



Responsible Investment and Stewardship Policy

Matthews Asia's Overall Approach to Responsible Investment and Stewardship

At Matthews Asia, our mission is to champion investment solutions designed to build wealth for our global clients over the long term. As an investment adviser to our clients we have a fiduciary duty to act in our clients' best interest. As engaged and responsible investors in our portfolio holdings, we help drive sustainability which we believe will help improve profitability. We also strive to be good global neighbors and citizens.

Progress and development in countries where we invest requires a healthy environment where people can live and work. Progress also requires a broad middle class supporting economic growth and social inclusion. Finally, economic progress is supported by transparent corporate governance structures that can help attract domestic and international capital. Working diligently to help our clients reach their financial goals, we are mindful of the role of capital in shaping the world in which we want to live.

We believe environmental, social and governance (ESG) factors are important considerations in long-term investing. Good governance is important in all markets where we invest, and especially so in emerging and frontier markets. G. Paul Matthews, founder of Matthews Asia, fostered an investment culture that focused on corporate governance. We believe high-quality businesses run by capable and principled managers are healthier and more sustainable.

Matthews Asia's approach to ESG analysis is based on these beliefs: 1) that ESG is an evolving concept and impossible exactly to define in the same way for every strategy, individual and investor; 2) that we invest across many geographies at different stages of development and what may be appropriate for one country and government may be inappropriate for another; 3) that ESG education and coaching is the best way to gradually incorporate ESG concepts into our research and analysis of the value of a holding. The definitions and lists included herein, therefore, are indicative of the types of risks and opportunities faced by an issuer that might be created by ESG related matters. They are not intended to be prescriptive or exhaustive in nature. In some of our portfolios, ESG considerations may rank high. In other portfolios, ESG considerations may be simply one set of inputs among many that we evaluate as part of our fundamental research. We consider these useful tools for our portfolio managers to select the most appropriate investments for our clients' portfolios. We believe that ESG considerations are part of fundamental research are one and the same and support our mission and assist in more accurately assessing the fundamental value of investments.

How to define ESG factors or to implement strategies that consider such factors continues to evolve. The definitions noted below reflect Matthews Asia's current views regarding ESG factors and are subject to change. We define "issuer" as a company, sovereign or entity that is the issuing securities held in our portfolios.

Governance

We view governance ("G") as the framework of rules and practices by which a board of directors ensures accountability, fairness and transparency in an issuer's relationship with all its stakeholders (financiers, customers, management, employees, government and the community).

Environmental

The environmental (“E”) portion of ESG typically considers how an issuer stewards natural capital. It involves an issuer’s use of natural resources as well as its impact on the physical environment including air, water, soil and living things.

Social

The social (“S”) portion of ESG is typically defined as the effects of an issuer on human and social capital. It may involve an issuer’s workforce, human rights of the people and communities it touches as well as supply chain practices, health and safety, and product quality and stewardship.

Matthews Asia’s Process of Evaluating ESG Factors

Matthews Asia has a top-down as well as bottom-up approach to evaluating ESG factors. The top down approach leverages Matthews Asia’s in-depth knowledge of local markets which helps us to evaluate and prioritize ESG factors according to their potential impact on client holdings and portfolios we manage. The bottom-up approach includes our proprietary investment research, which is more fully described below. The proprietary investment research is supplemented with public information, third party research, third party ESG scores, forensic accounting and specialist governance research and other third party reports, (collectively referred to herein as “Information Tools”) and meetings typically with one or more of the following stakeholders: company management, employees, customers, suppliers, research and civic organizations, as well as a screening process, where applicable. These meetings help us to gauge the strength and quality of management teams, as well as the viability of an issuer’s business model.

