

CSOP Asset Management Limited

Responsible Investment Policy

Chapter 1

Overview

In order to further optimize the investment decision-making process of CSOP Asset management Limited (hereinafter referred to as “CSOP”), we have incorporated ESG factors into our investment analysis and decision-making practice. This practice and policy has been developed to help us encourage our investee companies to improve their governance, promote environmental friendliness and social sustainable development, as well as securing long-term sustainable investment returns, while achieving sustainability outcomes, in accordance with the requirements of the six principles of the UN PRI and the advocacy of related policies.

Responsible Investment Philosophy

The term “responsible investment” in this policy refers to our investment strategy that incorporates environmental, social, and governance (ESG) factors into the investment decision-making and post-investment management process to pursue long-term value growth for clients while taking into account economic and social benefits practice. Responsible investment is a supplement to traditional financial analysis and investment portfolio construction techniques.

Our mission is to leverage on the cross-border investment expertise to build a trusted relationship with overseas investors to make China investments, while building an offshore platform to assist domestic investors capturing investment opportunities in the global market.

Responsible investment has become a pervasive, burgeoning and monumental movement. Accordingly, ESG factors have become a key financial performance and corporate value measure. Incorporating ESG factors into the investment decision-making and post-investment management process help us better identify and manage ESG risks and opportunities in investment, encourage investee companies to adopt more sustainable business practices, while assisting our clients reduce risks and create sustainable value.

Our goal of responsible investment is to improve the efficiency and effectiveness of performing our fiduciary duties, providing clients with high-quality investment returns while attaining sustainability outcomes. This is achieved by integrating ESG factors into investment decisions and engaging with investee companies on ESG issues.

Sustainable Development Goals

Taking into account the urgency and universality of climate change issues and the urgent need to

improve ESG information disclosure, CSOP's sustainable development goals for investment activities at this current stage are:

(1) Improving climate change responsiveness: we encourage our investee companies to formulate strategies and plans to respond to climate change, as well as strengthen awareness in climate change mitigation, adaptation and impact reduction. We seek to inspire investee companies and their employees to make tangible and auditable improvement in their handling of these risks.

(2) Improving ESG transparency: we encourage investee companies to adopt sustainable practices, improve ESG management and disclose ESG information.

During our investment process, relevant analysts and decision-makers consider the real world sustainable impact of each investee companies as well as their entire portfolio. Accordingly, we engage with each issuer, inspiring disclosure on positive and negative effects, while working with them as they demonstrate progress in the maximization of the positive and reduction of negative effects. This is a key part of our investment decision-making and post-investment management.

Scope

This policy applies to all asset classes, product classes and market classes of CSOP's assets under management.

Chapter 2

Structure for Implementing Responsible Investment

Organizational Structure

1.The Investment Committee

Chaired by our CEO, our investment committee is primarily responsible for:

(1) Establishment of CSOP's sustainable development goals, as well as formulation and review of our responsible investment and active ownership policy.

(2) Guidance, supervision and implementation of CSOP's responsible investment measures, as well as review and approval of all relevant reports on related investments.

(3) Decisions on major issues which may affect CSOP's responsible investment policies or measures.

2. Research Department and Equity Investment Department

(1) The chief investment officer is responsible for guiding, supervising and inspecting the responsible investment work of investment and research personnel, regularly reporting the implementation of responsible investment to the investment committee and regularly assessing the responsible investment capabilities as well as training needs of relevant personnel.

(2) Our research and investment personnel incorporate ESG factors into the investment research and decision-making process. Their remit includes ESG impact analysis, considering factors on investment risk and return, review and tracking ESG performance of each issuer. They also practice active ownership and feed the information learned from engagement into investment analysis.

3. Division and Cooperation Among Other Related Departments

Relevant business departments assume corresponding responsibilities for responsible investment in accordance with their function, including:

(1) The Platform & Product Strategy Department is responsible for in-depth research on domestic and international responsible investment, providing practical planning support for ESG product development strategy and business expansion, as well as leading our efforts in preparing the PRI annual report.

