

# 2021 ESG Investing Report

---

/ Long-term Investment / Value Investment / Responsible Investment /



# TABLE OF CONTENTS

CEO's Message	03
About Southern Asset Management	05
2021 at a Glance	07
Honors and Awards	09
Supporting UN Sustainable Development Goals	10
Special Topic: Showing Concern for Climate Change and Keeping to Practices in Carbon Neutrality	11
Appendix	65
List of Stakeholders	65
About the Report	66
Contact Us	66

# 01

## Perseveringly Sticking to ESG Investment

ESG Investment Management	17
ESG Solutions	19
ESG Risk Management	29

# 02

## Customer-centric Long-term Value Creator

Diversified Investment Solutions	33
Building a Talent Pool of Fund Managers	36
Accelerating Digital Transformation	37
Improving Financial Accessibility	39
Safeguarding the Rights and Interests of Clients	42

# 03

## High Quality Management Devoted to High Quality Development

Corporate Governance	45
Prudent Operation	45
Protection of Intellectual Property Rights	46
Privacy and Data Security	47

# 04

## Charting a New Chapter for Sustainable Development

Joining Hands with Employees for a Shared Future	51
Promoting Green Development	56
Participating in Community Building	62

# CEO's Message

## Creating Our Common Future with Proactive Approaches amid Changes

The Covid-19 pandemic, extreme climate change, intensifying geopolitical conflicts and so on are having a profound impact on our lives, and the tasks of Sustainable Development Goals are becoming increasingly urgent. International organizations, national governments, responsible businesses as well as more and more individuals have begun to take actions.

Capital markets, which are at the center of social factor resource allocation and as a bridge to the future, play an important role in advancing sustainable development. Led by a synergy between policies and long-term funds, ESG investing is booming globally and is becoming one of the key variables influencing asset pricing: according to the Global Sustainable Investment Alliance (GSIA), by 2025 ESG assets are likely to exceed \$53 trillion, up 51% from \$35.3 trillion in 2020.

Upholding the concept and responsibility of a community of common human destiny and responding to inherent trends and the development of the times, China is actively embracing ESG on all fronts and is expected to become an important force in pushing forward global ESG development. For instance, China's successive roll-out in recent years of top-level designs such as peak carbon dioxide emissions and carbon neutrality, educational equity, common prosperity wealth, rural revitalization, and the building of a pension system have been highly consistent with the various topics in the ESG concept and have provided broad market potential for ESG investing; the "1+N" policy system for peak carbon dioxide emissions and carbon neutrality has been gradually completed, which clearly puts forth the need to actively develop green finance; the Opinions on Accelerating High-Quality Development of Public Funds Industry promulgated by the China Securities Regulatory Commission (CSRC) in April 2022 included advancing ESG investing as part of the said high-quality development. The new era is an era for high-quality and sustainable development, and the new goals in the new era have put forward newer and higher requirements for the practice of ESG investing in China's asset management sector.

Southern Asset Management has been serving our clients for over 24 years, and we have always based all our business on value creation for our clients and for the society, and we are committed to improving our core competence through digital-intelligent transformation so as to provide professional asset management solutions to the issues of our times. Since joining the U.N. Principles for Responsible Investment (PRI) in 2018, we have implemented sustainable development principles in the entire investment chain and reshaped the foundation of value creation with ESG investing. In the process of ESG localization, we have learned from advanced experience by benchmarking with international standards and, guided by the new development concepts of "innovation, coordination, green, openness and sharing", focused on the core issues of ESG in China and on innovation in investment localization. As we

issue the Southern Asset Management 2021 ESG Investing Report, I would like to take this opportunity to brief you on the key progress we have made in ESG investing.

- **Strengthening the integration of data and intelligence to support more resilient value creation**

Taking environmental, social and governance criteria into account, ESG investing establishes an assessment framework beyond mere financial data and, with a more diversified and sensitive touch, gives early warning for tail risks and identifies potential opportunities in order to optimize the risk-return ratio of portfolios and improve resilience in value creation. In 2021, through external data collection and AI algorithms, we completed an ESG self-rating system and database covering over 4,500 A-share listed companies and 6,364 debt issuers, involving 17 themes, 39 sub-themes and 115 sub-category criteria. In selecting and assigning specific indicators, we carry out differentiation and dynamic adjustment according to the significance and relevance of ESG issues to the society to ensure the effectiveness and timeliness of stock selection based on ESG factors. Thus a reliable ESG database becomes a prerequisite for ESG investing and research integration, laying the foundation for the subsequent "application-improvement-upgrading-innovation" virtuous circle.

For example, to address problems such as inconsistent disclosure standards and lack of ESG data for domestic debt issuers, we have built and continually improved the fixed income ESG assessment system. With the advantages of coverage, adaptability and innovation in our ESG rating system, Southern Asset Management won international recognition when our "Fixed Income Incorporation" was shortlisted for the PRI Award for Emerging Markets Initiative in 2021.

- **Being an active shareholder and a partner in the high-quality development of listed companies**

In addition to incorporating ESG factors into portfolio building, out of fiduciary duty, we as a dedicated buyer also proceed from ESG issues and practice the strategy of an active shareholder through communication and dialogue, exercising voting rights and so on to guide our portfolio companies to improve corporate governance, strengthen risk management, and expand strategic maneuvering space, thereby enhancing the sustainable value creation capability of listed companies.

In terms of voting rights, in 2021 we "voted with our feet" as well as with our hands and conducted ESG impact assessments in a cumulative total of 2,010 shareholder meetings. In terms of communication and dialogue, we focused on specific ESG issues such as climate change and, drawing on international standards, took the initiative to offer suggestions

and proposals to listed companies. For example, after several rounds of communication and advising lasting over a year, a leading central coal company has set up an improved climate change management mechanism and better staffing and has publicized its commitment to and implementation path for the dual-carbon goals "Carbon Peak and Carbon Neutrality". Moreover, the company also upgraded its "Transition Pathway Initiative" climate change risk management rating by one level in 2021.

- **Increasing the scale of green investment in a scientific and orderly manner in line with industry trends**

By systematically changing the competitive landscape in various industries, the dual-carbon strategy will revitalize green and low-carbon and other strategic emerging industries, thereby bringing abundant investment opportunities. Guided by the dual-carbon goals, we continue to increase the scale of green investment in a scientific and orderly manner based on long-term investment, value investment and low-carbon development trends. As of end of 2021, our cumulative total scale of green investment reached about 232.1 billion yuan, a 129% increase from the beginning of the year.

- **Optimizing financial supply to create a multi-level ESG product system**

An important role of public funds is to connect the capital market with ordinary investors. In 2021, Southern Asset Management continued to enrich its ESG product supply by launching various innovative products including green investment and science and technology investment to guide the flow of funds to green transformation, scientific and technological research, and other strategic emerging industries, gradually creating a multi-level ESG product system so as to meet the diversified investment needs of our clients. In the area of green investment, we have issued and established Southern CSI New Energy ETF, Southern New Energy Industry Trend Fund, Southern CSI Yangtze River Protection Theme ETF, etc., whereas in the area of science and technology investment, we have built up our presence with CSI Sci-Tech Venture 50 ETF, BSE Theme Fund, Specialized New Theme Fund, etc.

- **Lending all-round support to national pension system to ensure sustainable social development**

On the one hand, reinforcing wealth reserves is an important foundation for coping with population aging and ensuring sustainable social development; on the other hand, the long-term nature and risk-averse characteristics of pensions are highly compatible with the objectives of ESG investing, so that determine the suitability of pensions for ESG investing. In 2021, Southern Asset Management continued to lend all-

round support to building the national pension system with its pension management experience over the years, its professional investment research team, its rich and fine product system, its rigorous risk control system, and its professional robo-advisory technology. In particular, after nearly four years of mature operation, we have managed to find a solution to "third-pillar" represented by pension fund of funds well adapted to China's national conditions. Southern Asset Management will continue to make positive contributions as the third-pillar of pension insurance work progresses.

In addition to the above-mentioned ESG investing work, Southern Asset Management is also practicing the ESG concept in its own development to ensure that it becomes a corporate citizen with high-quality, and sustainable development. In 2021 we also took a series of practical actions to build a high-quality management system, implement the client-oriented business philosophy, join with employees to grow together, integrate into the building of the Pearl River Delta Greater Bay Area, contribute to the cause of public service interest, support emergency relief efforts and fight against Covid-19.

Investing is an endless exploration of the future and also a way to proactively shape the future. ESG investing is difficult but it is the right thing to do and there is still a long way to go. Southern Asset Management calls on more colleagues to pay attention to and support ESG investing and to persistently make joint efforts so as to draw up a blueprint for sustainable development and win our common future!

Yang Xiaosong, CEO  
China Southern Asset Management Co., Ltd.




# About Southern Asset Management

---

## Corporate Profile

China Southern Asset Management Co., Ltd. (hereinafter referred to as “Southern Asset Management” or SAM) was founded on March 6, 1998 as one of the first Chinese asset managers approved by the China Securities Regulatory Commission (CSRC). Headquartered in Shenzhen, it has set up six branches in Beijing, Shanghai, Shenzhen, Nanjing, Chengdu and Hefei, and two subsidiaries of China Southern Capital Management (CSCM, Shenzhen) and CSOP Asset Management (CSOP, Hong Kong). CSOP is the first subsidiary established by a Chinese mutual fund company outside Mainland China. It has a subsidiary under the subsidiary CSCM, and mainly engages in private equity investment business.

## Vision and Mission

Our vision is to become a trusted global leader in asset management that delivers sustained value for our clients, upholding the core values of “Client Focus, Integrity, Sharing, and Proactive”. We aim to create value for clients based on their needs, and promote product innovation with “Long-term, Value and Responsible Investment”. In the ups and downs of China’s securities markets, we have proved our competitiveness and expertise, which gain recognition and trust from fund investors, the National Council for Social Security Fund, occupational annuity customers and separately managed account (SMA) customers.

We are duty-bound to fulfill our social responsibilities in the new era which calls for new concepts. As one of the earliest domestic institutions to promote ESG investments, we have continuously built and improved management architecture and evaluation system related to ESG, and have deeply integrated ESG investments into our investment and management practices. We will strive to be the leader of ESG investments and work with hundreds of millions of clients and all parties concerned in the capital market to create a sustainable and prosperous future together!

## Corporate Culture

With the brand slogan of “With us, you can”, we uphold four management concepts, continuously consolidate the achievements in the cultural developments of the industry, and fully act on the policy of “compliance, integrity, professionalism and steadiness” to provide value guidance and intellectual support for the long-term and sound development of the Company and the industry.

