



HONG LEONG BANK WEALTH MANAGEMENT SERVICES ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) FRAMEWORK

July/2021

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Introduction

Why ESG Matters In Wealth Management

Financial performance will increasingly depend on ESG outcomes, hence, ESG is becoming a significant force in determining investment performance



Long Term Economic Value

ESG risk pose threats to a company's business model and subsequently its long term economic value



Sustainability of Earnings

Fines & penalties imposed by authorities as well as corrective measures to remediate issues related to ESG may be costly



Regulatory Risk

Financial and non-financial regulatory penalties imposed due to non-compliance with ESG standards adversely impact business reputation, its ability to continue to operate and its profitability



Company Brand & Image

ESG-related controversies hurt brand image and negatively impact consumers perception on a company and the products & services it provides.

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Our Commitment

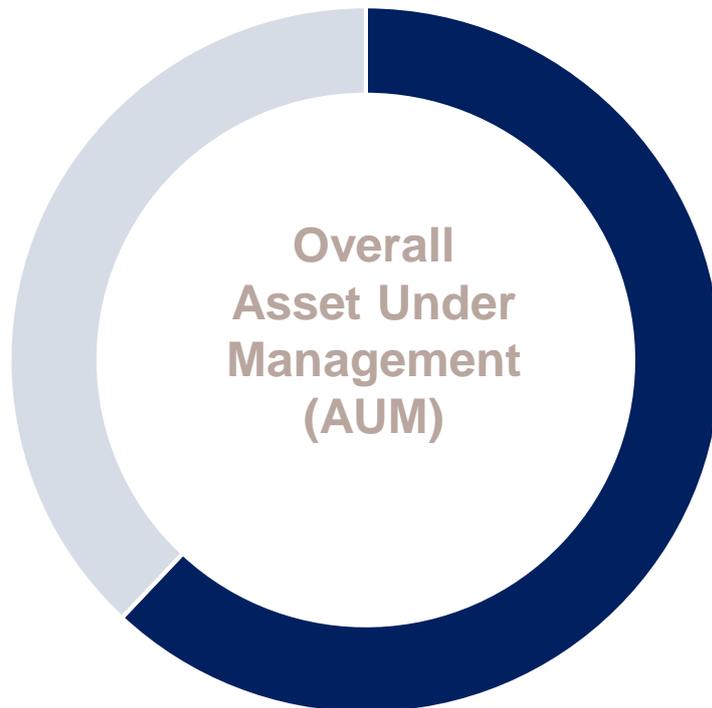
Our Commitment to ESG in Numbers

Overtime, we aspire to only offer products that have a ESG rating, ensuring that our customers AUM holdings are in ESG medium to low risk rated financial products.

ESG considerations are taken into account for investment AUM and third-party investment products offered from 1 July 2021.

As at May 2021

38%
in Asset
WITHOUT
ESG Rating



62%
in Asset
WITH
ESG Rating

61% of our unit trust equity funds' AUM distributed by us are ESG rated

69% of our bonds' AUM distributed by us are issued by ESG rated issuer.

100% of our Structured Investment's AUM are structured with ESG risk rated underlying equity.

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Process

How ESG Fits Into Our Investment Process

Finding balance between investment performance & ESG effectiveness

Product	Equity	Bond	Unit Trust
Due Diligence Areas	Equity Screening for ACEL Underlying	Bond Screening for Marketable List	Product Provider Due Diligence & Fund Screening
Metrics Performance Oriented	Liquidity Valuation Analyst Consensus Competitive Advantage	Liquidity Yield Rating Tenure	Investment Process Return Risk Consistency
Additional Metrics ESG Oriented	 Sustainalytics & Morningstar ESG Rating Quantification of materiality of industry & company specific ESG issues and effectiveness of the company's management in addressing the issue. 		
Outcome	Undervalued high quality equity with positive ESG rating	Liquid bond issued by ESG friendly firms with features within risk appetite & investment horizon of the customer	Proven & consistent product provider that delivers above average & consistent return on actively managed funds

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Methodology

What The ESG Rating Means

A single holistic indicator to quantify ESG risk of companies and funds

	Rating	Description
Sustainalytics Company Level ESG Risk Rating	0 – 10	The company has <u>negligible</u> unmanaged ESG risk
	10 – 20	The company has <u>low</u> unmanaged ESG risk
	20 – 30	The company has <u>medium</u> unmanaged ESG risk
	30 – 40	The company has <u>high</u> unmanaged ESG risk
	> 40	The company has <u>severe</u> unmanaged ESG risk
Morningstar Fund Sustainability Rating	5	The fund's historical sustainability score is in the <u>top 10%</u> of its Morningstar Global Categories
	4	The fund's historical sustainability score is in the <u>next 22.5%</u> of its Morningstar Global Categories
	3	The fund's historical sustainability score is in the <u>next 35%</u> of its Morningstar Global Categories
	2	The fund's historical sustainability score is in the <u>next 22.5%</u> of its Morningstar Global Categories
	1	The fund's historical sustainability score is in the <u>bottom 10%</u> of its Morningstar Global Categories

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Methodology

About Our Partners

HLB partners with Morningstar (and its subsidiary, Sustainalytics), two industry experts to ensure that ESG consideration are taken into account when onboarding products which we then distribute as part of clients investment solutions



Dedicated firm to responsible investment and ESG research and ratings

800+ professional staff with more than half engaged in research

700+ clients across asset managers, asset owners and investment banks

25+ years experience in the fields of ESG and corporate governance research

Morningstar owned company

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