

BEA (MPF) Value Scheme

Governance Report
For the year ended 31st March 2025

Section 1: Trustee's Governance Framework

About the Trustee

BEA (MPF) Value Scheme (the "Scheme") is a mandatory provident fund scheme launched by The Bank of East Asia, Limited ("BEA") for the purpose of managing contributions made by the scheme members for the provision of retirement benefits to the scheme members.

Bank of East Asia (Trustees) Limited ("BEA Trustees") is a member of BEA Group. BEA Trustees has got over 40 years administration experience in providing trustee services to large retirement schemes.

Trustee's Governance Framework

Good governance is essential for the success of any institution, coupled with how an organization exercises its authority prudently and manages resources effectively. It establishes the foundation for effective and efficient operations through accountability, transparency, and informed decision-making. A robust governance framework includes principles, policies and procedures that guide an institution's operations and service delivery.

At BEA Trustees, we recognize that good governance is vital to the long-term and sustainable success to our business. Our well established governance framework has covered both of the company and scheme members' interests, in addition, it also includes continuous monitoring on the investment performance of the MPF scheme assets and data protection to confine the confidentiality of scheme members' personal data.

There are three key components in BEA Trustees' governance framework. Firstly, an effective board that will steward the company and take care of the members' interest. Secondly, a robust regulatory compliance and risk management to ensure all operations of BEA Trustees are complied with regulations. Thirdly, regular reviews on scheme assets investment and operational efficiency to fulfil the fiduciary duty of trusteeship to the beneficiary of BEA MPF schemes. By adhering to these three key components, BEA Trustees can foster a culture of excellence, and our stakeholders and MPF customers can build trust and confidence on us through this strong foundation.

To achieve the company stewardship, it relies on a well-established Board of Directors that will be discussed in the following section of **"BEA Trustees' Board of Directors"**. For the oversight of regulatory compliance and risk management, a Risk Management Committee ("RMC") is established and the Board delegates its authority to RMC for the daily operational risk management issue, the function of RMC will be discussed in the section of **"Establishment of Committee & Delegation of Authority"**. For the scheme assets performance, the Director & Chief Executive of BEA Trustees will attend monthly meeting with investment manager and the performance will be presented during every board meeting. The discussion of investment performance will be presented in Section 2 **"Scheme Assessment Areas"** of this governance report.

BEA Trustees' Board of Directors

BEA Trustees is helmed by an effective board, which assumes responsibility for stewardship of the company and to the best interest of MPF scheme members. The key responsibilities of the Board of Directors of BEA Trustees (the "Board") includes directing and supervising the company's affairs, providing long-term strategic direction, delegating the day-to-day operation and administration duties to Chief Executive and ensuring compliance with relevant ordinances and regulatory requirements when performing trustee duties and obligations.

To achieve above responsibilities effectively, the Board is also responsible for ensuring a true and fair view of the company's financial statements in accordance with prevailing accounting standards and laws. The Board also oversees corporate governance matters, including the development, implementation, and monitoring of governance policies. BEA Trustees shall keep the Board informed about market developments and regulatory changes, and the Board in return shall steer BEA Trustees to seek emerging opportunities and act strategically.

i. Board Composition

The Board has 7 Directors, including 1 Executive Director, 3 Non-Executive Directors (the "NEDs") and 2 Independent Non-Executive Directors (the "INEDs"). With effect from 1st January 2025, the Board increased the number of INEDs to 3 in total. For the financial year end as of 31st March 2025, over 40% of the Directors are INEDs.