## Initiative



Principles for Responsible Investment

The United Nations-supported Principle for Responsible Investment (UN PRI)

Signatory

As a responsible institutional investor, Southern Asset Management is committed to adhering to the relevant standards of ESG issues when making investment decisions, adopting the six principles of responsible investment, and encouraging the invested companies to comply with and fulfill ESG requirements.



Sustainable Blue Economy Finance Initiative of the United Nations Environment Programme Finance Initiative (UNEP FI)

Signatory

Southern Asset Management is the first publicly offered fund company to sign this initiative in China, and promises to follow the 14 principles of sustainable development of the blue economy and support the realization of underwater biodiversity as set out in the 14th goal of the SDG.



中国ESG领导者组织论坛  
CHINA ESG LEADERS ASSOCIATION FORUM

China ESG Leaders Association Forum

Council member

Southern Asset Management, together with other business leaders of the Association, is promoting the establishment of an ESG evaluation standard system suitable for China and advancing the development of ESG investments in China's asset management industry.



Climate Action 100+

Climate Action 100+

Signatory

As a signatory of Climate Action 100+, Southern Asset Management promotes 161 of the world's largest greenhouse gas emitters to take action to address climate change issues, implement a sound governance framework to address climate change risks, and improve the quality of information disclosure.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Task Force on Climate-related Financial Disclosures (TCFD)

Supporter

Based on the requirements of TCFD for climate change management framework, Southern Asset Management has carried out governance, strategy and risk management, and formulation of indicators and goals, and explored the way to integrate climate change risk factors into investment strategies and portfolio risk management.



CDP  
DISCLOSURE INSIGHT ACTION

Climate Disclosure Project (CDP)

Signatory

As a signatory of CDP, Southern Asset Management has always been closely following the development of climate change, and worked with large overseas asset management institutions to promote enterprises to reduce greenhouse gas emissions, protect water and forest resources, and help achieve "Carbon Peak and Carbon Neutrality" goals.



Xiangmi Lake Female Directors Initiative

Initiator

As one of the initiators and sponsors of the Xiangmi Lake Female Directors Initiative, Southern Asset Management encourages listed companies to increase the proportion of female directors and optimize the decision-making effectiveness of the board of directors of listed companies as an important measure to develop new governance approaches and promote gender equality and empowerment of women.



Climate Bonds Initiative

Climate Bonds Initiative

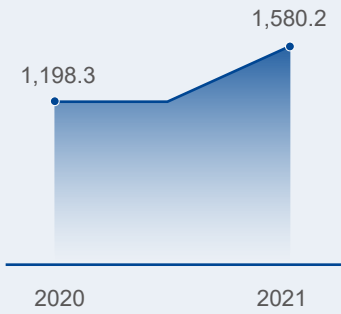
Research Supporter

As one of the largest green bond investors in China, Southern Asset Management participated in the 2021 China Green Bond Investor Survey and proactively sought to diversify green bonds investment.

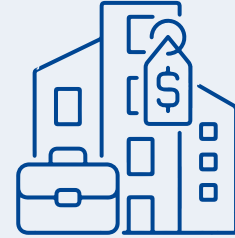
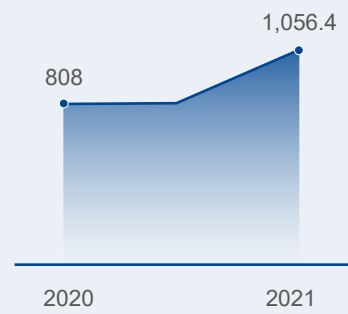
## 2021 at a Glance

### Economic Category

AUM of the parent company  
Unit: RMB billion



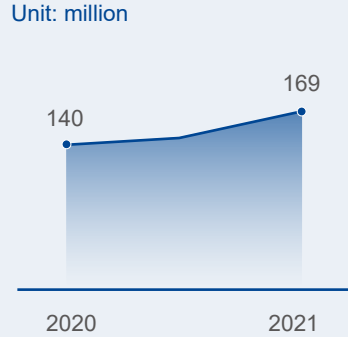
Mutual funds  
Unit: RMB billion



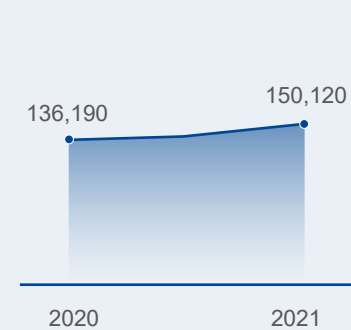
Number of mutual funds



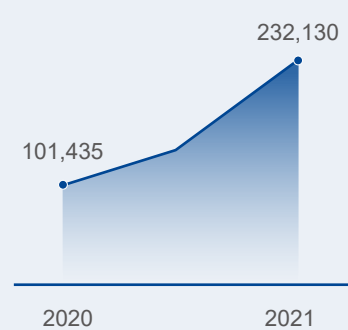
Number of customers  
Unit: million



Accumulated dividends  
Unit: RMB million



Accumulated green investments  
Unit: RMB million



## Environmental Category

2021



Greenhouse gas emissions  
(Scope 1 and Scope 2)

**3,445.3** tons CO<sub>2</sub> equivalent



Office paper

**61.32** tons

## Social Category

2021



Proportion of  
female employees

**36%**

Proportion of female management  
employees at mid-level or above

**21%**



Shareholding ratio  
for equity incentive plan

**8.53%**



Total employees  
Unit: Person



Public welfare and charity donation  
Unit: RMB ten thousand



Supplier routine audit rate  
Unit: %

758



2020

815



2021

243.5



2020

412.68



2021

100



2020

100

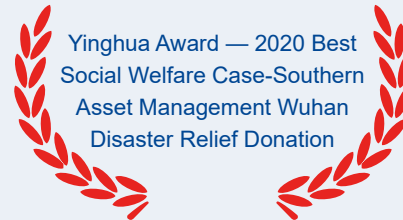


2021

## Honors and Awards



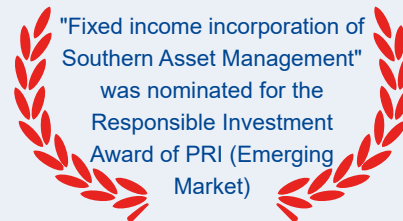
Caijing



China Fund News



China Central Depository &  
Clearing Co., Ltd.



UN PRI



The report is sponsored by the State-owned Assets Supervision and Administration Commission of the State Council and edited by the expert team of the Chinese Academy of Social Sciences.



Financial Society of Shenzhen  
Special Economic Zone



# Supporting UN Sustainable Development Goals

In 2021, the COVID-19 pandemic continued, extreme weather events occurred frequently, and biodiversity was facing severe crises. In spite of global challenges related to poverty, inequality, climate, environmental degradation, prosperity and peace and justice, pursuing a better future represents the eternal theme of mankind. The 17 sustainable development goals proposed by the United Nations constitute the blueprints for a better and more sustainable future for all. These goals are interrelated and aim to prevent any one from falling behind, achieve each goal by 2030 and create a sustainable future together!

Exploring the way for harmonious coexistence between human and nature, and realizing the sustainable economic and social development has become an epoch proposition that all mankind must realize. In order to jointly create a better and more sustainable future, as an asset management institution connecting investors with the capital market and the real economy, we firmly press ahead with ESG sustainable investments and strongly support the United Nations sustainable development goals.

In 2021, we organized a series of publicity activities on the theme of United Nations development goals. We launched the United Nations Sustainable Development Goals questionnaire, hoping to gain an in-depth understanding of the views and focuses of companies, employees and the society on the sustainable development goals and promote the concept of sustainable development. In addition, we have integrated the United Nations Sustainable Development Goals into the Company's corporate culture, contributing to the realization of the Sustainable Development Goals in a multi-dimensional manner, and calling on employees to take active actions to eliminate poverty, protect the planet, and improve the lives and future of all people.



## Our focused development goals:

### As an asset manager, SAM focuses on:

- Goal 3 Good Health and Well-being
- Goal 4 Quality Education
- Goal 7 Affordable and Clean Energy
- Goal 8 Decent Work and Economic Growth
- Goal 9 Industry, Innovation and Infrastructure
- Goal 10 Reduced Inequalities
- Goal 11 Sustainable Cities and Communities
- Goal 12 Responsible Consumption and Production
- Goal 13 Climate Action
- Goal 14 Life Below Water

### As a corporate citizen, SAM focuses on:

- Goal 1 No Poverty
- Goal 3 Good Health and Well-being
- Goal 5 Gender Equality
- Goal 13 Climate Action
- Goal 16 Peace, Justice and Strong Institutions
- Goal 17 Partnership for the Goals

## Special Topic:

# Showing Concern for Climate Change and Keeping to Practices in Carbon Neutrality

In recent years, with the continuous fermentation of the concept of sustainability, the issues of climate change have received great attention worldwide. The frequent occurrences of extreme weather, floods, droughts, mountain fires and other incidents not only affect people's daily lives, but also have a great impact on the long-term development prospects of enterprises and the stability of the global financial system, making improving the environment a common mission and shared responsibility of all mankind. China has put forward the "Carbon Peak and Carbon Neutrality" goals that will be achieved by 2030 and 2060 respectively, which is a major strategic decisions based on the responsibility of promoting the building of the Community of Shared Future for Mankind and the inherent requirements of realizing sustainable development. We, as a responsible investment institution, attach great importance to climate change, proactively carry out practices in carbon neutrality, and take the lead in initiating carbon neutrality actions. On the basis of achieving carbon neutrality in our own operations, we have adopted measures on multiple fronts including strengthening information disclosure, identifying risks in response to climate change, conducting innovations in developing diversified products, and promoting the ESG concept to reduce the climate risk in the investment portfolios, and fully support and help our country to realize the national strategic objectives of "Carbon Peak and Carbon Neutrality".



## Initiatives to Proactively Practicing Carbon Neutrality

SAM proactively undertake the social responsibility of carbon reduction as an asset management institution, and incorporate the concept of green and low-carbon development throughout the business operation and development process.

### Forming a long-term mechanism for information disclosure:

Considering the regulatory requirements and our own realities, and drawing on the disclosure recommendations put forward by the Task Force on Climate-related Financial Disclosures (TCFD), we have specified the all-round disclosure indicators covering governance, strategy, risk management, etc. to improve the disclosure quality of climate-related financial risk information. At the same time, we promoted the disclosure of environment-related information concerning fund itself and the investment portfolios, and facilitated long-term sustainable and responsible investments.