(2) The Legal & Compliance Department is responsible for supervising the implementation of CSOP's responsible investment management rules and regulations, preventing and managing conflicts of interest, providing compliance evaluation suggestions, and coordinating the engagement with policy-makers.

(3) The Risk management department is responsible for supporting risk owners to identify and measure risk of the responsible investment, establishing related guidelines including internal thresholds, and monitoring adherence to those guidelines..

(4) The Information Technology Department is responsible for establishing corresponding information systems and technical modules as well as providing technical support in accordance with the CSOP's responsible investment needs.

(5) The HR & Administration Department is responsible for establishing an assessment and evaluation mechanism that links the performance of the work related to the management of responsible investment with rewards and disciplinary measures.

(6) The Marketing Department is responsible for advancing CSOP's ESG brand promotion and formulating marketing strategies for ESG related products.

Performance Assessment and Capacity Building

1. Performance Assessment

The Research and the Equity Investment departments are primarily responsible for the implementation of our responsible investment. They undertake our work requirements as well as evaluation on responsible investment. Such as:

- (1) Strengthening the study of responsible investment theory and incorporate ESG factors into the investment research and decision-making process.
- (2) Summarizing our investment experience and insights, as well as sharing them with the investment and research team to discuss and improve the methods of responsible investment.
- (3) Improving the overall value of ESG investment to our clients and promoting the achievement of our sustainable development goals.

2. Capacity Building

In order to improve CSOP's internal understanding of the responsible investment policy and commitments, we ensure that relevant personnel have the knowledge and ability to practice responsible investment. We also regularly hire professional institutions to carry out various responsible investment trainings for relevant personnel and arrange subject matter experts along with portfolio managers to conduct discussions to improve our responsible investment strategies and methods.

CSOP will also obtain relevant ESG data, ratings and research reports from third-party professional organizations, in order to provide relevant personnel more content and tools to implement responsible investment.

Chapter 3

Implementation Strategy of Responsible Investment

ESG Incorporation

1. ESG Issues

The ESG issues that CSOP will incorporate into the investment and research process involve environment, society, and governance these three dimensions. The factors involved in each

dimension include but not limited to:

Environment: climate change, biodiversity, energy management, water management, pollutant discharge, deforestation, waste management, environmental penalties, etc.

Society: labor relations, occupational health and safety, employee diversity, customer relations, supply chain management, product responsibility, community relations, poverty alleviation and public welfare, etc.

Governance: the independence, professionalism and conscientiousness of the board, the remuneration of directors and executives, shareholder rights, information disclosure, related party transactions, audit practices, business ethics, etc.

CSOP will dynamically evaluate and adjust the ESG factors considered and their importance based on clients' preferences, industry characteristics, market environment and ESG development trends.

2.Methods of ESG Incorporation

When incorporating ESG factors into investment research and portfolio construction, CSOP may individually or simultaneously adopt the following ESG incorporation methods for responsible investment:

(1) Screening: When establishing an investable universe, strictly exclude targets that do not meet the requirements of the ESG standards set based on CSOP's investment philosophy.

(2) Integration: Analysts and portfolio managers combine industry research and investee company research. They can also refer to external research reports to identify material ESG factors that have a significant impact on the financial performance of the investment targets, clearly and systematically incorporate the material ESG factors into investment analysis and portfolio construction.

Analysts establish and maintain CSOP's investable universe based on ESG research and analysis, and determine the investable level of the corresponding targets. On this basis, portfolio managers construct investment portfolios and make daily adjustments to the portfolios according to the requirements of the fund contracts or entrusted investment contracts. Our portfolio managers also consider various asset allocation suggestions of CSOP as well as analysts' ESG analysis and their own judgments on the industry and the investee companies.