Name	Role	Title
Mr. Adrian David Li Man-kiu	Chairman & Non-Executive Director	Co-Chief Executive of BEA
Mr. Tong Hon-shing	Non-Executive Director	Deputy Chief Executive & Chief Operating Officer of BEA
Mr. Henry Chan Cho-yip	Executive Director	Chief Executive of BEA Trustees
Mr. Raymond Ng Kai-man	Non-Executive Director	Deputy Head of Personal Banking Division of BEA
Ms. Cheung Man-kok (alias: Christine Koo)	Independent Non-Executive Director	
Ms. Winnie Cheung Chi-woon	Independent Non-Executive Director	
Mr. Chan Chak-ming	Independent Non-Executive Director (appointment date 1 st January 2025)	

The majority of NEDs and INEDs in the Board is to ensure the independence of the decisions of the Board, and they bring a full spectrum of seasoned expertise as well as financial and strategic advices to the Board. All NEDs are senior representatives from BEA Group, without day-to-day executive roles in the Trustee's management. The Chief Executive of BEA Trustees, appointed by the Board as Executive Director, oversees BEA Trustees' businesses and financial performance.

One of the NEDs is the Chairperson of the Board. The separation of the roles of the Chairperson and Chief Executive of BEA Trustees enhances accountability and responsibility of each position. The Terms of Reference of the Board of Directors outlines and governs their respective responsibilities.

INEDs provide unbiased advice during Board discussions and on thematic reviews carried out by BEA Trustees. Currently, the INEDs of BEA Trustees are comprised of lawyer and accountant, with sophisticated expertise related to legal, finance and pension sector.

BEA Trustees will consider INEDs who have been serving longer than nine years as long serving. Long serving INEDs are subject to further review by Risk and Compliance Section and annual confirmation of their independence should be obtained.

ii. Board Process

BEA Trustees is accountable for providing quality and accurate information to the Directors to facilitate them performing their duties and responsibilities as the Board effectively. Pursuant to the MPFA's recommendation on Governance Principles for MPF Trustees, Principle 4 – Ensure Board's members to perform their duties, BEA Trustees has established framework and strictly adheres to it during preparation of the Board Meeting materials. The Board meets semi-annually to monitor BEA Trustees' operations, with meetings typically held in person to facilitate productive discussions, decision-making and collaboration. When necessary, meetings will be conducted virtually. The Board Meetings, together with updates by mean of Board Paper circulations, shall promote communication and transparency among Board members, enabling them to achieve the Board's oversight role on BEA Trustees' operation performance and strategic growth.

iii. Key Matters Reserved to the Board for Decision

During every semi-annual Board meeting, a comprehensive array of topics is addressed to provide adequate coverage of all business functions. The key areas reserved for the Board's consideration and decision include, but are not limited to:

Corporate strategy

- MPF Investment Review & Strategy – presented by BEA Union Investment Management Limited
- MPF Business Updates
- Performance of BEA MPF Funds

Financial

- BEA Trustees' Financial Results

Industry development

- MPF Market Updates (including eMPF Platform and ESG integration)
- Trust Market Updates

Corporate governance

- Compliance and Risk Management (incl. Compliance monitoring and complaints)
- ESG-related issues

Set out below are the key matters that have been approved by the Board during the Period:

- Annual Reviews to the Governance and Business Plan and Terms of Reference of the RMC
- Approval of Investment Manager's update of Deeds of Undertaking
- Change of Money Laundering Reporting Officer for BEA Trustees
- Licence Application to SFC for carrying on Regulated Activity Type 13 under the Securities and Futures Ordinance (Cap. 571)
- Reports and Financial Statements for the schemes and funds under BEA Trustees' trusteeship
- Appointment and Resignation of Director
- Service Agreement with external services providers

iv. Board Effectiveness and Diversity

The Board consists of members with extensive experience and balance of skills that is appropriate to the requirements of the BEA Trustees' business. Every year, Risk and Compliance Section of BEA Trustees will assess the effectiveness of the Board of Directors by considering the structure, size and composition of the Board that are relevant to BEA Trustees' strategy, governance and business needs.

BEA Trustees reviewed the composition of INEDs in previous financial year, with the objective to expand the expertise in the Board. As a result, the composition of the INED was expanded and the third INED was newly appointed to the Board, with effect from 1st January 2025.