Governance

Governance is the ESG factor we look at most closely across all our portfolios. We believe governance influences social and environmental factors, providing a foundation for analysis. As part of our investment research process, we typically consider an issuer’s:

- ✿ Track record for allocating capital
- ✿ Board quality, diversity and composition
- ✿ Alignment of incentives for controlling shareholders, minority shareholders and management
- ✿ History of protecting minority stakeholder rights, especially in a crisis
- ✿ Ability to attract and retain talent
- ✿ Exposure to regulatory, market and other risks
- ✿ Management of material environmental and social risk
- ✿ Potential for successfully entering new areas of business by leveraging existing strengths

When assessing the corporate governance of sovereigns and

quasi government entities, we typically assess factors such as national balance sheet transparency, ease of doing business, security and political stability, rule of law, measures of social development and cohesion, demographic trends, human rights, natural resources and environmental stress levels.

Environmental and Social

We seek to understand through issuer disclosure and third party research an issuer’s impact on society and the environment, its management of human capital, its use of natural resources, as well as its compliance with international, national or local regulations, where applicable. We include factory visits, where applicable, and conduct management meetings whenever possible which provides us with an opportunity to identify what we believe are material risks related to societal and environmental impact. Additionally, we will inquire about how the issuer may seek to manage its material risks (if applicable) (e.g., policies, procedures, governance).

Screening Process

Although we generally do not employ negative screens in our investment process (cluster munitions being an exception)¹, poor corporate governance will likely exclude an issuer from consideration for our portfolios. We may implement negative screens and exclusions according to specific criteria requested by our clients and rely on different data sources to ensure that our clients’ criteria is reflected in the most accurate way possible.

Use of Third Party Data and ESG Scores

These Information Tools offer an efficient mechanism to the investment team to access and organize information such as financial statements and provide context in analyzing portfolio holdings and their operating environments. The Information Tools provide a catalyst for further research and discussions and do not provide the definitive view of an issuer’s ESG performance.

On a monthly basis, the Risk and ESG team sends an “ESG & Reputational Risk Report” to the investment team, which includes information such as the reputational risk index trend and third party ESG ratings. A low ESG score does not necessarily exclude an issuer from a portfolio’s investable universe.

Bi-Annual Review (The “Review”)

The Review enables Matthews Asia to track third party ESG coverage of positions held in client accounts. Positions with broad third party ESG coverage may result in a more meaningful review but not necessarily, e.g., a position with more than one third party ESG score doesn’t necessarily yield more valuable information than a position that only has one third party ESG score. On a bi-annual basis, Matthews Asia

¹ <https://matthewsasia.com/investor-resources/content/statementonclustermunitions.fs>

reviews third party ESG scores, where available, across all positions held in all portfolios. These third party ESG scores are just one input into Matthews Asia's evaluation of ESG factors, and represent the third party providers' evaluation and rating of an issuer's ESG performance. On a quarterly basis, the investment team also reviews the lowest scoring companies from a third party ESG assessment perspective to ensure risks are highlighted and considered.

For certain Funds (e.g., Matthews Asia Funds), the Review includes measuring the third party ESG scores and/or ratings of the Funds versus each Fund's respective benchmark.

Active Ownership and Engagement

In the ordinary course of our research process, as appropriate our investment team raises ESG-related issues, among other issues, during meetings with management and prospective portfolio companies to help enhance our understanding of the issuer's practices and goals to enhance shareholder value. We focus on the materiality of the ESG factors to identify and prioritize ESG engagement activities. Where material ESG risks and opportunities have been identified by the Matthews Asia team, and our assessment indicates that the issuer is not currently managing these issues appropriately, we raise concerns with the management team and encourage them to better manage such risk or opportunity identified. As a long-term investor, we seek to build trust and promote open dialogue with our portfolio companies—a trust that we believe will help us engage in an open and constructive dialogue with our portfolio companies to move toward improvement on issues that impact financial outcomes, including a broad range of ESG factors.

If we believe that a portfolio issuer either through action or inaction has or is likely to jeopardize investor value through mismanagement of ESG risks, we will typically evaluate if it is suitable for us as investors to initiate engagement (subject to us not triggering regulatory restrictions around shareholder activism) and/or will review our consideration of ESG factors. Where we deem it appropriate and applicable we would seek to present our views to issuer management to encourage and help the issuer to identify potential areas of improvements that we believe could help them improve ESG factors. If the issuer does not respond in a manner that we would deem adequate to address our views and undertake changes we may decide to divest our holding in the issuer.