### Building our own carbon footprint database to enhance the influence of climate factors on ESG rating:

In order to proactively respond to the goals of achieving "Carbon Peak and Carbon Neutrality" by 2030 and 2060 respectively and put the ESG investment concept into practice with practical actions, in 2021, we built our own carbon emission database and integrated it into ESG rating. Through external data acquisition, AI-powered algorithms and other means, we finished the measurement of carbon emission database for equity portfolio, to accurately track their carbon emission data, and provide a basis for emission reduction adjustment of investment portfolios. In addition, we joined the CDP Disclosure Insight Action to promote enterprises to reduce greenhouse gas emissions, protect water and forest resources, and help achieve "Carbon Peak and Carbon Neutrality" goals.

At present, we have tracked the carbon emission data of equity assets in our investment portfolios, continuously reduced the carbon footprint of our investment portfolios, and continuously communicated with the investees on carbon neutrality, thus giving play to the role of the asset management industry in helping the society to achieve

low-carbon transformation and green development.

#### **Building a multi-level ESG and climate investment and financing product system:**

We have fully explored and practiced the localized integration of ESG in accordance with the principles of internationalization, specialization and differentiation. On this basis, we strengthened the researches on carbon emission reduction factors in ESG investments and proactively developed relevant fund products, such as the Southern ESG Themed Fund, Southern CSI New Energy ETF, Southern New Energy Industry Trend Fund, and Southern CSI Yangtze River Protection Theme ETF.

#### **Establishing a climate risk assessment mechanism:**

We have incorporated the impact analysis of climate factors into the investment research process, emphasized the use of quantitative and systematic approaches to manage climate risks, and incorporated them into the day-to-day investment and operation decision-making process, and further specified the relevant rules and means for internal risk control, and achieved more effective management of our own climate risks.

#### **Promoting the low-carbon transformation of the industry:**

Achieving carbon neutrality represents a systematic change in the economy and society, which calls for the joint efforts of all parties concerned. We proactively gave play to our influence as an institutional investor by participating in organizations, conducting research and development on key topics and launching media activities, guided capital towards low-carbon and innovation sectors and promoted the low-carbon transformation of the industry.

We communicated with the listed companies through questionnaires to raise their focus on ESG and proactively carried out emission reduction activities. We surveyed the top 100 companies in which we held position in terms of carbon emissions by means of questionnaire, to gain an in-depth understanding of their greenhouse gas emissions, put forward transformation suggestions and participate in their corporate governance. In addition, as a CDP signatory, we also referred to the CDP questionnaire template for key

carbon emission industries to communicate with the eight major heavy industries. The questionnaire covered three dimensions including climate, water resources and forests to promote the low-carbon transformation of enterprises in these industries in an all-round manner.

#### **Enhancing our influence in climate change sector and building a multi-level ESG ecosystem:**

In order to facilitate the achievement of China's goals of "Carbon Peak and Carbon Neutrality" by 2030 and 2060 respectively and build a multi-level ESG ecosystem, we have also joined hands with external institutions to enhance the attention of all sectors of the public to climate change and expand the influence of ESG. Together with external institutions, we released the TCFD Research on Asset Management Industry to sort out the approaches and practices of the global asset management industry in response to climate change with the help of TCFD, and continued to explore the localized application of the TCFD climate-related financial disclosure framework to boost the development of green finance. As a signatory of Sustainable Blue Economy Finance Initiative of the United Nations Environment Programme Finance Initiative, we proactively participated in researches on climate change and released two flagship climate reports (Chinese-version special reports), elaborating on the climate risk analysis methods and how the asset management industry assesses the related risks, providing practice methodologies for climate risk measurement and assessment and promoting climate transformation. We led the preparation of the report *Research on the Integration of Fin-tech and Carbon Neutrality Investments*, which was dedicated to the revaluation of investment targets in the process of transition towards zero-carbon economy with the focus on how to capitalize corporate carbon emission data under the "Carbon Peak and Carbon Neutrality" goals. The subject was also included in the key research course of Finance Society of Shenzhen Special Economic Zone. Finally, as a signatory of Climate Action 100+, we continued to promote the emission reduction and transformation of 161 major greenhouse gas emitting enterprises in the world, and push for the establishment of a green economy and a sustainable development ecosystem in China.





## Becoming China's First Asset Management Company to Achieve Carbon Neutrality of Operation System

The first step to deliver sound carbon management is to conduct a detailed inventory of our own status of greenhouse gas carbon emissions. We have established an internal carbon emission management system to calculate the carbon emissions generated in our operations in accordance with internationally accepted standards, and achieved carbon neutrality of operation activities from 2020 (Scope I: direct greenhouse gas emissions; Scope II: indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam), becoming the first asset management company achieving carbon neutrality in China.

In 2020, we purchased and wrote off 176 tonnes of voluntary carbon emission reduction Verified Carbon Units (VCUs) for the direct emission of 175.1 tonnes of carbon dioxide equivalent from the consumption of fossil energy in Scope I, completing the offset of direct emissions in full. We also purchased and wrote off 6,694 I-RECs for indirect carbon emissions from 6,693.4 MW-hours of outsourced power in Scope II, completing the offset of indirect emissions in full.

As 97% of the carbon emissions were generated from purchased electricity in Scope II, we will continue to promote energy-saving and emission-reduction measures in our own carbon emission management. Specifically, we will take a comprehensive measures to strengthen the management of energy and resources and continue to promote green operations through the adoption of energy-saving and emission-reduction design of the headquarters building, the rental of an energy-efficient data center and the active implementation of company-wide energy-saving and emission-reduction initiatives. At the same time, with the improvement of the carbon management system, we will extend the goal of carbon neutrality to Scope III (i.e. indirect emissions upstream and downstream the value chain).



01

**Perseveringly Sticking to  
ESG Investment**



ESG Investment refers to an investment strategy and practice that incorporates ESG factors into investment research and decision-making. It aims to help investees improve ESG performance and pursue sustainable business practices, thus representing a key enabler for reshaping the value of the asset management industry and contributing to sustainable high-quality development.

As the forerunner of ESG investment in the mutual fund industry, we were one of the first domestic asset managers to become a signatory to the The United Nations-supported Principle for Responsible Investment (UN PRI) and uphold the ESG investment philosophy. We have fully incorporated the PRI's responsible investment framework into ESG investment strategies, established and improved ESG management framework and process systems, and constructed an all-round ESG-themed risk assessment system and database, as well as supporting risk management mechanisms. When creating investment portfolios, we incorporate ESG elements through ESG integration, ESG screening, ESG-themed investment, and improve ESG performance of the investees through stewardship, so as to continuously explore and give play to the guiding role of the investment side on the real economy.

The implementation of the ESG investment philosophy calls for not only knowledge-action unity but also perseverance. While further staying true to the founding essence of the asset management industry, we will continue to implement the ESG investment philosophy in multiple aspects, proactively promote the development of ESG investment in China, and advance the course of sustainable development of the society with concrete actions while delivering sustainable long-term returns for our clients.

**ESG Investment Management**

---



**ESG Solutions**

---



**ESG Risk Management**

---



# ESG Investment Management

---

## ESG Investment Philosophy

Upholding the core investment philosophy of “Long-term, Value and Responsible Investment”, we implemented sustainable investment, and promoted the deep integration of ESG investment philosophy with our operations, investments and researches, and product landscape. We have added ESG factors to the traditional analysis framework that focused on financial performance, guided the flow of capital to enterprises with outstanding performance in terms of environmental protection, social welfare and corporate governance.

As a responsible institutional investor, we stay unwaveringly committed to the ESG field. It is our top priority to achieve the aspirations of our employees, communities and other stakeholders for a better and sustainable future while creating revenues for our customers. To this end, we have prepared the *ESG Investing Guideline of Southern Asset Management*, which elaborates on the key ESG issues that we are focusing on, such as climate change, employee rights and benefits, just transition, biodiversity, data security and data governance, scientific and technological innovation, Board of Directors and corporate organizational structure, and refines ESG investment practices, thus providing guidance for our ESG investment actions and stewardship strategies, promoting green investment and boosting the sustainable development.

## ESG Organizational Structure

We continuously improved the organizational structure for ESG management with the aim of promoting and supervising the implementation of ESG investment strategies. Our organizational structure for ESG investment consists of the following two levels:

## ESG Executive Committee



### Level I: ESG Executive Committee

The ESG Executive Committee is responsible for the overall planning and coordination of ESG work, taking the lead in implementing various work arrangements of the ESG Executive Committee, regularly reviewing the ESG business progress and formulating work priorities for the next stage.

### Level II: ESG Working Group

Our ESG Working Group comprises four groups, namely, ESG integration in Fixed income investing, ESG Integration in Equity Investing, ESG Integration in Risk Management and ESG Products. They are composed of business line departments by asset classes, follow the leadership of the ESG Executive Committee in terms of work coordination, have specified responsibilities, formulate corresponding detailed implementation rules, and promote the effective implementation of ESG integration in various asset classes, business lines and functional departments. In 2021, we put into place a dedicated sustainable development department as the leader and promoter of our ESG work. The setup positions us advantageously against many other players in domestic asset management industry.

## ESG Solutions

Our asset classes, including equity and fixed income products, all adopt four strategies including ESG integration, ESG screening, ESG-themed investment and stewardship.

“



### Public funds provide asset management solutions for the high-quality and sustainable development of society

As an important resource allocator in society, public funds should not only be rooted in customer needs, but also focus on the problems of the times and provide asset management solutions for the high-quality and sustainable development of society. Based on the present, we are in a critical period of social transformation, technological change and green development. Investment risks and opportunities coexist. Therefore, Southern Asset Management will continue to enhance its value creation capabilities and enhance the resilience of its investment portfolio to cope with uncertain risks. Moreover, we will seize the uncertain opportunities, work with clients to overcome changes, and achieve sustainable growth in client value.