Establishment of Committee(s) & Delegation of Authority

The Board has established the Risk Management Committee ("RMC") to strengthen its oversight and monitoring functions by reviewing and monitoring critical issues related to the day-to-day operations. The RMC provides valuable input and recommendations to the Board, enabling it to make well-informed decisions based on sound advice.

To ensure the Board are well informed about any significant issues related to the Trustee's operations, detailed reports and meeting minutes are promptly compiled and circulated, keeping the Board updated with the information that it needs to fulfil its oversight responsibilities and make appropriate decisions.

i. Risk Management Committee

Chaired by the Director & Chief Executive of BEA Trustees, the Risk Management Committee is held monthly and comprised of the senior executives representing every business function:

Director & Chief Executive	Chairman
Deputy Head of Personal Banking	Member
Senior MPF Administration Manager - Section Head	Member
Senior MPF Marketing & Customer Services Manager - Section Head	Member
Senior Risk & Compliance Manager - Section Head	Member
Senior Fund Accounting Manager - Section Head	Member
Senior Trustee Services Manager - Section Head	Member
Corporate Accounting Manager - Section Head	Member
MPF Administration Manager	Member
Marketing Communications Manager	Member
Risk & Compliance Manager	Member
Fund Accounting Manager	Member
Private Trust Managers / Trust Operation Manager	Member
Assistant Corporate Accounting Manager	Member
Risk & Compliance Manager / Assistant Risk & Compliance Manager / Risk & Compliance Support Officer	Secretary

The RMC plays a pivotal role in overseeing and managing risk-related issues within BEA Trustees. One of its primary responsibilities is to meticulously review and monitor the risk profiles of BEA Trustees, considering the company's risk appetite and both current and anticipated risk exposures. This includes staying abreast of regulatory updates concerning risk management and evaluating their potential implications to the organization.

Another crucial task of the RMC involves scrutinizing the outcomes of risk assessments conducted annually to assess major risk levels. Additionally, the committee reviews audit and cybersecurity reports to identify any control weaknesses that could compromise our ability to withstand adverse conditions, particularly concerning profitability, capital adequacy, liquidity and data security issues. When necessary, the RMC recommends and implements measures to mitigate these potential impacts.

Furthermore, the RMC oversees the development and implementation of BEA Trustees' recovery and resolution plans, ensuring the company is well prepared to navigate through crises effectively. The committee is also responsible for promptly reporting significant issues to BEA's board of directors and, if warranted, escalating matters to regulatory bodies.

Beyond these responsibilities, the RMC plays a pivotal role in approving resource allocation decisions and ensuring adequate resources are allocated to address major risks effectively. By fulfilling these duties, the RMC ensures that BEA Trustees maintains robust and effective risk management measures that align with regulatory requirements and safeguard the company's stability and resilience in the face of potential challenges.

ii. Highlights of RMC's Activities during The Period

During the Period, 12 RMC meetings were held on a monthly basis. The RMC discussed major risk issues arising from the following matters, suggested the corresponding ways of risk mitigation and monitored the progress of the risk management process. In the reported period, key issues discussed were:

- The implementation of eMPF Platform
- The implementation of Severe Weather Trading ("SWT") procedure

Section 2: Scheme Assessment Areas

I. Value for Money Assessment (“VFM Assessment”)

At BEA Trustees, we are dedicated to delivering value for money to our scheme members within the MPF system, aligning closely with the mission of the MPFA. While the Fund Expense Ratio (“FER”) is a critical metric for assessing costs to members, we recognize that value extends beyond mere cost efficiency. Thus, we rigorously monitor our fund performance to ensure reasonable returns while maintaining a low and justifiable FER.

Our evaluation of value for money encompasses more than quantitative measures such as FER and fund performance. Recognizing the long-term nature of our members' relationships with us, we strive to provide diverse and suitable investment fund options that cater to their evolving investment preferences and risk tolerances throughout their lifespans. In addition, we prioritize delivering efficient and user-friendly services to enhance the overall customer experience for our scheme members.

