



E Fund Responsible Investment Statement

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Foreword

E Fund Management Co., Ltd. (“E Fund,” “Company,” “we,” or “us”) is one of the first asset managers in China to embrace responsible investing. As a responsible investing practitioner, we aim to promote the long-term sustainable development of our society. Since 2017, we have become a signatory to the United Nations Principles for Responsible Investment (PRI) and joined other responsible investment-related organizations and initiatives. We actively respond to and implement the philosophy of responsible investment and development, and we are determined to come out on top in the long run.

This statement summarizes our understanding of responsible investment, our management structure for responsible investment, our responsible investment strategies adopted across various asset classes, and the corresponding risk management measures. Given the potentially profound impacts of climate change on the environment, economy, and society, this statement also articulates our consideration of climate change in our investment processes. Furthermore, as a responsible asset manager, we provide comprehensive support for responsible investment in company operations, culture, institutional responsibility, and data systems to facilitate sustainable development.

We will regularly review and update this Responsible Investment Statement to reflect dynamics of the latest business and responsible investment developments.





► 01

• Our Understanding of Responsible Investment

The PRI defines responsible investment as the investment practice that incorporates environmental, social and corporate governance (ESG) into investment decision-making and active ownership.

Based on this definition, here is our understanding of responsible investment: We believe that companies with good environmental, social and governance performance have lower risks and bring better returns in the long run. By investing in these companies and practicing active ownership, we are able to generate long-term sustainable returns for our clients and facilitate the sustainable development of our society.

Our responsible investment practices mainly revolve around ESG incorporation and stewardship¹:

- ESG incorporation is the inclusion of important ESG factors into our investment and research process through ESG screening, ESG integration, and ESG thematic investing strategies. We employ a comprehensive analytical framework to enhance our research capability for the long-term investment outlook. This framework not only considers the value of the investee companies but also weighs the impact of their externalities.

- Stewardship aims to maximize companies' overall long-term value by reducing the investment risks and boosting the investment values through actions like engagement and voting.

Our methodology will be elaborated in Section III.

[1] Refer to the definitions of PRI:
<https://www.unpri.org/introductory-guides-to-responsible-investment/what-is-responsible-investment/4780.article>

► 02

Management Structure for Responsible Investment

E Fund's Investment Management Committee (IMC) is responsible for providing guidance for the Company's responsible investment strategy and principles, and overseeing the practice of responsible investment. The IMC is chaired by the CEO and joined by the chairs of the Investment Committees (ICs) of all asset classes and the relevant managing directors.

We have a dedicated ESG team responsible for implementing our ESG strategy and incorporating ESG into the investment and research process. The asset classes covered include active equity, fixed income, quantitative, and index investments. The ESG team consists of ESG analysts from the investment research department of major asset classes and employees from other relevant departments:

- The ESG analysts from each investment research department are responsible for promoting the deep integration of the philosophy of responsible investment with the investment and research process, and facilitate responsible investment practices, including systematically integrating responsible investment philosophy and methodology into the investment and research process, performing ESG assessments of issuers, as well as carrying out stewardship activities.

- Based on their roles and responsibilities, employees from other relevant departments will support the company's responsible investment practices from different perspectives. Their tasks include serving clients' relevant needs, collaborating with external institutions, and providing support in financial technology, ESG data, and ESG risk management.



*Created by AI

03

Incorporating ESG in Investment

We employ an analytical framework that encompasses both ESG incorporation and stewardship, integrating ESG factors throughout the entire investment and research process. This framework applies to asset classes such as active equity, fixed income, quantitative, and index investments, while also taking into account the differences among these asset classes.

(I) ESG incorporation and stewardship strategies for active equity, fixed income, and quantitative investments

ESG Incorporation

• ESG Screening :

We exclude companies that violate our ESG principles from the Company's investment universe, and we also conduct screening and exclusions based on our contractual agreements with clients. Our ESG exclusion criteria include but are not limited to: suspected fraudulent issuance or material violations of information disclosure; suspected threats to national, public, ecological, production, and public health safety; high risk of delisting, with delisting risk warning from exchanges, or confirmed delisting; and other exclusion conditions deemed necessary by the IMC or the respective asset class's IC.

• ESG Integration :

In addition to traditional financial analysis, we systematically incorporate material ESG factors into our investment and research process. Based on our responsible investment philosophy and research experience, we have developed a unique three-tiered ESG assessment framework that covers over 30 material ESG indicators. This system runs on our AI ESG technology platform, Ark.ESG, which utilizes both internal and external data sources. Analysis and assessment are conducted accordingly, by our ESG analysts and sector analysts.

• ESG Thematic Investing :

We invest in certain sustainability themes in pursuit of environmental or social benefits. These themes include climate change mitigation, pollution prevention, clean energy, sustainable agriculture, green buildings, and themes related to the United Nations Sustainable Development Goals (SDGs).