——Li Haipeng, Deputy General Manager, Chief Investment Officer (Fixed-Income) and Deputy Head of ESG Executive Committee of Southern Asset Management

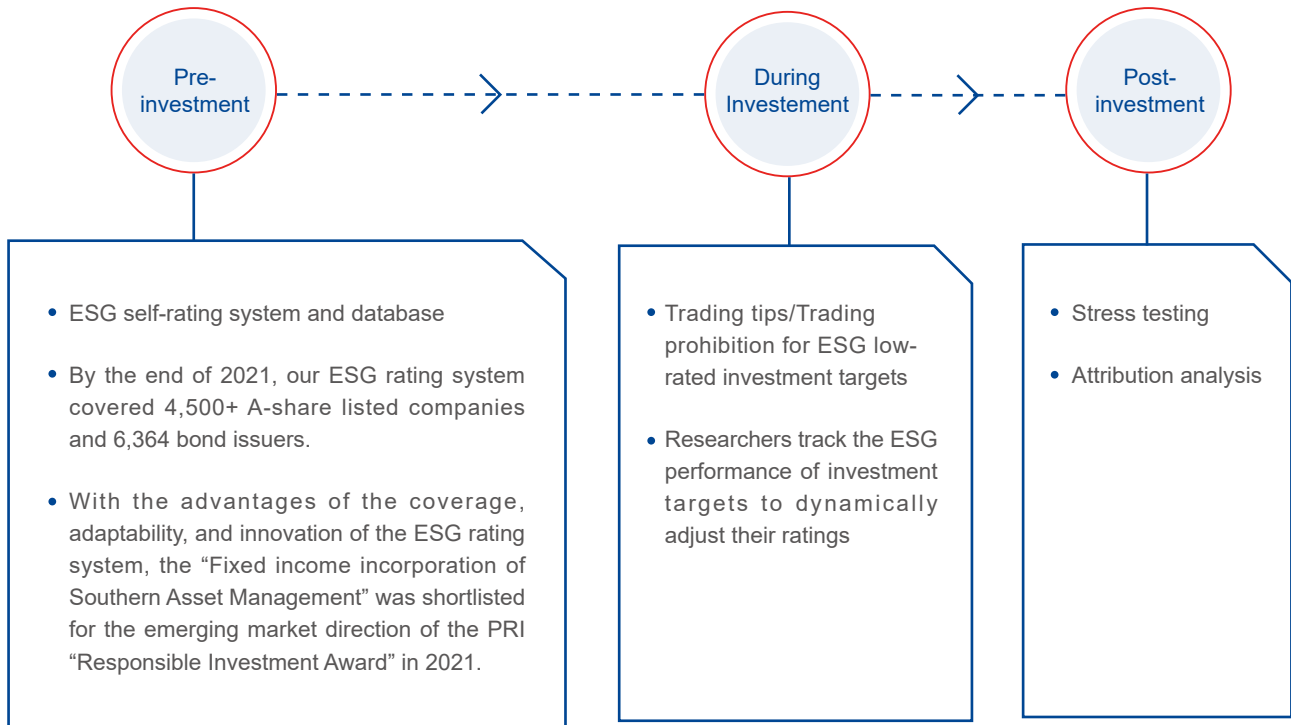
”



## ESG Integration

We have established a whole-process ESG investment system covering the stages of pre-investment, during investment and post-investment, which fully integrates ESG factors into investment researches and risk management of stocks, fixed income and cross-asset class products, and selects investment targets with excellent quality, outstanding ESG performance and long-term value growth potential across various industries.

## Whole-process ESG Investment System of Southern Asset Management



We have independently developed the ESG rating system and database that meet international standards and have Chinese characteristics. The rating system covers all investment targets, effectively supports the implementation of ESG investments and eliminates ESG risks. So far, the ESG rating system includes 17 themes, 39 sub-themes and 115 subclass selection indicators, which effectively supports the implementation of ESG investment philosophy of the A-share market and bond issuers and realizes the deep combination of ESG and China's investment logic.

The ESG score is combined with the ESG dispute event score of the investment target to figure out the overall ESG score of the investment target. Through comprehensive consideration, we classified the impact of ESG dispute events on investment targets into different levels, and took corresponding measures depending on extent of the impact. For instance, investment targets with very negative impact would be added to the prohibited pool.



The ESG rating system includes

**17** themes



**39** sub-themes



**115** sub-class selection indicators



**Multidimensional ESG Coverage**

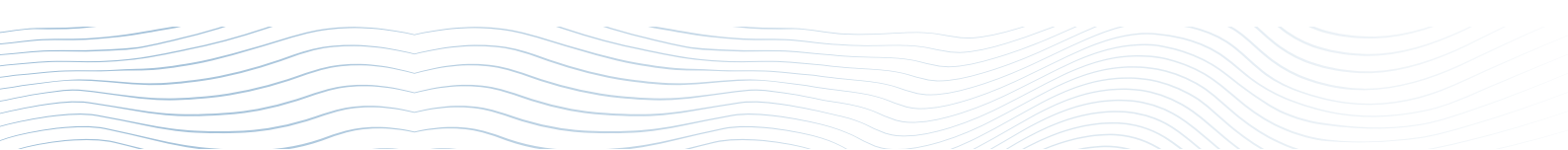


Our ESG Rating System includes 17 themes, 39 sub-themes and 115 sub-class selection indicators.

**Focusing on major issues**



Qualitative and quantitative approaches are combined to select ESG indicators that are highly relevant to fundamental investments and can be quantified. The selected effective ESG indicators cover ESG issues that attract extensive attention from the society and highlight their significance and relevance to the society.



### Smart technologies enhance multi-source data fusion



AI is applied to perform data mining, while financial big data are adopted to analyze and supplement ESG-related news and public opinions and major negative events, so as to improve the efficiency and scope of ESG data acquisition and realize multi-source data fusion.

### Conducting dynamic adjustment with reference to industry substantiality



Through researches and analyses of various industries, we distinguish industry substances, and adjust the indicators and weights of the rating system according to industry substance, and improve the effectiveness and accuracy of ESG ratings.

### The quantitative model achieves the balance between ESG investment philosophy and investment income



Our rating system is provided with an ESG factor evaluation system which adopts scientific evaluation models to evaluate the effectiveness of the ESG factors for each type of ESG data and quantitatively selects the substantive impact indicators of investment targets. Only those ESG indicators that follow the ESG investment philosophy and do not reduce investment income will be included in the rating system to protect investors' investment income.

### Comprehensive rating coverage



By the end of 2021, our rating system has achieved ESG rating coverage over 4,500+ companies listed on the A-share market and 6,364 bond issuers (including government bonds, local government bonds and credit bonds), becoming one of the ESG rating systems with the widest coverage in China.

### Improving the rating by integrating external data



In order to enhance the effectiveness of the ESG rating system and promote the in-depth integration of the ESG investment philosophy and our investment researches, we proactively expanded ESG data sources, and improved the internal rating system with reference to external ESG ratings, and integrated all ESG rating modules into the research report system for presentation in our central system.

### Applying the rating to risk control management



ESG rating results are integrated into the risk control system to realize ESG risk exposure alerts for portfolios.

### Case: Implementation of ESG Integration Strategy in Fixed Income Investment in Southern Asset Management

Port A is a comprehensive and multifunctional major international trading port in China, and also the general port with the largest cargo throughput in the northern China. Port Group A is the largest port operator of Port A and is responsible for the development, construction and operation of various regions of Port A. Its total assets exceed RMB 100 billion and its external rating is constantly kept at AAA. Taking into account its operation strength, we granted it an initial rating of level 6.

During the follow-up researches and analyses of Port Group A, we found that there were obvious defects in its corporate governance and environment. First, in terms of corporate governance, the Port Group A had huge borrowing with state-owned enterprises and its related parties in the city where it is located. The total borrowing amount exceeded RMB 10 billion, and there existed material uncertainty in the capital recovery. Second, in terms of its environment, in February 2021, the Central Environmental Protection Inspection Team communicated its findings to the city government where the Group is located, including problems such as the unbalanced structure in collection, distribution and transportation, the lack of dedicated channels, the inappropriate layout of port functions, and the

inadequate risk prevention capability. In addition, no oil and gas recovery devices were installed in five oil and gas terminals, and no wastewater collection systems in case of accident was built by the oil storage and transportation enterprises within the Port. The environmental defects of Port A had been taken seriously by the regulators.

To sum up, the researchers of the Fixed Income Research Department believed that the previous ESG rating was unrealistically high, so they downgraded the ESG rating to the critical value of the investable pool, which was significantly different from the external high rating of AAA. They also reminded the fund manager of the ESG rating adjustment, followed up the rectification continuously, and considered whether to further downgrade the ESG rating and remove it from the investable pool.

After the downgrade of its ESG rating, the bond valuation of Port Group A increased significantly by 70BP within three months. The Fixed Income Research Department incorporated ESG factors into the continuous research framework, which helped investments to avoid the risk of significant upward valuation.

## ESG Screening

### ● Negative Screening

We have adopted a screening strategy of absolute exclusion against companies that have violated relevant domestic and foreign laws, bans and agreements, and investment targets that may have serious negative impact on society, such as those producing weapons of mass destruction, and prohibit our portfolios from buying in. In addition, we set screening indicators in our internal investment risk control system to provide risk warning for portfolios' buying in stocks and bonds with low ESG rating, prohibit them from buying stocks and bonds with low ESG rating or without ESG rating, and eliminate investment targets with lower ESG performance relative to peers in the industry through negative screening, so as to achieve transaction restriction and prevent high ESG risk.

### ● Positive Screening

The high-scoring enterprises selected based on the ESG standards have the characteristics of good credit quality, perfect management system and sustainable development, and show stronger resilience to systemic risks such as "COVID-19 pandemic". Therefore, we encourage fund managers to use the positive screening strategy when building their portfolios, select companies with good ESG performance and support companies with long-term growth potential.

## ESG-themed Investments



ESG-themed investments refer to investments that consider achieving specific environmental or social benefits and take into account low investment risks when building a portfolio, in order to generate investment income. We give priority to issues including climate change, just transition, biodiversity, diversity of board of directors, sustainable blue economy, etc.

In terms of fixed income, we focus on ESG-themed bonds such as green bonds, pandemic prevention and control bonds, carbon neutrality bonds and rural revitalization bonds, etc.

## Investments Themed on Sustainable Development

### United Nations Sustainable Development Goals

### Our investment projects

<p><b>3</b> Good health and well-being</p> 	<p>Ensuring a healthy lifestyle and promoting the well-being of people of all ages</p>	<ul style="list-style-type: none"> <li>• China Southern Healthcare Innovation Equity Fund</li> <li>• China Southern 3-year Holding Period through 2035 Hybrid Pension FOF</li> </ul>
<p><b>7</b> Affordable and clean energy</p> 	<p>Ensuring access to affordable, reliable and sustainable modern energy for all</p>	<ul style="list-style-type: none"> <li>• China Southern CSI New Energy ETF</li> <li>• China Southern New Energy Industry Trend Hybrid Fund</li> </ul>
<p><b>9</b> Industry, innovation and infrastructure</p> 	<p>It is crucial to achieving sustainable development</p>	<ul style="list-style-type: none"> <li>• CSI Sci-Tech Venture 50 ETF</li> <li>• China Southern STAR Market Three-Year Regular Open Hybrid Fund</li> <li>• China Southern Technology Innovation Hybrid Fund</li> <li>• China Southern Specialization Refinement Differentiation Innovation Hybrid Fund</li> <li>• China Southern Beijing Stock Exchange Select Two-Year Regular Open Hybrid Initiating Fund</li> </ul>
<p><b>12</b> Responsible consumption and production</p> 	<p>Ensuring sustainable consumption and production models</p>	<ul style="list-style-type: none"> <li>• China Southern Consumption Growth Equity Fund</li> <li>• Southern CSI Yangtze River Protection Theme ETF</li> </ul>

Note: Only some products are listed here and not all are disclosed.