Equities investment - According to the expected impact of material ESG factors, we adjust financial forecasts, valuation model variables, valuation multiples, etc. to calculate the value of securities and determine whether the current price fully reflects the ESG factors' impact on the investee companies.

Fixed income investment - We incorporate the issuer's material ESG factors that may affect downside risks into internal credit assessment, financial status and ratio forecasts, duration analysis, etc., to assess whether the market pricing of bonds has included all risk factors.

(3) Thematic investment: Combine investment objectives with specific ESG themes, analyze the correlation between the products or services provided by the investee companies and specific ESG themes, and select entities that have a positive impact on sustainable development on specific ESG themes as investments objects.

Active Ownership

In the process of post investment, analysts and portfolio managers should actively track the ESG performance of investee companies and understand the practices of investee companies in ESG risk and opportunity management. CSOP will use the rights and status conferred by ownership to engage with the investee companies, actively exercising voting rights, to shape a positive impact on the activities or behavior of the investee companies, and will share the public information obtained with CSOP's entire research and investment team to further consider the investable universe and investment decision-making process. Our active ownership focus varies by asset classes.

1.Engagement

CSOP will not seek to participate in the specific operation and management of the investee companies at the micro level, but will engage with the investee companies on ESG risk and opportunity management, the overall business strategy and capital allocation. We encourage the investee companies to improve their ESG practice and information disclosure, promote the investee companies to take actions to mitigate the identified ESG risks and obtain long-term sustainable development.

CSOP will also combine our experience and insights accumulated in the process of asset management to engage with policy makers on public policies that may affect the sustainability and stability of financial markets as well as social, environmental and economic systems, while providing policy makers suggestions or feedback on our responsible investment positions.

2.Voting

On the premise of complying with laws and regulations, all products of CSOP will actively exercise their voting rights as much as possible to promote the governance and corporate value of the investee companies, achieve better sustainability outcomes in the portfolios, and make reasonable voting decisions. All voting decisions will be made based on CSOP's research and analysis by our own research and investment team or a third-party professional organization(s). When exercising voting authority on behalf of clients, CSOP will apply a sufficient duty of care and act in the best interests of clients.

For the specific content of engagement and voting, please see CSOP's stewardship policy. For voting principles and activities on equity securities we hold, please refer to CSOP's voting guidelines.

Chapter 4

Conflict of Interest

Conflict of interest refers to situations in which the interests of employees, CSOP, related parties, or other interested parties may be inconsistent with the interests of our clients when CSOP performs its entrusted management duties, or the interests of different clients in the same responsible investment matter are inconsistent.

CSOP should try to avoid conflicts of interest. Where actual or potential conflicts of interest arise, reasonable effort must be taken to give priority to the interests of all clients equally.

Identification and Management of Conflicts

Employees must act in the best interests of clients, be alert and sensitive to all conflicts of interest. Each employee should scrupulously examine and avoid any situation in which the interest of any individual, company, related party or other interested party conflicts with the interests of clients.

For identified conflicts of interest, all parties are encouraged to report to the Legal & Compliance Department in a timely manner. If employees suspect a potential conflict of interest, they should immediately contact CSOP's Legal & Compliance Department to discuss how best to manage the potential conflict in the best interests of clients.

When conflicts arise between different clients regarding the same investment, including situations where different clients have clearly specified different handling opinions, CSOP will deal with related matters in accordance with the specific provisions of the entrusted investment contracts or the agreements with relevant clients.

The Legal & Compliance Department is responsible for coordinating CSOP's management of conflict of interest, investigating and judging the conflict of interest reported by employees, approving the resolutions of the conflicts of interest, and tracking the implementation of the resolutions.

If an employee violates relevant regulations in his/her work, harms the interests of clients, conducts benefit transmission, benefit exchange and other violations of laws and regulations, CSOP will pursue corresponding liabilities in accordance with relevant regulations and report to the supervisory authority.