Our commitment to delivering value for money is continuous by regularly assessing and refining our MPF schemes to meet the dynamic expectations and needs of our scheme members, remaining vigilant to market changes and evolving member demands. By focusing on continuous assessment of fund expense ratio, fund performance as well as various quantitative and qualitative measures, we ensure that we not only meet but also exceed members' expectations, fulfilling our fiduciary responsibilities as a trusted MPF trustee.

The following table summarizes the VMF Assessment of the financial year ending 31 March 2025, in four major perspectives:

Table 1. Summary of VFM Assessment

	Assessment Criteria	Assessment Results	Follow-up actions / plans
1	Fund Performance – Performance Monitoring	No constituent fund (“CF”) triggered the performance monitoring according to our proprietary mechanism.	Continue to monitor performance of CFs on the Scheme.
2	Fee Level – Review of FER	Scheme FER at 0.89132% is notably below Market Average FER of 1.35% ¹	We will continue to monitor the market average FER.
3	Range of funds - Review of Fund Choices and Due Diligence on Managers	Comprehensive range of fund choices. Annual due diligence on the Investment Manager to ensure strategies are aligned with objectives.	Continue to conduct review on range of fund choices. Continue to conduct annual due diligence on the Investment Manager.
4	Services to scheme members – Member Experience	Successfully onboarded to eMPF Platform. Enhanced on client communications.	Continue to promote customer registration to eMPF Platform through client communications.

¹ Sources: Market Average FER is calculated using information as of 31 March 2025 from MPFA website, “MPF Fund Platform”, https://mpf.mpfa.org.hk/eng/mpp_list.jsp

1. Fund Performance - Performance Monitoring

The Scheme offers a wide range of Constituent Funds (“CF”) managed by our affiliate company, BEA Union Investment Management Limited (“BEA Union”), as the Investment Manager of the Scheme. The following table summarizes the performance of our CFs against the respective Benchmark or Performance Target, as of 31 March 2025.

Table 2. Assessment of Fund Performance

Name of Constituent Fund	Annualized Net Returns (%)					Launch Date
	1 Year	3 Years	5 Years	10 Years	Since Launch	
BEA Age 65 Plus Fund	2.06	-0.06	1.29	n/a	2.07	1/4/2017
MPF DIS Reference Portfolios – Age 65 Plus Fund	2.74	-0.15	0.85	n/a	1.80	
BEA Asian Equity Fund	3.94	-1.20	5.99	3.01	3.36	25/10/2012
Lipper MPF Asia ex Japan Equity Fund Category Median	6.34	-1.58	5.57	2.79	3.69	
BEA Balanced Fund	5.76	0.84	4.03	3.11	3.34	25/10/2012
Lipper MPF Lifestyle (>40-60% Equity) Fund Category Median	5.41	0.18	3.07	2.04	3.34	
BEA Core Accumulation Fund	3.97	3.50	8.16	n/a	6.07	1/4/2017
MPF DIS Reference Portfolios – Core Accumulation Fund	4.36	3.01	7.68	n/a	5.58	
BEA Global Bond Fund	0.28	-3.43	-3.05	-0.60	-0.57	25/10/2012
Lipper MPF Global Bond Fund Category Median	0.76	-2.68	-2.56	-0.60	0.75	
BEA Global Equity Fund	5.19	6.42	14.42	8.32	8.56	25/10/2012
Lipper MPF Global Equity Fund Category Median	4.05	5.28	13.09	5.98	6.47	
BEA Greater China Equity Fund	17.30	-2.35	4.02	3.53	4.89	25/10/2012
Lipper MPF Greater China Equity Fund Category Median	17.38	-2.66	3.47	2.85	4.15	
BEA Growth Fund	7.89	1.98	6.38	3.99	4.39	25/10/2012
Lipper MPF Lifestyle (>60-80% Equity) Fund Category Median	7.79	1.34	5.32	2.96	3.89	
BEA Hong Kong Tracker Fund	44.61	4.73	2.16	1.79	2.64	25/10/2012
Hang Seng Index	46.08	5.73	3.11	2.85	4.06	
BEA MPF Conservative Fund	3.18	2.65	1.81	1.49	1.31	25/10/2012
MPFA Prescribed Savings Rate	0.62	0.56	0.34	0.18	0.15	
BEA Stable Fund	3.49	-0.36	1.66	1.84	1.99	25/10/2012
Lipper MPF Lifestyle (>20-40% Equity) Fund Category Median	3.69	-0.76	1.18	1.08	2.63	

