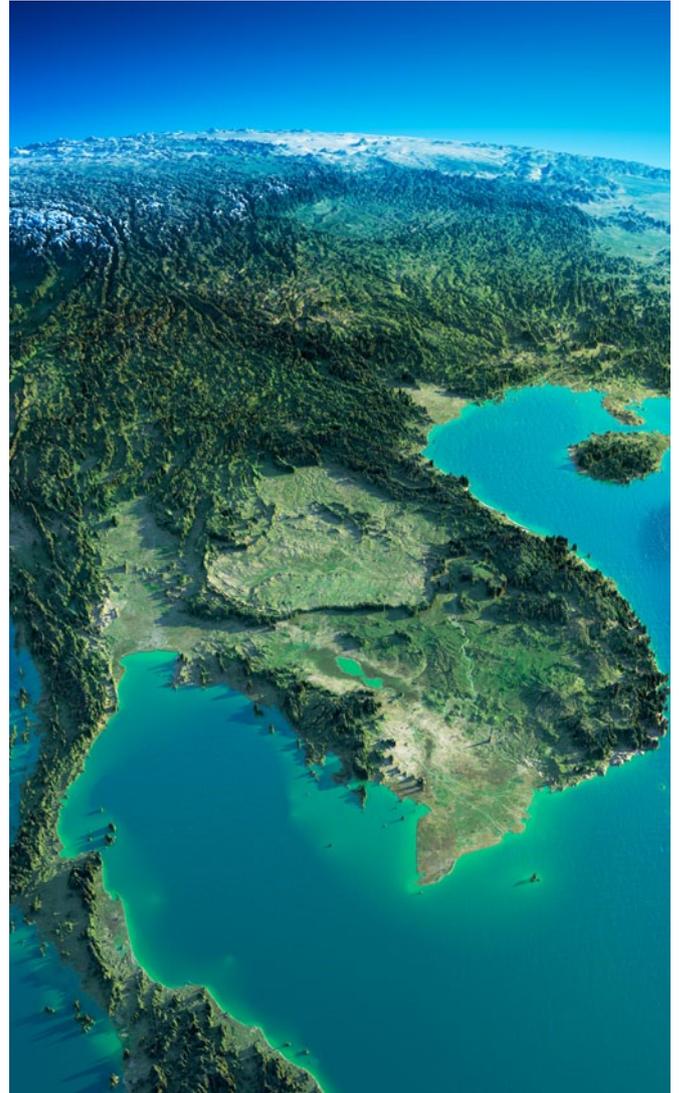
# Dragon Capital Group Principles

## Our mission

*"To be a top-class intermediary of capital by providing attractive returns to investors, value to investee companies and a desirable workplace for employees. To perform with absolute professionalism and integrity, driven by a long-term commitment to the sustainable development of the environment, society and economy of the countries in which we operate."*

## Our core values

Everything we do is underpinned by our core values of integrity, commitment and creativity. Our three core values direct our behaviour and ensure our mission statement is achieved in a consistent manner.



## Our beliefs

Dragon Capital's mission statement and core values clearly reflect our corporate stance and commitment to sustainable development. We recognise that environmental, social and governance (ESG) issues can influence investment risk and thus portfolio performance. Dragon Capital therefore seeks to optimise risk-adjusted performance by integrating ESG factors throughout the investment process and across all asset classes.

We believe that taking a strategic, long-term approach to responsible investment will create sustainable value for our company, our stakeholders and the wider community, not just in an economic sense but also in the ESG context.



# Responsible Investment Policy

In line with this commitment and these principles, Dragon Capital continually endeavours to ensure effective social, environmental and governance management practices in all its activities, products and services with a special focus on the following:

1. We do not invest or finance companies involved in Dragon Capital's Exclusion list activities.
2. We ensure that all investment activities undertaken by the company are consistent with the applicable national laws on environment, health, safety, social and governance issues.
3. We are committed to full and consistent compliance with Dragon Capital's ESG Management System Procedure to ensure that the environmental, social and governance risks are assessed and evaluated throughout investment life cycles.
4. We are committed to being an active owner of our investments. We take our responsibility seriously and aim to act in the best interests of our clients by exercising our voting rights, engaging with investee companies, and in advocacy activities.
5. We commit to continually building capacity of Dragon Capital staff to identify ESG risks, including Dragon Capital's senior management, ESG Core Team, portfolio managers and analysts.



# Exclusion List Activities

We do not invest or finance companies involved in the following Dragon Capital's Exclusion list activities:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceutical, pesticides/herbicides, ozone-depleting substances, PCB, wildlife or products regulated by CITES.
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages (excluding beer and wine) <sup>1</sup>
- Production or trade in tobacco <sup>1</sup>
- Gambling, casinos and equivalent enterprises <sup>1</sup>
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5km in length.

