IMPACT INVESTING FRAMEWORK BU ASIA IMPACT BOND FUND

BEA Union Investment Management Limited

August 2023

1. Introduction

BEA Union Investment Management Limited (the "Manager") has implemented its Sustainable Investment Policy, which outlines the Manager's philosophy and methodology to ensure that environmental, social and governance (ESG) considerations, including how the Manager approaches ESG risks and opportunities, are embedded in its investment process. For details, please refer to the Sustainable Investment Policy on the Manager's website[1].

The Manager has also implemented its Engagement Policy, which outlines the Manager's philosophy and approach in engaging the investee companies to identify ESG risks and opportunities. For details, please refer to the Engagement Policy on the Manager's website[1].

This Impact Investing Framework sets out additional information on the impact investing philosophy, strategy and processes of the Manager in respect of its management of BU Asia Impact Bond Fund (the "Sub-Fund") to complement the disclosures in the offering documents of the Sub-Fund.

2. Impact investing strategy

Launched in June 2020, the Sub-Fund is a sub-fund of BU Fund Series OFC, which is a public open-ended fund company regulated under the laws of Hong Kong with variable capital and limited liability and segregated liability between sub-funds. The Sub-Fund has been repositioned as an ESG fund since June 2023 with the investment objective to seek medium to long term capital growth and regular income by primarily investing in impact bonds (as defined below) including green, social and sustainability bond instruments in Asia or that are denominated in Asian currencies.

The Sub-Fund will invest at least 70% of its Net Asset Value in impact bonds (as defined below) that are (a) denominated in Asian currencies or (b) issued or guaranteed by Asian governments or entities incorporated in Asia, or with significant operations or asset in, or derive a significant portion of revenue or profits from Asia and denominated in USD or other currencies. For the remaining assets, the Manager may at its discretion invest outside the Sub-Fund's principal geographical areas or asset classes. The Manager may also at its discretion invest the remaining assets outside, without contradicting, the Sub-Fund's key investment theme (i.e. green, social and sustainability).

"Impact bonds" are debt securities with designated use of proceeds that aim to generate measureable positive environmental and/or social impact.Impact bonds invested by the Sub-Fund are those which align with the Green Bond Principles ("GBP"), Social Bond Principles ("SBP") and/or Sustainability Bond Guidelines ("SBG") of the International Capital Market Association ("ICMA") (collectively, the "ICMA Principles"). Similar international green, social and sustainability standards (for example, the Green Loan Principles) which are proportionate to the ICMA Principles (as elaborated below) in terms of the core components, may also be considered.

[1]This website has not been reviewed or authorized by the Securities and Futures Commission.

The ICMA Principles are a collection of voluntary process guidelines issued by ICMA with the stated mission and vision of promoting the role that global debt capital markets can play in financing progress towards environmental and social sustainability. In order for issuers to claim alignment with the ICMA Principles, at a minimum their bond issuance should align with all the following four core components: (i) use of proceeds, (ii) process for project evaluation and selection, (iii) management of proceeds, and (iv) reporting. To align with those four core components of the ICMA Principles, issuers of impact bonds shall: (i) indicate that proceeds will be used to finance "green", climate and/or social projects; (ii) have process to identify qualifying projects based on sound methodology and clear criteria; (iii) allocating proceeds to the identified projects and not to other general expenses/investments; and (iv) report, at least annually, the status of the use of proceeds, the status of projects and the actual environmental and/or social impact.

Among the ICMA Principles, GBP, SBP and SBG provide the definition for “Green Bond”, “Social Bond” and “Sustainability Bond” respectively.Issuers of debt securities may use the designations of “Green Bond”, “Social Bond” and/or “Sustainability Bond”, as appropriate, whenever their issuance aligns with all the core components of the respective ICMA Principles.

3. Impact investing processes

In its investment process, the Manager focuses on investible impact bonds by primarily considering Asian bonds that are in the categories of “Green Bond”, “Social Bond” and/or “Sustainability Bond” in accordance with the respective ICMA Principles. These impact bonds invested by the Sub-Fund are designated to finance projects with environmental and/or social impact, for example, renewable energy, energy efficiency, access to essential services, affordable housing, etc.

The Manager conducts proprietary investment research and collects relevant data from independent data sources and/or external reviews, where available, in its assessment. Second party opinions (issued by external reviewers such as Sustainalytics, CICERO, ISS, etc.), offering circulars and annual reports of impact bonds are some examples of sources which shed light on their alignment with the core components of the ICMA Principles. Information may cover whether the assets, investments and other related and supporting expenditures (such as research and development) of the projects are dedicated to ICMA’s eligible green and/or social project categories, and whether the projects are designated to meet environmental and/or social objectives.

Bonds which are self-declared by the issuers to be green, social or sustainability bonds but do not have any sources of information to support their alignment with the respective ICMA Principles will not be included in the investible impact bond universe of the Sub-Fund. Otherwise, there is no other exclusion policy in respect of the securities invested by the Sub-Fund.

The Manager’s bond selection and portfolio construction are based on bottom-up credit analysis, duration, sector allocation, country allocation and other considerations (such as risk diversification) to achieve the objective of the Sub-Fund.

4. Ongoing monitoring and periodic assessment

The Manager conducts periodic assessment on the Sub-Fund’s attainment of its ESG focus by revisiting the underlying impact bonds’ alignment with the four core components of the ICMA Principles (i.e. use of proceeds, process for project evaluation and selection, management of proceeds and reporting) on an ongoing basis.