We have established a comprehensive and ongoing Fund Performance Monitoring Mechanism aimed at systematically overseeing and evaluating the performance of all CFs on our MPF Schemes. This proactive approach is designed to ensure that all funds under their management meet or exceed expected benchmarks and deliver appropriate returns to scheme members. The monitoring mechanism is stratified into distinct protocols for non-index tracking CFs, index tracking CFs, and the Default Investment Strategy (“DIS”), each with tailored criteria to accurately gauge performance.

Our Fund Performance Monitoring Mechanism is not merely diagnostic but also prescriptive. Upon identifying underperforming CFs, we would initiate a thorough review process and require the Investment Manager (“IM”) to provide explanation on the performance of CFs.

We will further collaborate with BEA Union Investment Management Limited (“BEA Union”), i.e. the Investment Manager of the Scheme, to discuss the findings and develop corrective action plans. The corrective action plans will enforce changes aimed at realigning the performance of the underperforming fund. This may include adjusting the investment strategy, reallocating assets, or making management changes.

The management team of BEA Trustees Mandatory Provident Fund Schemes Authority's (“MPFA”) will update the Board regarding the fund performance of CFs and/or other issues through different channels including regular reports and meetings, to ensure an effective ongoing surveillance of the implemented measures.

For the financial year ended 31st March, 2025, no CF triggered the performance monitoring based on our Fund Performance Monitoring Mechanism.

Table 3 Follow-up Actions / Plans to Improve Value for Scheme Members

Name of constituent fund	Investment manager	Follow-up actions/Plans
Nil	N/A	N/A

2. Fee Level – Review of Fund Expense Ratio (“FER”)

The Trustee calculates the FER in accordance with Code on Disclosure for MPF Investment Funds. We would also compare the FER of the current financial year with that of previous year and observe any changes.

The weighted average FER of the Scheme was 0.89132% as of the financial year ended 31st March 2025, which is notably lower than the weighted Market Average FER of 1.35%². This proves our commitment to maintain competitiveness among the peer groups in the MPF market.

Table 4. Assessment of Fee Level

Name of Constituent Fund	Launch Date	NAV (HK\$)	FER (%)	Fund Category	Industry Average FER (%)
BEA Asian Equity Fund	25/10/2012	8,394,518.51	0.97668	Equity Fund - Asia Equity Fund	1.61
BEA Balanced Fund	25/10/2012	17,947,101.97	0.96420	Mixed Assets Fund - 41% to 60% Equity	1.56
BEA MPF Conservative Fund	25/10/2012	26,254,995.16	0.78556	Money Market Fund - MPF Conservative Fund	0.84
BEA Global Bond Fund	25/10/2012	7,397,400.74	0.92715	Bond Fund - Global Bond Fund	1.19
BEA Greater China Equity Fund	25/10/2012	22,673,431.45	0.96335	Equity Fund - Greater China Equity Fund	1.80
BEA Global Equity Fund	25/10/2012	26,792,392.69	0.95234	Equity Fund - Global Equity Fund	1.46
BEA Growth Fund	25/10/2012	23,287,241.63	0.97939	Mixed Assets Fund - 61% to 80% Equity	1.53
BEA Hong Kong Tracker Fund	25/10/2012	20,275,287.37	0.69026	Equity Fund - Hong Kong Equity Fund (Index Tracking)	0.83
BEA Stable Fund	25/10/2012	13,365,269.81	0.95500	Mixed Assets Fund - 21% to 40% Equity	1.52
BEA Age 65 Plus Fund	1/4/2017	10,571,492.10	0.84302	Mixed Assets Fund - Default Investment Strategy - Age 65 Plus Fund	0.77
BEA Core Accumulation Fund	1/4/2017	25,519,240.64	0.82147	Mixed Assets Fund - Default Investment Strategy - Core Accumulation Fund	0.77