Chapter 5

Report

The Platform & Product Strategy Department is responsible for taking the lead in preparing the PRI annual report. The various departments of CSOP shall collect and submit relevant materials as required, and assist in the preparation of the PRI annual report. The PRI public report will be disclosed on both the PRI official website and CSOP's official website.

If specific clients have other requirements for the disclosure of responsible investment activities related to their assets, CSOP will also regularly report to them regarding the practices and results of responsible investment related to special accounts in accordance with the fund contracts or entrusted investment contracts.

Chapter 6

Bylaws

This policy is formulated by CSOP's investment committee, which is responsible for reviewing and revising this policy on an annual basis along with our business development strategy, internal and external environment changes and ESG development trends.

Appendix: Active Management ESG Analysis Framework

Sustainability Risks Policy

We integrate ESG evaluation into the entire stages of investment process.

(1) Research and analysis stage

An individual stock should be measured using an internally developed ESG scoring system that consists of questions covering the dimensions of environmental, social and governance.

(2) Decision making stage

Portfolio manager reviews the fundamental analysis together with ESG evaluation results and decide whether to add the company into the stock pool. Companies with serious governance deficiency, inadequate incentive or under sanctions should be excluded from the investment universe.

(3) Monitoring stage

We closely monitor portfolio risk exposure to ESG issues on a regular basis. If a company in our portfolio announces material information, analysts should revisit ESG analysis, update portfolio risk profile. Portfolio manager will then decide if it is necessary to adjust the stock weighting.

The ESG scoring template is as follows:

Topics	Standards	Score
Social		
Addressing Cost Burden	Does the company have a practice to optimize and reduce hidden cost, such as inventory charges and hidden labor in manufacturing processes?	
Asset closure management	Does the company make responsible decision to dispose an asset, do comprehensive due diligence with reasonable price, and reinvest the capital gain to maximize shareholder return?	
Corporate citizenship and philanthropy	Does the company make enough contribution to the local community or society as a whole, both in core business side as well as other philanthropy investment?	
Financial inclusion	Does the company provide equal access and inclusive opportunity to financial services to its clients, including a process by which individuals and business can access appropriate, affordable and timely financial products and services?	
Gender Diversity	Is the female representing a reasonable presence in board, executives and employees? A ratio higher than 30% is ideal.	
Background Diversity	Does the company follow an equal employment opportunity principle, with no discrimination on minority groups, based on their races, origins, religions, sex, age, disability, etc.?	
Human Capital Development	Does the company have good employee training and development program to cover the majority of employees?	
Human Rights	Does the company have a series of guidelines to protect human rights, working environment safety, basic standard of benefit and welfare of its employees?	

Occupational health and safety	Does the company establish and maintain a working environment where employees are able to work safely, without risk to their physical and psychological health and welfare?	
Responsibility of content	Does the company follow the proper marketing rules, without misleading selling, to make sure the content of brand, product and company proper and suitable for the audience?	
Social impact on communities	Does the company's action positively affect the surrounding communities, in a result of activity, project, program or policy?	
Social integration & regeneration	Does the company contribute to ensure the community become better, create new opportunities, promote wellbeing and reduce inequalities?	
Stakeholder engagement	Does the company actively involve people who may be affected by the decision it makes or can influence the implementations of its decisions?	
Talent attraction & retention	Does the company build a systematic human resource plan to attract new talents, provide training and career upside to retain the talents?	
Environment		
Biodiversity	Does the company have a policy to maintain the variability of life on earth, to reduce emission, air and water pollution and prevent climate change?	
Climate Strategy	Does the company and employee have awareness and policies in place to protect environment and prevent climate change?	
Low carbon strategy	Does the company have lower carbon dioxide emission to sales ratio than global average?	
Co-processing	Does the company use waste as raw material, or as a source of energy, to replace natural mineral resources and fossil fuels such as coal, petroleum and gas in industrial processes, mainly in energy intensive industries such as cement, lime, steel, etc.?	
Electricity Generation	Does the company use renewable energy for power generation, reduce the use of chemical fuels, and instead use more clean energy like wind, solar or biomass?	
Environmental policy & management systems	Does the company have a guideline on air and water pollution, waste management, maintenance of biodiversity while conducting business?	
Environmental reporting	Does the company have adequate disclosure of its environmental protection measures and significant events if any, to government, regulators, investors and society?	
Mineral Waste management	Does the company have the guidelines and policy to manage mineral waste from inception to final disposal, including collection, transport, treatment and disposal, together with monitoring and regulation of the waste management process?	
Packaging	Does the company have policies to reduce the use of unnecessary packaging materials, collect the used materials for recycle and properly dispose the packaging waste?	