The investment team is responsible for engaging with portfolio companies and issuers. We seek to document both individual and collective engagement activities (conversations, correspondence) with portfolio companies through a note tagging system ("ESG tag"). Matthews Asia investment professionals are expected to include an ESG assessment in research, where we believe it is a significant element of the thesis and/or there is material ESG risk. In

addition, we expect all investment professionals (portfolio managers and research analysts) to pay particular attention to the ESG risk of top holdings in their portfolios and across the Matthews Asia's aggregate holdings.

We also take an active role in key organizations that we believe can advance and protect the interests of our clients, e.g., United Nations supported Principles for Responsible Investment ("UN PRI"). We strive to maintain active relationships with relevant market institutions, governmental and public bodies that may be helpful for keeping up to date with local legislation and market practice for improving the institutional framework. This includes staying abreast of minority shareholder rights in the markets where we invest, including regulations around influencing management and reporting obligations (i.e., restrictions around shareholder activism such as acting in concert or exercising control). We also support different forums for promotion of good market practice, corporate governance, responsible practices and other relevant topics that may be in the best interest of our clients

Proxy Voting

As active owners, we recognize our responsibility to make considered use of voting rights. For clients who delegate authority to us to vote proxies on their behalf, we have adopted written Proxy Voting Policies and Procedures ("Proxy Policies") to assist us in exercising shareholder voting rights and evaluating shareholder proposals in light of the best interests of our clients.

As a starting point, we consider input and recommendations from proxy advisory firms, e.g., Institutional Shareholder Services Inc. as well as domestic proxy advisory firms. After careful review and study, portfolio managers will make a final decision for how to vote the proxies for securities held within their respective portfolios that are aligned with their ESG engagement activities, where applicable. We diverge from the proxy advisor's recommendations for voting decisions on those occasions when we believe a different vote is in our clients' best interest.

Although Matthews Asia may have the ability to submit shareholder proposals to portfolio companies, we generally do not file shareholder proposals in part because of the substantial variation around the ease of submitting shareholder proposals in our markets and in some cases due to regulatory restrictions related to shareholder activism. Instead, we take an in-person approach to issuer engagement, which we find more productive than filing shareholder resolutions.

For more information on proxy voting refer to the Matthews Asia Proxy Voting Policy.

Corporate Governance and Stewardship Sub-Committee (“CG&S”) Oversight

The CG&S was established to oversee matters related to corporate engagement, in particular stewardship and active ownership that pertain to Matthews Asia and its direct and indirect subsidiaries. In addition, the Sub-committee promotes stewardship, the integration of ESG factors into the investment process, and assesses and advises on methods to mitigate any regulatory, reputational, legal and operational risks that may arise from decisions, actions, and representations with respect to corporate engagement. Once a year, a representative from the CG&S Group updates the Matthews Asia board on ESG integration progress, including ESG risk.

Reporting

The firm became a signatory to the UN PRI in February 2016, underlining our firm’s commitment to incorporate ESG considerations into our investment process.

As a signatory to the UNPRI, we are committed to reporting our responsible investing activities every year. Our transparency report is publicly available at the following URL address: <https://www.unpri.org/signatories/transparency-reports-2018/3350.article>

We strive to provide investors with regular communication about issues that impact financial performance, including ESG topics. To educate and engage our clients, we publish insights, commentaries and articles describing our investment approach and philosophy.

Review of Third Party ESG Research and ESG Data Providers and Oversight of Proxy Voting Advisors

We review our use of ESG research and ESG data providers at least annually. We also perform oversight of our proxy voting advisors and benchmark them against peers.

Education and Training

The Matthews Asia investment team is committed to continual learning on ESG topics, which is included in the members’ performance review. The team has received internal training and mentoring regarding ESG integration and analysis as well as ESG engagement-related questions that can contribute to informative dialogue with management as part of the standard research process

Recordkeeping

The investment team will keep relevant documentation related to their ESG assessments. These records will include but are not limited to third party scoring reports.

Matthews Asia is the brand for Matthews International Capital Management, LLC and its direct and indirect subsidiaries.