Sources: (i) BEA Trustees, (ii) MPFA website, “MPF Fund Platform”, latest information as of 31 March 2025.

At BEA Trustees, we regularly review the fee levels of the CFs on our Schemes. We evaluate various parameters and criteria including, but not limited to, the fee level compared with the market by fund category, investment performance to ensure the fee is justifiable, range of fund choice, quality services and other value-added services.

² Sources: Market Average FER is calculated using information as of 31 March 2025 from MPFA website, “MPF Fund Platform”, https://mpf.mpfa.org.hk/eng/mpp_list.jsp

3. Range of Funds – Review of Fund Choices and Due Diligence on Manager(s)

On an ongoing basis, BEA Trustees review the existing investment choices of the Scheme, and we conduct due diligence on the appointed CF manager, i.e. BEA Union, on an annual basis. For CFs with feeder structure that invest in single ITCIS, we expect BEA Union to maintain oversight of the ITCIS manager and report to the Board for any irregularity that may arise.

We conduct both qualitative and quantitative due diligence on BEA Union. On the qualitative front, the BEA Union is required to complete an annual due diligence questionnaire for our further analysis - besides the investment aspects e.g. investment process, risk management, and investment compliance, the annual due diligence also covers the operational aspects of the management of the CFs, as well as third party engagement (e.g. fund administrator, transfer agent etc). On the quantitative side, BEA Trustees monitor the performance of the CFs within the Scheme by our proprietary monitoring mechanism in order to identify the underperforming CFs.

Table 5 – Assessment on Performance of Investment Manager(s)

Name of Constituent Fund	Investment Manager of the CF	Investment Vehicle	Year of last due diligence review on IM of CF	Year of last review on choice of underlying fund(s)
BEA Asian Equity Fund	BEA Union	Two of more APIFs	2024	2024
BEA Balanced Fund	BEA Union	Two of more APIFs	2024	2024
BEA MPF Conservative Fund	BEA Union	Portfolio of permissible investments	2024	2024
BEA Global Bond Fund	BEA Union	Single APIF	2024	2024
BEA Greater China Equity Fund	BEA Union	Single APIF	2024	2024
BEA Global Equity Fund	BEA Union	Single APIF	2024	2024
BEA Growth Fund	BEA Union	Two of more APIFs	2024	2024
BEA Hong Kong Tracker Fund	BEA Union	Single ITCIS	2024	2024
BEA Stable Fund	BEA Union	Two of more APIFs	2024	2024
BEA Age 65 Plus Fund	BEA Union	Single APIF	2024	2024
BEA Core Accumulation Fund	BEA Union	Single APIF	2024	2024

At BEA Trustees, we review our CF range based on the market changes and regulatory development on an on-going basis. We also review our existing product offerings according to the market conditions, e.g. reference with the new funds launched by other service providers, or any thematic CF recommended by MPFA, etc.

In addition, we conduct regular review at least annually regarding the suitability and adequacy of CF under the Scheme in terms of number of funds, fund types and investment risk levels in order to maintain our competitiveness in the market.

No new CFs were launched during the reporting financial year.

4. Mitigation of Conflict of Interests

The Management Team of BEA Trustees has the duty to ensure the absence of conflicts of interest within the Investment Manager. As an affiliated company, BEA Union, serving as the Investment Manager in this case, operates as an independent entity with its own board of governance and reporting structure. Deed of Undertaking has been signed to ensure that BEA Trustees and BEA Union act independent of each other.

