

GPF Negative List Guideline

Consistent with its fiduciary duty and responsibilities as a good corporate citizen, the GPF is firmly committed to investing responsibly and to integrating the Environmental, Social, and Governance (ESG) issues in our operations and the management of our members' savings. To encourage the business sector to integrate the principles of good governance and ESG considerations into business strategy and operations, the GPF has published its Negative List. The List provides clarity on the types of business in which the Fund shall refrain from investing and affirms the Fund's commitment to integrating corporate governance in its investment operations.

The Negative List applies to all types of investments made by the GPF, including those that are externally managed. The List was compiled following the below principles:

1. The GPF shall not invest in businesses that create material adverse impacts on the society and environment. These include companies engaged in any of the following businesses/areas: controversial weapons trading, gambling, prostitution, pornography, human trafficking, torture, animal cruelty. Also included are companies whose primary source of revenue is alcohol and tobacco production.

2. The GPF encourages businesses to uphold high standards of business integrity and strong corporate governance and to treat all the shareholders fairly and equally. The Fund shall not invest in:

1) Companies whose directors, executives or executive shareholders have been found by state agencies to have been involved in corrupt practices, such as embezzlement and bribery, or have been taken civil action against by the Securities and Exchange Commission for market misconduct;

2) Companies whose directors, executives or executive shareholders fail to create confidence that the principles of good corporate governance shall be upheld;

- 3) Companies with significant ESG controversies which cause damage to the business (e.g. financial statements manipulation and operations-related incidents with material adverse impacts on the environment and society);
- 4) Companies which fail to attempt to address the ESG issues or do not provide engagement opportunities when issues arise.

The GPF has specified its investment universe and determined investment benchmarks. The GPF Negative List guideline, therefore, shall cover only companies which the Fund and its external managers can invest in (i.e. those included in the benchmarks or the universe).

Adding more companies to the Negative List

When issues related to environment, society and governance arise within the companies that the GPF invest in, the Fund shall follow the below procedure:

- 1) The Fund Management Group, Risk Management Group and Corporate Governance Team convene to determine whether such companies should be included in the Negative List and to outline an approach to resolve the issues. Such an approach may involve engaging in active dialogue with such businesses and taking measures to prevent similar occurrences in the future.
- 2) The Corporate Governance Team present the meeting outcomes and action points to the Secretary-General for his/her consideration.
- 3) The Fund Management Group follows up with the companies to determine whether they are trying to address or resolve the issues.
- 4) The Negative List is reviewed every quarter. If any listed company demonstrates significant improvements towards ESG compliance, the GPF may consider removing them from the List. However, if any listed company fails to show their willingness to address the issues or to provide opportunities for engagement, the GPF may consider divesting from the business. The Fund Management Group, Risk Management Group and Corporate Governance Team shall determine whether the divestment is necessary. The Corporate Governance Team, then, shall submit the case for the Secretary-General's consideration.