## Green Investment

We proactively respond to the national strategy for development of green finance, promote green investment, strictly control investment scale in high pollution and high energy consumption areas at the investment side, and support development of green industry.

We also act for the “Carbon Peak and Carbon Neutrality” goals, focus on tapping investment opportunities in new energy and carbon emission reduction areas, and increase investments in the areas to support the achievement of the “Carbon Peak and Carbon Neutrality” goals.

At the same time, we have actively enriched the supply of products and promoted the research and development of carbon emission products, and rolled out the Southern CSI New Energy ETF, Southern New Energy Industry Trend Fund, Southern CSI Yangtze River Protection Theme ETF, etc. Up to the end of 2021, the cumulative total scale of green investment of Southern Asset Management’s products amounted to approximately RMB 232.13 billion, representing an increase of RMB 130.695 billion or 129% as compared with that at the beginning of the year, having boosted the green transformation of the economy and society with concrete actions.

Up to the end of 2021,

the cumulative total scale of green investment of Southern Asset Management’s products amounted to approximately RMB

**232.13** Billion

Representing an increase of RMB

**130.695** Billion

As compared with that at the beginning of the year

**129%**



Having boosted the green transformation of the economy and society with concrete actions.

Green investment industry <sup>1</sup>	Scale in 2021 (RMB 100 million) <sup>2</sup>	Scale in 2020 (RMB100 million) <sup>3</sup>
Energy conservation and environmental protection industry	1,427.31	628.14
Cleaner production industry	457.50	112.93
Clean energy industry	1,267.69	279.95
Eco-environmental industry	465.04	58.81
Green upgrading of infrastructure	433.38	241.06
Green services	231.86	35.16

<sup>1</sup> Refer to *Green Industry Guidance Catalogue (Version 2019)* to classify and summarize the investment industries

<sup>2</sup> Scale refers to the existing scale as on 31 December 2021

<sup>3</sup> Scale refers to the existing scale as on 31 December 2020

### Case: Supporting the Development of Clean Energy Industry



An energy Internet company B is a global leading energy system enterprise. It has the core technologies and equipment manufacturing capabilities related to the ultra-high voltage power transmission and smart grid. At the same time, it is an energy-conservation service provider with significant green ecological benefits.

We invested in the enterprise’s second green medium-term notes (carbon neutrality bonds) in 2021 (referred to as “21 DWGN002”) which served the purpose of raising funds to support the construction of the multi-sectional UHVDC power transmission project. The project was responsible for transmitting the power generated by large-scale cascade hydropower stations. After its completion, the project will promote the consumption of clean energy and power and reduce the emission of carbon dioxide and air pollutants, among which 773,000 tons of carbon dioxide will be reduced annually in total. At the same time, it will improve the national energy resources landscape to meet the power demand in central and eastern China, yielding outstanding ecological and social benefits.

## Green Investment Products: China Southern CSI Yangtze River Protection Theme ETF

On November 26, 2021, the China Southern CSI Yangtze River Protection Theme ETF was launched with an initial offering of RMB 2,371 million. The target index of this fund is the CSI Yangtze River Protection Index, which selects 100 listed companies dedicated to the protection of the ecological environment in the Yangtze River Basin from Shanghai Stock Exchange, Hong Kong Stock Exchange and Shenzhen Stock Exchange as samples to aggregate high-quality green listed companies in the Yangtze River Economic Belt to highlight the theme of ecological protection.

South Asset Management launched the CSI Yangtze River Protection Index and its ETF, it will attract more market participants to pay attention to and invest in relevant listed companies dedicated to Yangtze River Protection and improve their financing environment. By investing in ETF, social capital can indirectly foster a capital link with index component stock companies, which can more effectively mobilize and pool the strength of all sectors, and accelerate the formation of a pattern in which the whole society participates in protection and refrain from engaging in large-scale development of the Yangtze River Economic Belt. It is a beneficial innovation for putting into work the new pattern of “making joint efforts for win-win outcome” of delivering financial supports for the real economy and exploring the green development of the Yangtze River Economic Belt.



“Index-based investment represented by ETF is an efficient and convenient investment tool that can accurately achieve the investment objectives set by investors. Through refined investment management and operation, ETF may provide investors with low tracking bias and return on investment matching the benchmark index. The construction of green ecological conservation and sustainable development represents an important development direction in the future. The Yangtze River Protection ETF is in line with the national strategic direction and the trend of the times, and is an important instrumental product for acting on the ESG investment philosophy and green investment philosophy. Against the backdrop of this trend, the ESG investment strategies may contribute more and more significant excess earnings to the portfolios in the future.”

—Gong Tao, Fund manager of  
Southern CSI Yangtze River Protection Theme ETF



## Stewardship

In the process of communicating with investee enterprises we have integrated ESG issues to enable the investees to pay more attention to ESG, improve the governance structure of the issuers and build a better ecosystem; we also participated in the regulatory dialogues of the industries to which the investees belong, and promote and improve their sustainable development environment. If communications with investees are not going well, proxy vetoes are used taking into account the actual situation.

We have always adhered to ESG investment philosophy and practiced stewardship strategies. In 2021, we made it clear that fund investors should become active owners, incorporate ESG issues into stewardship and practices, and promote investees to improve ESG conditions by participating in engagement, proxy voting and other means. The researchers should proactively participate in improving all aspects that affect the long-term value creation capability of the investment targets, such as strategic planning, financial performance, capital structure, corporate governance and sustainability risks and opportunities, based on the research findings of our investment research system and under the premise of legality and compliance. At the same time, the researchers should proactively push the investment targets to fully disclose ESG-related issues in their surveys and take ESG factors into account in the production and operation, evaluate the ESG impact of relevant focused issues, give voting suggestions, prompt fund managers to make decisions, and record relevant voting information.

## Engagement

Engagement is one of the important means for us in Southern Asset Management to implement the stewardship strategy. When investigating the listed companies, if factors that are not conducive to the long-term sustainable development of the investees are found, we will communicate with the Board of Directors, management and relevant departments of the investees through researcher surveys, teleconferences, e-mails, correspondences and inquiries, and put forward doubts and opinions, so as to enhance the awareness of the investees to ESG, urge them to make positive changes in ESG, and deliver sustainable long-term value to stakeholders.

The way in which we participate in engagement:

**Individual Engagement**

We discuss ESG issues directly with the investees to improve their handling of ESG issues.

**Collaborative Engagement**

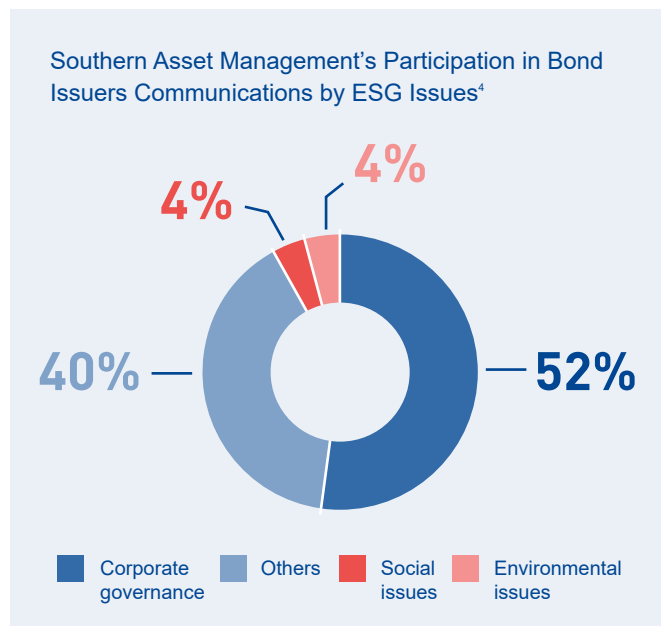
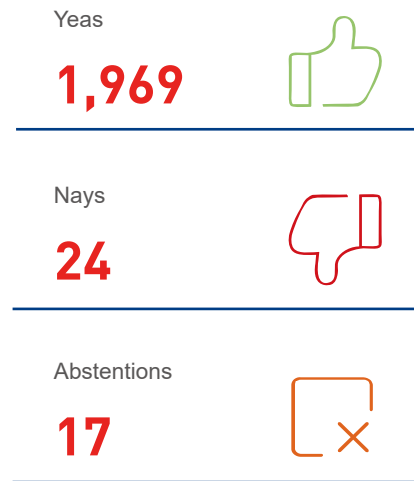
We join a number of cooperative institutions, proactively sign initiatives that will facilitate ESG investment, and will participate in engagement by adopting collaborative engagement when sharing the same goals with other shareholders and stakeholders.

**Service Provider Engagement**

We also subcontract the participation activities to service providers to communicate with investees through service provider engagement.

## Proxy Voting

We implemented the stewardship strategy, proactively participated in holders' meetings and exercised proxy voting rights. In the voting process of holders' meetings automatically initiated by the system, if the voting contains ESG-related content, the fund manager should proactively participate in the voting and implement the ESG investment philosophy in the voting. Up to the end of 2021, a total of 2,010 general meeting votes were cast and ESG impact assessments were conducted.



<sup>4</sup>Source: Record of Bond Issuers Communication Involvement of the Fixed Income Department in 2021



## ESG value has become the consensus of international and domestic investors

I am keenly aware that ESG value has become a consensus among domestic and international investors. At the operational level, for traditional institutional investors, ESG factors need to be incorporated into fundamental analysis. On the one hand, enterprises with higher ESG level have better governance and more stable returns in the medium and long term. On the other hand, the focus on ESG can help investors avoid various risks, especially policy risks and financing costs. In addition, the ESG-led value shift will also promote scientific and technological innovations and give rise to a new round of developments and opportunities.

—Shi Bo, Deputy General Manager and Chief Investment Officer (Equity) of Southern Asset Management



### Case: The Stewardship Case of Southern Asset Management Equity Investment and Research Segment

Listed company B is a leading enterprise in China's graphite electrode industry. Its main products are graphite electrodes and new carbon materials. Its downstream application areas involve new energy industries such as lithium batteries industry and photovoltaic industry. Researchers found ESG risks in environmental and social governance during the surveys on the company, and then proactively communicated with it to promote its improving ESG performance to reduce potential risks.