5. Service to Scheme Members - Member Experience

Investing in MPF entails a prolonged commitment, encompassing the phases of accumulation during a member's working years and the eventual drawdown upon retirement. On the other hand, it is also a long-term partnership with the employer clients. It is therefore essential to deliver exceptional service throughout this long-term journey, for both employers and employees (members).

We perform regular review on the Comparison Table generated from MPFA Trustee Service Comparative Platform to ensure we maintain a high quality of service standard. Our Service Pledge to members can be found at our BEA MPF webpage:

https://www.hkbea.com/pdf/en/mpf/Service%20Pledge/Service%20Pledge_BEAT_eng.pdf

In addition, effective 29 October 2024, the Scheme has been successfully onboarded to the eMPF Platform. Please refer to eMPF's Service Pledge here:

<https://www.empf.org.hk/servicepledge>

To ensure our employer clients and scheme members had a smooth onboarding process to the eMPF platform, we initiated a range of additional customer experience services during the financial year. For example, we have:

- i. enhanced the BEA webpage by incorporating eMPF platform page to ensure timely and comprehensive updates for our customers, to facilitate their understanding with the eMPF onboarding process and related matters as well as actions to take prior to onboarding of the Scheme;
- ii. held numerous eMPF online seminars and provided relevant materials to introduce the eMPF Platform and transitional arrangements to our customers, and promote registration to eMPF Platform.

While eMPF has taken up the agreed scope of administrative services and support, we continue to ensure our clients are well informed with the rapid changing investment environment for making informed investment decisions, and perform the residual administration services, functions and bespoke services to maintain bonding and relationship with our customers. To support our members and employers in navigating these changes, we offer a comprehensive series of physical seminars and webinars throughout the year. These sessions are designed to provide insights into the latest trends in the investment market, updates on MPF regulations, and strategies for optimizing retirement savings. By offering these educational opportunities, we aim to empower our members with the knowledge they need to make sound financial decisions.

The Investment Corner on our website is a vital resource for members seeking detailed and up-to-date information on market trends and asset class outlooks. We are committed to continuously enhancing this platform, ensuring it provides valuable insights and analysis. Regular updates and expert commentary through e-Newsletter and social media communications help members

understand the broader economic landscape and how it impacts their investments. This proactive approach helps members stay informed and make strategic adjustments to their portfolios.

Besides assisting our members to make informed investment decisions, we also understand their needs in retirement planning, which includes not only investment education, but also healthcare and medical awareness. We therefore also extended our investment seminar coverage to share healthcare tips and advice, as well as practical medical information to our clients.

II. Sustainable Investing Strategy and Implementation Progress

The Board holds the critical responsibility of overseeing the integration of environmental, social, and governance (ESG) factors into the Scheme's investment and risk management processes. This oversight includes assigning clear roles to management to ensure progress against set goals is effectively reported.

The establishment of a robust governance framework is essential in monitoring the management of ESG risks by the Investment Manager of the Scheme. During regular monitoring, any material issues related to ESG and stewardship must be promptly reported to the Director & Chief Executive of BEA Trustees. These issues are then discussed in the Risk Management Committee to determine necessary remedial actions to mitigate potential risks.

As the Investment Manager of the Scheme, BEA Union operates under close scrutiny by both the Management Team and the Board of BEA Trustees. This scrutiny ensures that BEA Union upholds its commitment to adopting sustainable investing practices in the management of MPF funds. BEA Union considers sustainable investing an integral element of its fiduciary duties to clients. The core principle of sustainable investing is the integration of ESG factors into investment decisions to achieve better risk-adjusted returns over the long term. ESG factors can significantly impact the underlying investments of MPF funds and should be evaluated alongside traditional financial measures to provide a comprehensive view of an investment's value, risk, and return potential.