<sup>1</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations (less than 20% of total revenue).



In addition, Dragon Capital will not invest in a company where there is a high probability of exposure to the following activities and issues:

- Activities involving harmful or exploitative forms of forced/harmful child labour.
- Activity involving sizable retrenchment (more than 10% of staff) unless demonstrated to be in compliance with relevant national laws and regulations and objectives of IFC Performance Standard 2: on Labour and Working Conditions
- Activity involving significant water consumption with potential for significant adverse impact on others.
- Recent (past two years) accidental significant pollution release – unless they were resolved or are being resolved through implementation of a corrective action plan.
- Activities involving production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (as defined by a relevant organization such as the US Occupational Safety and Health Administration).
- Dams located in high risk locations that have not been independently certified
- Activities involving large scale physical resettlement (unless compliance with the requirements of IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement have been demonstrated.)
- Government against paying replacement cost or compensating illegal occupants.
- Commercial logging operations in primary moist forest.
- Activities involving significant conversion or degradation of natural and/or critical habitats and/ or any activities in legally protected or internationally recognized areas (using information in iBAT);
- Activities involving production, harvesting, or trade in wood or other forestry products from plantation and natural forests (unless sustainability of production is demonstrated in line with IFC Performance Standard 6 on Biodiversity and Sustainable management of Living Natural Resources);
- Activities involving harvesting of wild fish populations or other aquatic species; (unless sustainability of harvesting is demonstrated in line with IFC Performance Standard 6 on Biodiversity and Sustainable management of Living Natural Resources)
- Cumulative impacts in a country or region that is having multiple large developments, possibly in the same sector (eg multiple mining projects in a country; several dams in a watershed; several cement factories in an air shed)
- Activities, including relocation, that have adverse impacts on the lands, natural resources, or critical cultural heritage subject to traditional ownership or under customary use by Indigenous Peoples
- Projects in UNESCO World Heritage Sites or National Parks
- Projects that would impact the cultural values for which the critical cultural heritage was designated
- Where non-replicable heritage may be present

# Active ownership

*“Active ownership is the use of the rights and position of ownership to influence the activity or behaviour of investees. This can be applied differently in each asset class.”<sup>2</sup>*

At Dragon Capital, we aim to act in the best interests of our clients by exercising our voting rights, engaging with investee companies, and in advocacy activities.



## Voting rights

Exercising voting rights is as an integral part of our investment process. We believe that voting is essential in order to promote good corporate governance, which aligns with our interests and goals as long-term investors. In line with our fiduciary duty, we vote in a diligent and prudent manner, based on our reasonable judgement of what will best serve the economic interests of our clients.

So far as is practicable, we vote at the meetings called by the companies in which we are invested. To do this, we agree our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition, committee structure, director independence, auditor rotation and social and environmental issues. These guidelines form the basis of our voting decisions, although they are equally cast on a case-by-case basis, taking into account the individual circumstances of each vote.



## Engagement

Being a long-term, responsible investor, we believe that shareholder engagement with investee companies on ESG issues contributes to positive change, influences companies to take positive steps toward improving sustainability policies, practices and performance, and thereby protects and increases its economic value. Engagement also gives us the opportunity to express our views and opinions to the senior management of companies and promote knowledge sharing challenges and practices. By enhancing our knowledge on specific issues, we can make more informed investment decisions in relation to investee companies or the relevant industry and add value to society.

<sup>2</sup> PRI - Practical Guide to Active Ownership in Listed Equity - 2018

## Conflicts of interest

Engagement processes and voting rights are exercised in line with the best interest of clients to protect and enhance the long-term value of shareholdings. Dragon Capital has policies and procedures in place to manage potential conflicts in a way that safeguards the interests of all clients. Where potential conflicts are identified, we are committed to ensuring that they are effectively and fairly managed to prevent these conflicts from damaging the interests of our clients, and to enhance the long-term value of their shareholdings. For additional information, please refer to Dragon Capital's conflict of interest policy.

## Advocacy

Dragon Capital has been at the forefront of investor initiatives to encourage corporate sustainability, transparency and accountability, and is involved in dialogues with policy makers on legislation of capital markets, renewable energy and ESG practices. We view policy advocacy as essential for responsible investors and key to strengthening the stability and integrity of the financial sector and delivering wider economic benefits.



This Policy will be communicated to all Dragon Capital staff, consultants and stakeholders of Dragon Capital. The Policy will be reviewed at least annually by Senior Management and updated as needed to ensure that it supports Dragon Capital to continually improve its performance in meeting its ESG commitment and goal.

# DRAGON CAPITAL

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