Through surveys, the researchers learned that the company's main business (mining, carbon production, etc.) would produce a package of air and water pollution. Waste emissions from the company's reproduction and operation activities may have adverse effects on the ecological environment and surrounding communities. In serious cases, community residents may protest, hindering its normal production and operation, and further affecting its revenue and value. In addition, researchers learned that the company had 11 climate risk-related events in the past two years, of which two were of high impact grade, and the local government requested it to provide an environmental impact assessment report. Excessive discharge of pollutants will cause concern of regulatory authorities, and may even lead to administrative penalties, affecting profits. Through the researches, we found that the company's

main business had less exposure to clean energy substitution. Therefore, we communicated with the company and suggested that it filter and control the discharged wastes by means of technology research and development and relevant sewage discharge technologies to reduce the impact on the ecological environment and surrounding communities.

In addition, the researchers also found that attention needed to be paid to the company's performance in terms of staff remuneration and welfare. Although the company has posted a good rating in terms of staff remuneration and welfare system, yet in recent years, due to the decline in its performance, the company's per capita income, labor remuneration and other indicators had declined to a certain extent. As a labor-intensive enterprise, labor management is critical. If the company did not pay more attention to the staff remuneration and welfare, it may affect the employees' production enthusiasm and reduce the production and operation efficiency, thus affecting its revenue. Based on this, we communicated with the company to protect the rights and interests of employees, hoping that enterprises should better take into account employees at all levels in the transformation process, safeguard their welfare and training, and ensure that enterprises do not cause large-scale layoffs in the process of responding to climate change.

### Case: The Stewardship Case of Southern Asset Management Fixed Income Investment Research Segment

Company C, which is a municipal investment platform in a central province of China, intended to acquire the equity interest of a listed company D and become the actual controller of the company. As the acquisition target triggered a material asset restructuring clause, a meeting of shareholders was initiated to request for approval of the material asset restructuring. At the shareholders' meeting, the researchers took ESG factors into full consideration and found that there were social responsibilities and corporate governance flaws in the proposal, which harmed the interests of external investors and thus firmly voted against it. As a result, the final proposal was not passed.

The researchers learned that the book value of the acquisition case was 25% lower than the agreed price at the time of initiating the holders' meeting. Due to the huge amount for the cash offer, it would cause pressure on the cash flow. In addition, the company D had a large cash gap and its debt was growing rapidly. It was expected that cash infusion would still be required in the future. The acquisition of company D would further deteriorate the solvency and harm the interests of external creditors. The acquisition reflected the company's weak awareness of investor protection and the typical agency problem of shareholders infringing on the interests of creditors.

In addition, the researchers learned that the procedure of this acquisition case was improper, which reflected the existence of large corporate governance problems. The acquisition was initiated only after the transfer of shares had been completed, which completely violated the agreement in the prospectus that "a bondholder meeting should be convened when the issuer intends to carry out a material asset restructuring". Such disregard of the agreement in the prospectus reflects the company's defects in corporate governance.

In conclusion, the researchers considered its negative factors in ESG and suggested fund managers proactively participate in voting to exercise the right of objection, which ultimately resulted in the proposal not being passed. The subsequent developments also verified the researchers' judgment on ESG defects in the acquisition case. On the one hand, as of February 10, 2022, the book value of the acquisition case had been reduced by 36%, and the share price of company D had fallen further than before. On the other hand, in December 2021, company D received a regulatory letter from the regulator, pointing out that there were other information disclosure irregularities in the acquisition case and ESG defects were further exposed.

## ESG Risk Management

While continuously creating value for customers and investors, we are committed to controlling the risks arising from ESG factors. In 2021, we formulated the *ESG Investment Risk Management System of Southern Asset Management*, which clarifies the responsibilities of ESG investment risk management of each department. The Risk Control Committee is responsible for overall control of the ESG investment risks of portfolios, the investment departments are the first-line responsible departments for risk control, and the Risk Management Department and the Compliance Department are the specific organization and management departments for risk control and compliance management.

We assessed our overall ESG risk by conducting ESG stress tests regularly and provided risk alerts, assisted fund managers to improve future ESG investment strategies through ESG performance attribution analysis, tracked and analyzed ESG integration on a regular basis through the risk control system.



#### ESG Monitoring and Alerting

The Risk Management Department is responsible for ESG risk monitoring and alerting, optimizing alerting methods and effects, and preventing long-term investment risks.



#### Conducting ESG Stress Testing

Based on internal ESG rating or third-party external ESG rating, ESG factor stress testing was added to the existing stress testing for fund products with ESG investment as the strategy or main target.



#### ESG Performance Attribution

We tracked the actual situation of ESG investments, and calculated the price difference of high, medium and low ESG-rated assets within self-defined time, presented the impact of fund managers' adjustment of ESG factor exposure and selection of different types of ESG securities on the final performance of the portfolios to help them improve their future ESG investment strategies.



#### ESG Integration Analysis and Tracking

We continuously tracked the ESG ratings, according to the position details of different types of portfolios and statistics of the proportion of securities with different ESG ratings of such portfolios, we performed statistical analysis on the position status of the portfolios, and analyzed our overall ESG integration and its changes based on the position holding timepoint and time series data.



02

**Customer-centric  
Long-term Value Creator**



SAM have long upheld to the business philosophy of “focused on clients’needs , centered on value creation, and powered by product innovation” and are committed to promoting the innovative development of China’s fund industry, diversifying investment plans, strengthening the construction of talent pool, accelerating the digital transformation, safeguarding the rights and interests of investors, sincerely serving customers and continuously exploring the way to deliver products and services that meet the characteristics of China’s capital market and investors.