BEA Union has established an ESG Committee composed of senior leaders across various business functions within the organization. This committee provides strategic advice and leadership on ESG-related matters, sets ESG targets and goals, and reviews high-priority or emerging ESG-related risks. The committee also oversees both internal and external communications regarding the ESG strategy. Integration of ESG factors into the investment process and risk management framework is a fundamental practice at BEA Union. Investment teams actively seek to identify material ESG risks and issues relevant to each strategy, considering risks across different sectors, regions, and asset classes. Insights from ESG research and stewardship activities facilitate informed investment decision-making aligned with specific investment objectives, requirements, and the ESG risk appetite of each strategy.

Referencing to the exclusion list of Union Investment, BEA Union is equipped to identify relevant risks across portfolios in the initial screening of securities. Such exclusion list is useful in (i) highlighting the controversial businesses and industries with potential ESG risks and (ii) drawing attention to the latest ESG development and issues which merit further research focus. Where there is strong evidence to re-assess the exclusion status of the securities, investment teams will submit recommendations to the ESG Committee for review.

In addition, BEA Union further leverages on Union Investment's proprietary research platform, Sustainable Investment Research Information System ("SIRIS"), which incorporates in-house research of Union Investment and third-party inputs from providers (such as MSCI, Trucost and ISS), generating proprietary research covering around 50,000 securities, 10,000 companies and 100 countries. SIRIS measures corporate sustainability with the assessment covering various dimensions, including (i) Environment, (ii) Social, (iii) Governance, (iv) Sustainable Development Goals, and (v) Controversies.

Besides SIRIS, BEA Union also utilizes the Bloomberg ESG database in preparing climate-related disclosure. The Bloomberg system serves our day-to-day portfolio management, and climate data at portfolio levels can be consolidated for further assessment and report preparation.

For **equity portfolios**, the Equity Investment Team integrates ESG analysis into fundamental equity research. Analysts identify the most material ESG issues, both positive and negative, that could influence the sustainability of a company's business model and investment case. This ESG analysis is a crucial component of evaluating various aspects of investment research, including industry analysis, management quality assessment, and company strategy analysis. Understanding how companies address ESG issues aids analysts in their fair value analysis by adjusting financial forecasts such as sales, operating costs, or valuation models through metrics like weighted average cost of capital, return on equity, valuation discount/premium, and terminal value.

For **fixed income portfolios**, the Fixed Income Investment Team incorporates ESG analysis into BEA Union's proprietary credit research model. The engagement dialogue with companies and relevant ESG factors may vary across industries. The team aims to understand the current ESG status and future planning of ESG policies and their implementation. An overall assessment is made on a company's ESG performance and commitment, referencing ESG information from Union Investment, third-party providers, and the team's internal assessment. Where deemed material, adjustments are made to financial estimates in BEA Union's proprietary credit research model.

For **money market portfolios**, which primarily involve deposit placement, BEA Union holds the view that deposit-taking banks in Hong Kong are mostly listed companies already compliant with ESG disclosure requirements set by the HK Exchange.

ESG issues impact investment portfolios from both top-down asset allocation and bottom-up security selection perspectives. The BEA Union Investment Committee, which manages **multi-asset portfolios**, recognizes the necessity of an integrated approach that considers ESG factors in both contexts. ESG issues are discussed in Investment Committee meetings, particularly when deciding on asset allocation to enhance the long-term sustainability of investment strategies while achieving desired investment outcomes for clients.

The Board believes that BEA Union has achieved a sufficient level of ESG integration in managing the constituent funds via the underlying APIF and/or ITCIS. The Board will continue to monitor ESG risks and regularly review the ESG integration strategy of the Investment Manager to ensure ongoing alignment with sustainability goals and regulatory requirements.

Board Endorsement

The Board of Bank of East Asia (Trustees) Limited hereby confirms and endorses the above Governance Report for BEA (MPF) Value Scheme.