Product Stewardship	Does the company have the product stewardship policy, meaning whoever designs, produces, sells, or uses a product takes responsibility for minimizing the environmental impact throughout the product's life cycle?	
Recycling strategy	Does the company have a guideline on how to recycle its water, solid waste, mineral waste, etc.?	
Sustainable forestry practices	Does the company have a good forestry practices, meaning the proper implementation of harvest, renewal and maintenance activities to the forest and ecosystem?	
Transmission & Distribution	Does the company have an environmental-friendly system to transmit and distribute water, chemical fuels, solid waste, etc.?	
Water Operations	Does the company have a advanced system to purify industrial waste water before disposal, and to minimize the toxic substance in it before transmitting back to environment?	
Governance		
Major shareholder structure	Is holding of largest shareholder lower than 50%?	
Free float	Is free float higher than 40%?	
Equity incentive scheme	Does the company have employee incentive schemes?	
Management shareholding	Do managements have holdings?	
Board composition	Is the ratio of independent directors in board higher than 30%?	
Separation of chairman and CEO	Does the company combine chairman and CEO?	
Anti-crime policy and measures	Does the company disclose number of staff disciplined or dismissed due to non-compliance with anti-crime policy & measures?	
Supply chain management	Does the company have risk assessment and due diligence process on suppliers in terms of energy use, GHG emission and code of conduct?	
Board independence	Does the audit committee consist of at least 3 independent members?	
Tax strategy	Does the company disclose tax treatment in every jurisdiction, instead of a tax rate at company level or at only a few jurisdictions?	
Board and remuneration disclosure	Does the company have comprehensive disclosure on board members' background, duties, compensations, etc.?	
Risk & crisis management	Does the company have the capability to deal with negative event and public crisis timely and properly?	
Brand management	Does the company connect its brand with their target customer, to oversee the product itself, including price, packaging, as well as the intangible experience that the target customer share with the brand?	
Innovation management	Does the company have a good innovation management system, which allows them to respond to external opportunities quickly, use its creativity to introduce new ideas, process or products?	

Customer relationship management	Does the company have a long-term mentality to manage their relationships with customers, use data analysis to understand customer needs, customer retention and ultimately drive sales growth?	
Efficiency	Does the company have a structure and mechanism to ensure the ability to implement its plans using minimum resources, adapt changes and to ensure decision making efficiency?	
Financial stability and system risk	Does the company have enough financial strength and stability to resist external economic shocks and to continue business?	
Information security	Does the company have a set of measures and processes to prevent unauthorized access, use, disclosure, disruption of information?	
Marketing practices	Does the company conduct properly in promoting its products, approaching its target customers, responsibly organize marketing campaigns?	
Policy influence	Does the company have a process or play book that allows the organization being more effective when it comes to influence decision makers, foresee policy trends and prepare corresponding coping strategy?	
Product quality and recall management	Does the company have a comprehensive quality assurance process and department to ensure product quality, and a recall policy to cope the potential quality problems and maintain customer satisfaction?	
Strategy for emerging markets	Does the company have a global expansion plan with a comprehensive feasibility analysis?	