**Diversified Investment Solutions**



**Building a Talent Pool of Fund Managers**



**Accelerating Digital Transformation**



**Improving Financial Accessibility**

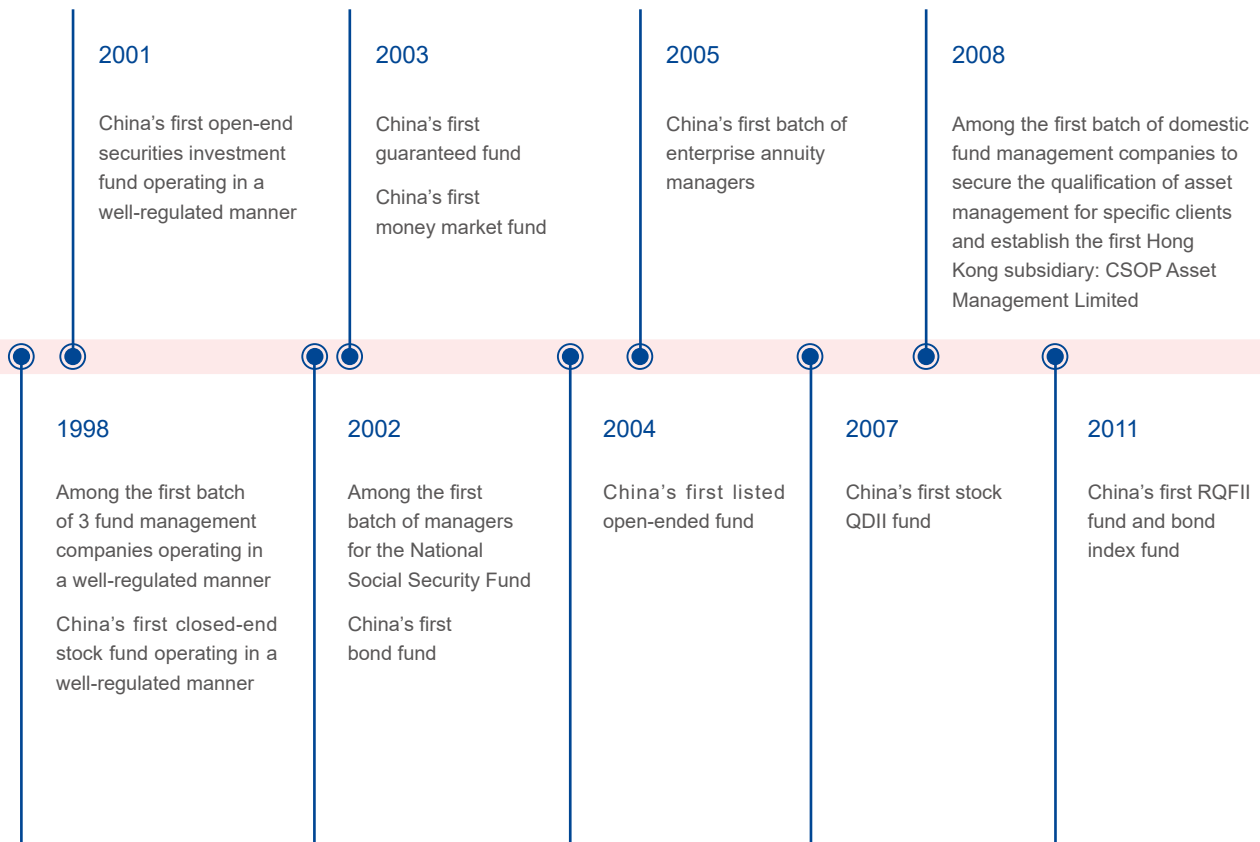


**Safeguarding the Rights and Interests of Clients**



## Diversified Investment Solutions

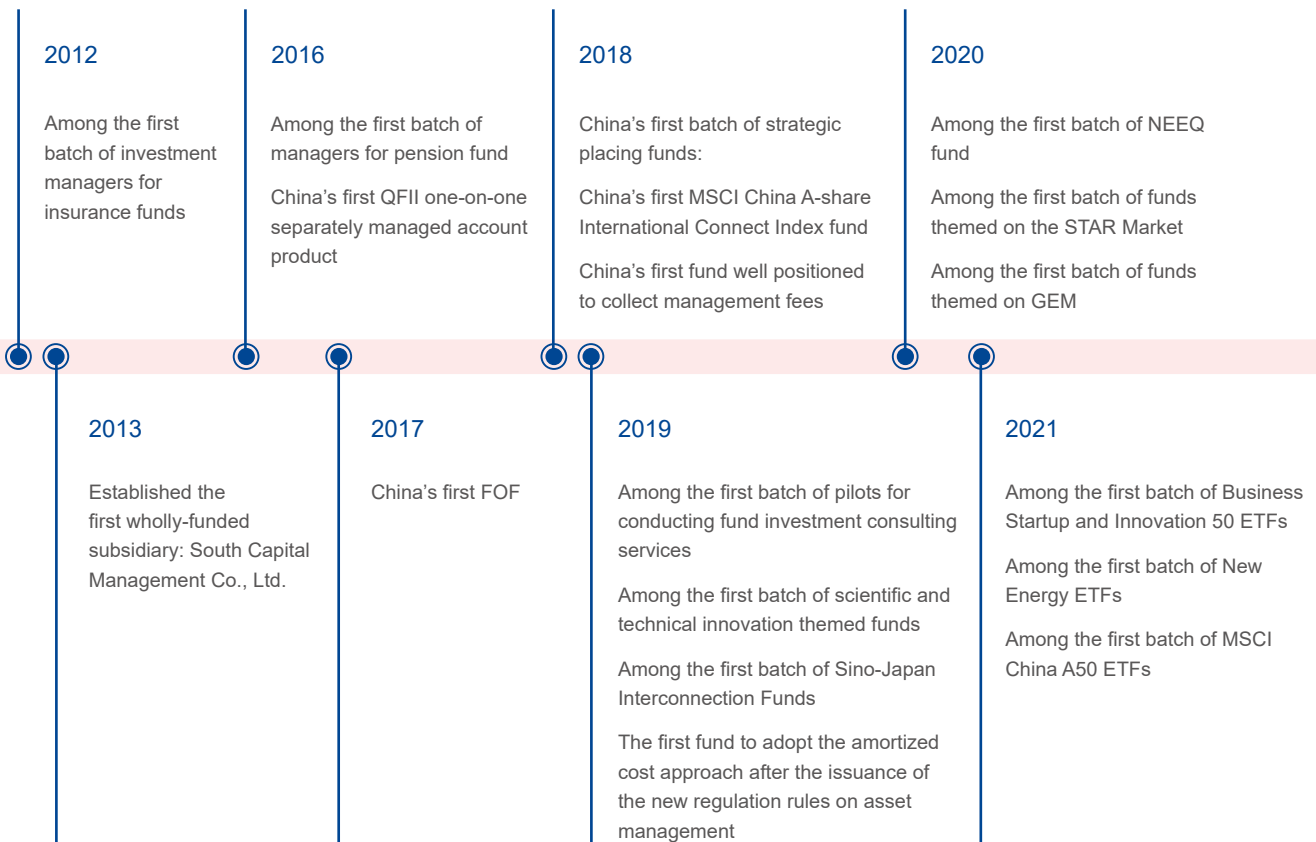
Since our inception in March 1998, we have successively secured full license of the mutual fund industry covering mutual fund, separately managed account wealth management, social security fund, enterprise annuity, insurance fund, pension fund, etc., made continuous innovations in products and continuously led the market.



### Product System Innovation

We have forged a multi-level product system based on market needs. Mutual funds focus on investing in standardized products with diversified product types and a full set of product lines. At present, we have designed and developed three major categories of mutual fund products, including stock fund, bond fund and money fund. On this basis, we have developed a package of sub-class products such as bond biased fund, stock biased fund, index fund, quantitative fund and industry fund with rich management experience for each type of product.

In 2021, in response to the national call for reform and steady innovation of the capital market, we developed and launched a full range of innovative products, including CSI STAR Market GEM 50ETF, China Southern MSCI China A 50 Connect ETFv, Inter-bank Deposit Certificate Index Fund, Beijing Stock Exchange Themed Fund and Fund Themed on SMEs Featuring Specialization, Refinement, Distinctiveness and Novelty to meet the diversified investment needs of our clients.



## Exclusive Wealth Management Services

We provided key account customers with customized wealth management services, and key accounts can enjoy one-to-one investment advisor service. Customers may, according to their investment requirements and risk preferences, select suitable customized portfolios or SMA products, and trade through SAM's app, WeChat platform, website, etc. In this way, we can satisfy diverse investor requirements, primarily Sinan Customization and SAM Wealth Management at present.



Case: Southern Asset Management Helps the Aged

The aging of the Chinese society continues to deepen, and the development of elderly care finance has thus attracted the attention of the whole society. Southern Asset Management is among the first batch of fund companies to secure the qualification for investment management of pension, and is a fund company with the “full license” for pension investment management business. We proactively participated in the construction of the third pillar, invested intensive efforts in system construction, brand cultivation, investment and research strength and user experience, put into place an all-dimensional business system covering basic pension, national social security fund, enterprise annuity and occupational annuity, continuously improved the investment management capability of pension assets, and facilitated the development of elderly care finance. We have also created a special section for Yanglaobao in our official APP, which supports customization of the pension investment plan according to the retirement needs of clients.

National Social Security Fund

National Social Security Fund acts as a supplement or an adjustment to the social security payout such as the pension insurance funds during the peak of population aging

Basic Pension

Part of the social insurance funds which includes 5 insurance schemes and a housing provident fund, used as pension payout



Enterprise Annuity

Enterprises supplement the pensions providing additional retirement benefits for its employees in addition to the basic pensions

Occupational Annuity

Government organizations and public institutions supplement the pensions, providing additional retirement benefits for civil servants and employees of public institutions



“Vigorously developing the pension service and pushing the pension funds into the market for trading will not only benefit the broad masses of people as they enjoy their old age in peace, but also help to build the formation mechanism from pooling long-term funds to pooling long-term capital and forge an ecological chain running in virtuous circle for the capital market, hence becoming a ‘ballast’ in the capital market to boost the development of the real economy.”

—Yu Wenhong, Deputy General Manager of Southern Asset Management

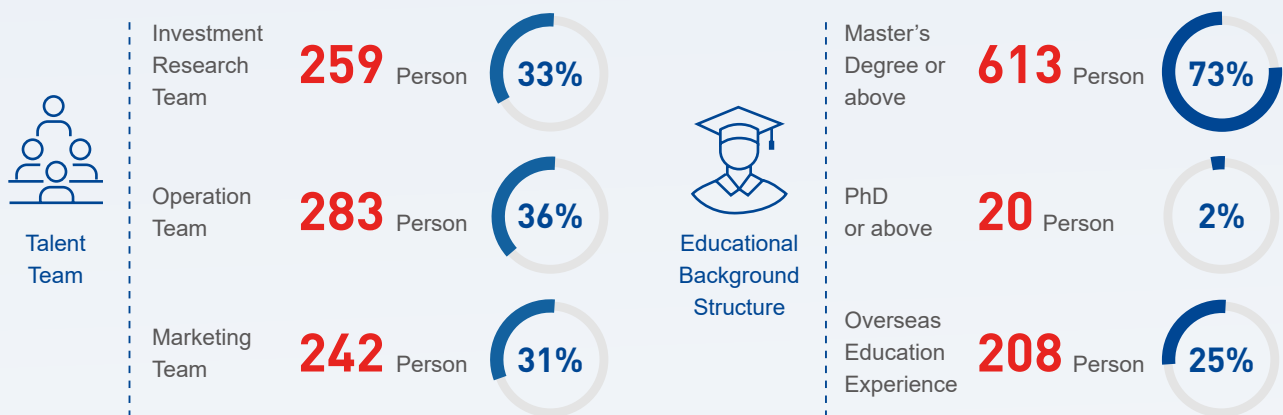


## Building a Talent Pool of Fund Managers

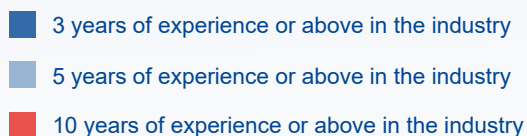
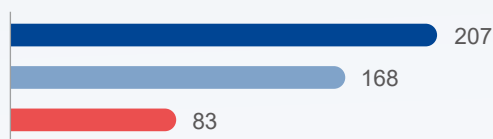
We focus on the construction of core competences in investment and research by staying committed to fostering distinctive business features of pursuing “value-driven development and tech-enabled smart selection”, improving the long-term assessment and incentive mechanism of the investment and research system, and have put into place three major investment and research teams for equity, “fixed income plus” and fixed income products.

We have fostered a pool of outstanding talents who are hard-working, enterprising and positive, with solid basic skills and the sense of solidarity and sharing. We have a group of senior experts with more than 10 years of experience in the industry who help steer the direction, backbone staff with rich experience and diversified investment styles and emerging talents with excellent professional competence and rapid growth. We have also been powered by a multi-level talent team.

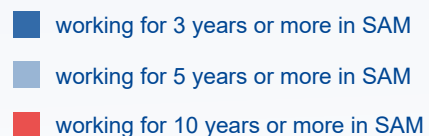
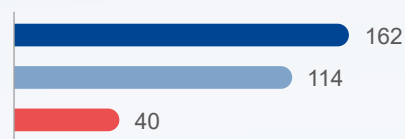
### Talent Resources



Length of Service of Investment Research Personnel in the Industry  
Unit: person



Length of Service of Investment Research Personnel in SAM  
Unit: person





## Accelerating Digital Transformation

We proactively leverage the scientific and technological strength to enable business development, enhance the application of fin-tech, and continuously consolidate the “soft power”. We have increased the investments in IT system construction, strengthened the development of IT talent teams, and continuously sent fin-tech talents to all business lines. We enhanced the capability of independent research and development, created an ecological closed loop of fin-tech integrating investment research, operation, customer service and compliance and risk control. We strengthened the deep integration of information technology and businesses in key areas such as customer relationship management, precision marketing, intelligent customer service and active service. We also established a complete information security protection system to ensure the security of the information system.

### Product Highlights in Technological Innovation

#### Euler System

Euler System is a user-centered asset management system that organically integrates information, products, research, investment, trading, risk control, clearing, accounting and monitoring. It enables colleagues from different business departments to work together on the same platform, thus integrating business capabilities and effectively accumulating business knowledge and experience.



## “Sinan Investment Advisor”

Powered by fin-tech, “Sinan Investment Advisor” has fully integrated Southern Asset Management’s professional asset allocation capabilities, risk management capabilities and client service capabilities. The one-stop intelligent investment advisory service includes four aspects: personalized in-depth customization, market-wide selection of investment targets, intelligent multi-strategy matching and whole-process management by professional team. It also boasts 3 independently developed systems: the investment management system for fund investment advisor, the account management system for fund investment advisor and the risk management system for fund investment advisor.

Sinan Investment Advisor has strictly fulfilled its “fiduciary responsibilities” and joined hands with business partners to deliver high-quality investment advisory services to clients by working in partnership with platforms such as banks, securities companies and third-party consignment agencies. With all these efforts, the Sinan Investment Advisor Team posted outstanding investment performance. As of the end of 2021, 87% of its clients secured profits, 72% of them were retained and 80% of funds were reinvested.