Stewardship

• Engagement :

Engagement: We engage proactively with listed companies, bond issuers, and various stakeholders, including other institutional investors, academic institutions, NGOs, and business communities. Our goal is to enhance the capabilities and performance of our investees in sustainable business and management practices, and through these engagements, we encourage them to make progressive and positive changes.

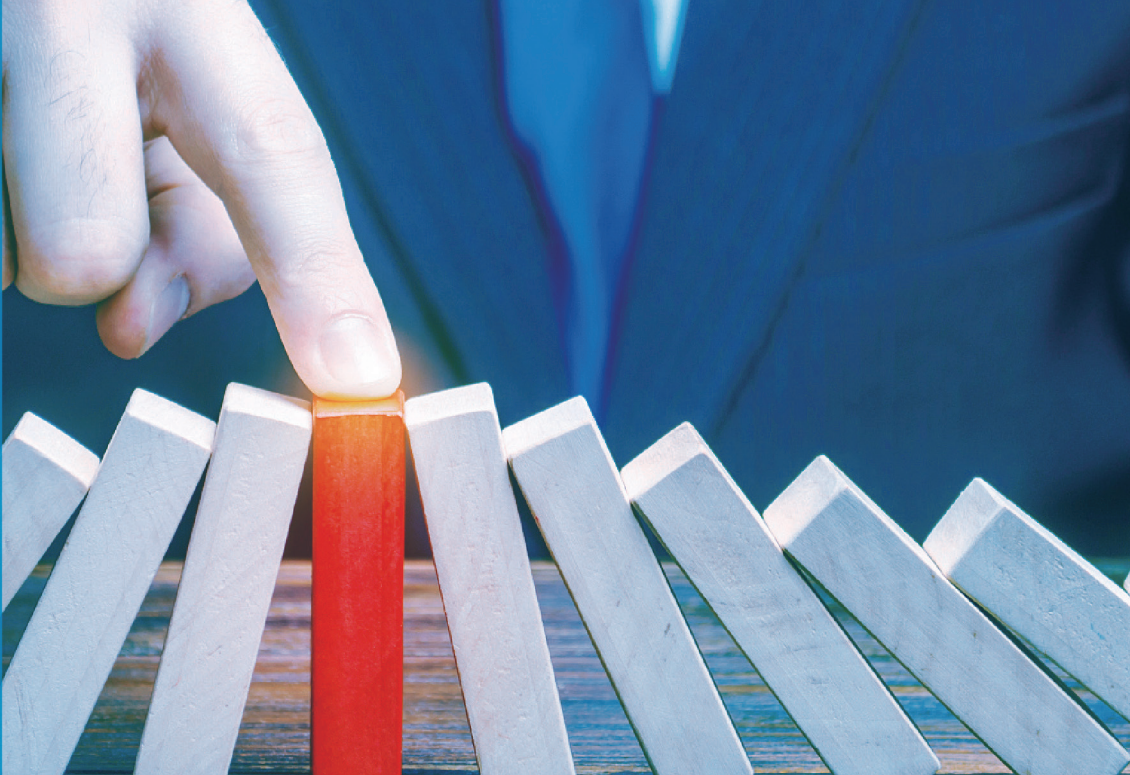
• Voting :

We prioritize investors' interests in exercising voting rights, aiming to improve investees' long-term growth prospects and overall ESG performance. We have established complete voting rules to regulate our voting actions across all investment portfolios.

(II) ESG incorporation and stewardship strategies for index investments

In line with the passive nature of index investing, E Fund's index investment and research teams maintain active dialogues with index providers and relevant research institutions, to thoroughly assess their index methodologies. ESG factors are integrated into index research, product design, and product operations.

The team adheres to the same stewardship principles as described above.



► 04

Risk Management in Responsible Investment

We place a high emphasis on the management of ESG-related risks. The IMC provides guidance and oversight for our responsible investment practices, while various departments fulfill their respective roles to ensure effective risk management in responsible investment.

The investment research department continuously monitors how ESG-related risks might affect issuers. ESG analysts conduct thorough risk analyses, advise portfolio managers, or escalate the issues to higher management when necessary. Portfolio managers take specific actions to address the ESG risks in their portfolios accordingly.

Each asset class's ICs review the ESG risks of their respective investment portfolios based on business needs and decide on appropriate measures to address these risks as appropriate.

The risk management department monitors and evaluates the ESG performance of the relevant investment portfolios, considering internal and external ESG ratings, disclosures by listed companies, regulatory sanctions, news sentiment, and other information. The department reports the findings to portfolio managers and the ICs regularly and irregularly.