During its ongoing monitoring on the Sub-Fund's impact bond investment, the Manager gathers information (e.g. the impact bonds' allocation reports and/or impact reports, where available) from independent data sources (e.g. Bloomberg) which provide details and/or assessment on the impact bonds. Bloomberg collects data on impact bonds' alignment with the ICMA Principles and maintains a tag for each individual green bond, social bond and sustainability bond in its database. Accordingly, the tags will be removed if the bond proceeds are found to be used to finance activities other than green, social or sustainability at disbursement, or if the original bond investments liquidate and the proceeds are re-allocated to activities other than green, social or sustainability before the bond matures.

Where applicable, the Manager may conduct further evaluations, taking in inputs from external reviews (including second party opinions, verifications and/or certifications, where available) and internal analyses for investment decision making.

The assessment result will be submitted to the ESG Workgroup of the Manager (which is comprised of relevant functional units including Investment, Business Development, Product Development, Performance & Risk, etc.) for review and consolidation. The final assessment results will be presented to the ESG Committee of the Manager (which is composed of senior leaders across different business functions of the Manager) for endorsement and approval.

5. Engagement for impact investing

The Manager actively engages with bond issuers and represents the interests of its clients in its interactions with its investee companies.The engagement activities with bond issuers include identifying and monitoring risks, encouraging them to manage such risks responsibly, and exerting the Manager's influence as an institutional investor in general. The engagement mechanism typically involves active and constructive dialogue via meetings or phone calls with bond issuers to understand their business, future plan and ESG philosophy. The Manager explains to bond issuers its beliefs, expectations and the desired outcome from engagement to address ESG-related risks and opportunities. For impact bonds in particular, the Manager focuses on the use of proceeds as well as the environmental and/or social impact of projects during its engagement with impact bond issuers.

The Manager prioritizes engagement activities based on the significance of its holdings of the respective bonds in the Sub-Fund as well as the exposure of the bond issuers and their industries to ESG issues. Another effective way for bondholders to raise the issuers' awareness on ESG risk management is through engagement before new bond issuance. During follow-up meetings and calls with bond issuers (including via financial result briefings), implementation progress of the bond issuers' ESG target may be further discussed. Bond issuers generally place importance on such engagement opportunities, understanding that their attention to bondholders' feedback are critical for the success of their next round of primary issuance.

6. Impact measurement

Impact bonds are aimed at generating environmental and/or social benefits with designated use of proceeds and project impacts. The positive ESG impact generated from the underlying impact bonds of the Sub-Fund is measured and aggregated on the Sub-Fund's portfolio level.

Firstly, the positive ESG impact of the Sub-Fund's investment is measured by the project categories of the underlying impact bonds with reference to the ICMA's Harmonized Framework for Impact Reporting (comprising two sets of guidelines for GBP and SBP respectively), which outlines impact reporting metrics for each project category. On the Sub-Fund's portfolio level, the use of proceeds by project categories are aggregated in terms of the amount of asset under management (AUM) and/or the number of impact bond holdings.

More specifically, the impact indicators for the project categories in which the underlying impact bonds of the Sub-Fund involves are aggregated on the Sub-Fund's portfolio level if applicable and relevant data are available.The table below lists out examples of impact indicators for some project categories, which is by no means exhaustive.The Manager may at its discretion select certain indicators within or outside the list that most suit the circumstances of the underlying impact bonds of the Sub-Fund at the time of impact measurement and/or reporting.

Table 1 – Project category specific impact indicators

Project Category	Impact Indicators
Renewable Energy	• Annual GHG emissions reduced/avoided in tonnes of CO_2 equivalent • Annual renewable energy generation in MWh/GWh(electricity) or GJ/TJ (other energy) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy Efficiency	• Annual GHG emissions reduced/avoided in tonnes of CO_2 equivalent • Annual energy savings in MWh/GWh (electricity) or GJ/TJ (other energy savings)
Sustainable Water and Wastewater Management	• Annual absolute (gross) water use before and after the project in m3/a or reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m^3/a or p.e./a or as %
Access to Essential Services	• Number of low-income individuals provided with access to essential services (including healthcare, education and financial services) • Number and amount of loans granted to low-income individuals
Affordable Housing	• Number of individuals / families benefiting from subsidized housing • Number and amount of loans granted to underserved households

Secondly, the positive ESG impact of the Sub-Fund's investment is be measured by the underlying impact bonds' alignment with the 17 United Nations Sustainable Development Goals (SDGs) where applicable. The number of impact bond holdings aligned with the SDGs and/or primary SDGs alignment by AUM is aggregated on the Sub-Fund's portfolio level.

The Manager conducts review on the impact generated by the underlying impact bonds of the Sub-Fund on the portfolio level as well as its approach of impact measurement on a regular basis, at least annually.

7. Reporting of impact investing

The Manager will make disclosures on impact investing, including the results of impact measurement (as referred to in section 6) and periodic assessment (as referred to in section 4), through its website and/or other appropriate channels as determined by the Manager.

For the periodic assessment, the Manager will disclose how the Sub-Fund has attained its ESG focus during the assessment period, including, where appropriate: (i) the actual proportion of underlying investments that are aligned with the ICMA Principles; (ii) the actual proportion of the investment universe that was eliminated or selected as a result of the impact bond screening; and (iii) a summary of engagement activities with the impact bond issuers. The basis of the assessment performed, including any estimations and limitations, will also be disclosed. Where the Sub-Fund has conducted previous periodic assessments, a comparison between the current and at least the previous assessment period will be reported.

8. Review of this document

The ESG Committee of the Manager reviews this document at least annually to consider whether any changes should be made. The ESG Committee of the Manager makes necessary revisions to this document from time to time to reflect the updates on its Impact Investing Framework.