► 05

Climate Change Consideration in Responsible Investment

Climate change is a crucial topic for responsible investment. To effectively monitor and manage the impacts of climate change on issuers the investment environment, and consequently the investment portfolios – such as physical and transition risks – we integrate the consideration of climate change in our investment management process, thereby delivering sustainable and long-term returns to our clients and contributing to the sustainable development of society in the long run.

In line with our management goals and client needs, we calculate climate risk indicators for the relevant portfolios utilizing various climate data. By combining qualitative and quantitative approaches, we assess, monitor, and manage the climate-related risks of these portfolios.

We can actively exercise shareholder or creditor rights to address material climate-related issues, encouraging listed companies/bond issuers to act on climate change challenges.

06

Data & Technology Support for Responsible Investment

E Fund has developed its proprietary technology systems, “Ark.James” and “Ark.ESG”, to generate quality ESG data, measure ESG risks, and facilitate ESG integration in our investment and research process.



Ark.James

Ark.James is the ESG data collection & processing system that automatically identifies and collects ESG-related scattered data from over 70,000 data sources on 24*7 basis, extracting relevant and up-to-date ESG information and turning into structured format. Supplemented by third-party ESG data vendors from domestic and abroad, our ESG database covers over 5,000 A-Share listed companies and over 4,000 credit bond issuers in China, with more than 5 years of historical data.



Ark.ESG

The evaluation system, Ark.ESG, takes advantage of AI and big data technologies to perform in-depth ESG analysis and support E Fund’s responsible investment. Its framework is built upon our own ESG assessment framework and regularly refined to adapt to the dynamic China market. The system dashboard shows companies’ E/S/G performance respectively. Research analysts and portfolio managers across asset classes have access to the Ark.ESG dashboard, and can refer to the comprehensive ESG information of listed companies/credit bond issuers and better understand them from a responsible investing perspective.

07

Fostering a Culture of Responsible Investment

We emphasize the implementation and execution of responsible investment philosophy across the Company. By continuously enhancing the responsible investment system and cultivating an atmosphere that is conducive to a responsible investment culture, we boost the awareness and capability of responsible investment among our staff, ultimately advancing our overall sustainable operation:

We advocate a culture of responsible investment from the top, incorporating the concept throughout every business process such as research, investment, risk control, information systems, products, and marketing. The responsible investment progress across these segments is continuously tracked, with the latest developments shared and iterations encouraged through briefings and reports.

We organize and launch a variety of responsible investment training programs to elevate our awareness and capability of responsible investment: Professional competence training sessions are delivered to ESG-related personnel with the support of regulators, industry associations, prestigious domestic and international organizations and platforms related to responsible investment, as well as leading third-party providers of ESG data or services. The ESG team also provides responsible investment training to the Company’s investment research department and other relevant departments.

We promote a culture of sustainable development through broad internal publicity and guidance: Leveraging internal publications, cultural walls, electronic displays, and themed events, we popularize the concepts and practices associated with responsible investment and sustainable development. We also roll out a carbon-neutral project for our operational activities. Each employee receives a written proposal for energy-saving and low-carbon initiatives, which advocates for carbon neutrality in our operation. Our operational emissions are calculated and submitted for third-party verification.

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Participation in Responsible Investment Organizations

In collaboration with global institutions, companies, and peer asset managers, we promote collaborations in responsible investment. In 2017, we signed up to the PRI, becoming one of the first asset managers to do so in China. For years, we have provided proactive assistance to the PRI in research and initiatives. Additionally, we joined the Asian Corporate Governance Association (ACGA) and represent one of the two Chinese asset managers in the UK-China Climate and Environmental Information Disclosure Pilot.

We recognize and believe that in the journey of responsible investment, addressing climate-related risks, seizing climate-related opportunities, and tackling the issue of natural loss are key considerations. We publicly support the recommendations put forth by the Task Force on Climate-related Financial Disclosures (TCFD) and the Paris Agreement. As a signatory to the Climate Action 100+ (CA100+) initiative, we vigorously discuss on climate topics. We also joined the Carbon Disclosure Project (CDP) to back its endeavors in fostering market standards and science-based environmental disclosures.



► 09

Information Disclosure in Responsible Investment

As a signatory to the PRI, we disclose detailed information about our responsible investment practices via the PRI's annual reporting initiative. We also provide clients with more detailed responsible investment reports for their portfolios upon their requests.

Risk Reminder & Disclaimer

This Statement is for reference only, for information purposes relating to business of E Fund Management Company Limited (hereinafter “the Company”). This Statement serves solely as a general introduction and constitutes neither an offer or invitation to offer nor a recommendation to buy, sell or invest, nor any suggestion or guarantee of profit or return. This report is not intended for use by persons located in or residing in jurisdiction that restrict the distribution of such information by the Company. The information contained in this report does not constitute a distribution, an offer to buy or the solicitation of any offer to buy or sell any securities, products or services in any jurisdiction where such a distribution or offer would be illegal.

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