**Source** ▶ China Southern Asset Management Co., Ltd.

**Statement of Calculation** ▶ Proportion of profitable clients = number of clients with positive revenue/number of clients with positions

Client retention rate = amount of clients' positions held up to the end of the statistical period/investment amount of all clients

Percentage of reinvested amount = transaction amount reinvested/total investment amount of the reinvested clients

**Risk Warning** ▶ The above data are based on historical statistics and do not represent individual investment income. Historical earnings data do not indicate future earnings performance. Southern Asset Management does not offer any guarantee for the profitability of the portfolios

# Improving Financial Accessibility

## Investor companionship services

Investor protection is directly related to the interests of investors. It is our responsibility to protect the legitimate rights and interests of investors, especially small and medium investors. We have given full play to our own advantages, proactively worked on teaching contents for investor education, held online and offline teaching activities, and promoted such activities on our own platform and external media to improve investors' professional knowledge and risk prevention awareness, while creating a sound atmosphere for rational investment, long-term investment and risk awareness.

Case: The number of investors with access to the Southern Asset Management Live Studio exceeded 100 million throughout the year

Acting in line with the investors' changing channels for access to information, Southern Asset Management created the "South Asset Management Live Studio" to deliver investor education and companion services through continuous live broadcasting, so as to enhance investors' experience. In 2021, more than 1,200 live broadcasts were staged throughout the year, covering more than 120 million investors in total, thus winning the "Yinghua Award" for Brand Innovation Company of the Year (live broadcasting) by WWW.CHNFUND.COM.

Case: Investor Protection Themed Education Activities on 15, March

We proactively carried out educational activities on the theme of "We Are in Action in Protecting the Legitimate Rights and Interests of Investors" on the World Consumer Rights Day (March 15). By staging online and offline activities of various forms via official website, APP, Weibo, WeChat, short video platforms etc., we profoundly promoted the special activities on investor education. During the March 15 activities, we generated a total of 28 original investor education products, gave out 28 physical investor education products. We also posted a total of 560,619 clicks on electronic investor education products, and staged a total of 15 on-site activities and 13 online activities, covering nearly 74,525 investors.



On-site Activities

## Case: "Rainbow Journey"

"We will see rainbow after weathering wind and rain"---it has been 15 years since Southern Asset Management's "Rainbow Journey" Investor Interactive Tour was founded in 2007, with over 130 events covering 40 cities and tens of thousands of people. By doing so, we are staying true to the founding principle of asset management, fulfilling our responsibility of educating investors, listening to the voice of clients, and spreading the philosophy of "long-term investment, value investment and responsible investment".



Publicity Poster for "Rainbow Journey" Initiative



"Rainbow Journey" in Hangzhou

## Construction of Diversified Channels

We actively promoted the construction of diversified channels and continuously deepened channel cooperation. Apart from the direct selling channel, we have established multi-field and all-dimensional partnership with banks, securities companies, third-party consignment agencies, insurance companies, trust companies and other institutions, continuously extending our service boundary and fulfilling mission of mutual fund in developing inclusive finance. As for the construction of the consignment channel, as of December 31, 2021, we had 261 consignment channel partners. In terms of construction of the direct selling channel, we reached 22.8923 million clients via our own operation platform.

At the same time, with "APP+Investment Advisor" as two major "touch points", we continuously intensified innovation efforts to enhance the customer experience, and further developed and served existing clients with competitive asset allocation and investment advisory services.



Consignment channel partners

**261****22.8923** million

clients were reached via our own operation platform.

## | Emergency Service Capacity

As a player in the capital management industry, we laid emphasis on improving emergency service capacity and adhered to the principle of prioritizing efficiency. With this in mind, we responded quickly to events that had a significant impact on the capital market, such as geopolitical conflicts, proactively released market interpretations and announcements through online channels. We always adopted the long-term perspective when conducting analysis and pacified the investors during the investment process to enhance their confidence.

## | Popularizing Financial Knowledge

We attached importance to the popularization of financial knowledge and disseminated financial knowledge to investors through various channels to help them improve their investment knowledge level and enhance their awareness of risk prevention.

### Case: Investor Education Base Website of Southern Asset Management was Put into Operation

On October 28, 2021, "Investor Education Base Website of Southern Asset Management" was officially launched. Public welfare-oriented, professional and distinctive investor education products were released via the website. In addition, diversified investor education activities were staged to guide investors to learn wealth management knowledge, identify investment risks and foster rational investment concepts. The establishment of the Southern Asset Management Investor Education Base marked the beginning of a new chapter in investor education in Southern Asset Management. We will also use this as an opportunity to showcase the development achievements of capital market, explore innovative investor education models, further enrich the content of investor education, and turn the investor education base into a one-stop platform for investor education, consultation and service with heart-warming strength, width and depth.

# Safeguarding the Rights and Interests of Clients



## Client Communication

We are committed to building a diversified communication platform with clients. Investors could lodge complaints or make suggestions on the products, services and systems of our company through different channels, such as the national unified client service hotline, online client service, correspondences, e-mails, SMS and counters of various sales outlets. Through the 400 client service hotline, multimedia online services, WeChat service notifications, on-site client activities and other means, the client satisfaction survey was conducted, demonstrating that the client service satisfaction was **99.69%** in 2021.



## Handling of Client Complaints

We cared about clients' demands, and promoted the implementation of clients' suggestions and enhanced customer experience with a sound complaint handling system, clear-cut complaint handling process and timely preventive and improvement measures in place. Based on the channels for accepting complaints and disputes, the nature of the complaint cases and their degree of severity and complexity, we exercised classified and hierarchical handling over the complaints, clarified the internal circulation process, specific handling procedures, division of responsibilities, handling time limit, emergency handling, accountability, information management and other specific contents, and strictly implemented them to ensure that the handling of complaints had rules to follow with clear lines of responsibilities.

At the same time, we regularly analyzed and summarized the contents of client complaints, formed reports and sent them to the company leaders and relevant departments to enhance the company's attention to client demands. By identifying and solving problems, we promoted the implementation of clients' suggestions, prevented risks in advance, prevented complaints and disputes, and focused on improving the weak links and potential risks found in complaints in a timely manner, so as to enhance customer experience. In 2021, we received 213 complaints about products and services, with a complaint settlement rate of **100%**.



03

High Quality Management  
Devoted to  
High Quality Development



We improved systems and mechanisms through strengthening Party leadership and corporate governance, laying a solid foundation for corporate development. In this process, we highlighted the characteristics of modern enterprises such as power-responsibility balance, incentive compatibility constraints, and strict risk control, to ensure healthy development in a fast-growing, more complex and increasingly open financial system, and promoted the high-quality development of the Company.

**Corporate Governance**



**Prudent Operation**



**Protection of Intellectual Property Rights**



**Privacy and Data Security**



## Corporate Governance

A modern corporate governance structure composed of four bodies: General Meeting of Shareholders, Board of Directors, Board of Supervisors and the Management who work together within their own scopes of duties to ensure high-efficiency operations. We improved corporate governance structure, and clearly defined the power and duties of various positions, to ensure the above four bodies supplement, supervise and restrict each other.

## Prudent Operation

### Internal Control and Compliance

We improved the compliance management system, successively issued the *Compliance Manual of Southern Asset Management* and the *Compliance Management System of Southern Asset Management*, strengthened compliance management in investment transactions, fund sales, fund operation and other links, and formulated specific operating guidelines for major businesses such as mutual fund and the private asset management plan in product design, promotional sales, investment operation, information disclosure and investor protection. At the organizational level, we improved the organizational system for internal control and compliance, established the Risk Control Committee and Supervision and Audit Department, and set up the positions of Chief Inspector and full-time (part-time) Risk Management Specialist. Furthermore, we created a culture of compliance and organized compliance training, to improve the awareness of compliance risk across the company. No major compliance risk event occurred during the reporting period.



### Upholding Professional Integrity

In accordance with the Provisions on the Professional Integrity of Securities and Futures Business Institutions and Their Employees issued by China Securities Regulatory Commission (CSRC), Rule for the Implementation of the Professional Integrity of Fund Business Institutions and Their Employees issued by the Asset Management Association of China (AMAC), and other relevant statutes, we issued documents such as *Southern Asset Management Principles*, *Southern Asset Management Standards* and *Southern Asset Management Tips on Workplace Norms*, requiring all employees to strictly abide by laws and regulations, provisions issued by regulators, and industry self-discipline rules in carrying out securities and futures business and related activities, as well as social ethics, business ethics, occupational ethics, and codes of conduct. We encouraged fair competition, compliant operations, loyalty, diligence and integrity, and prohibited our employees from directly or indirectly conveying illegitimate interests to others or seeking illegitimate interests. In 2021, we organized a package of training programs on upholding of professional integrity, prevention and control of illegal risks and moral risks for fund practitioners, to strengthen management and control over professional ethics, and strive to build a sound cultural atmosphere for upholding professional ethics.



Conducting Compliance Training Programs on Upholding Professional Integrity

## Anti-money Laundering

Complying with the requirements of national anti-money laundering laws and regulations, we set up the internal review, performance assessment, and reward and punishment mechanisms, and fully promoted the in-depth development of the anti-money laundering work. To this end, an anti-money laundering leading group was established with the CEO as the group leader, the Chief Inspector as the executive group leader, the relevant business line leaders as the deputy group leaders, and the department heads as group members. As the organizer, coordinator and working body for the anti-money laundering work, the Supervision and Audit Department is responsible for organizing and coordinating the daily anti-money laundering work of various departments. We established a risk-based money laundering risk management system by putting into place the *Money Laundering and Terrorist Financing Risk Management System of South Asset Management*, the *Money Laundering and Terrorist Financing Risk Management Strategy of South Asset Management*, and the *Anti-Money Laundering Internal Control System of South Asset Management*, and implemented anti-money laundering supervision and management requirements. With the *Operation Procedures for Reporting Suspicious Transactions of Money Laundering of South Asset Management* in place, we clarified the mechanisms for screening and reporting suspicious transactions related to money laundering crimes, and effectively improved the quality of clues of suspicious transactions of money laundering by combining systematic screening with manual analysis.

We continued to build up the relevant anti-money laundering systems to improve our anti-money laundering risk prevention and control capabilities in all aspects including client identity recognition, blacklist monitoring, risk level assessment, suspicious transaction screening, etc., and continuously explored the way to build a client behavior characteristic indicator library. We optimized relevant anti-money laundering processes and strengthened the technical support for anti-money laundering information security. In 2021, we carried out 1 anti-money laundering compliance inspection and 4 special anti-money laundering audits, achieving full coverage of the parent and subsidiary companies in the anti-money laundering inspection.

In 2021,

we carried out



**1**

anti-money laundering compliance inspection

**4**

special anti-money laundering audits

## Protection of Intellectual Property Rights

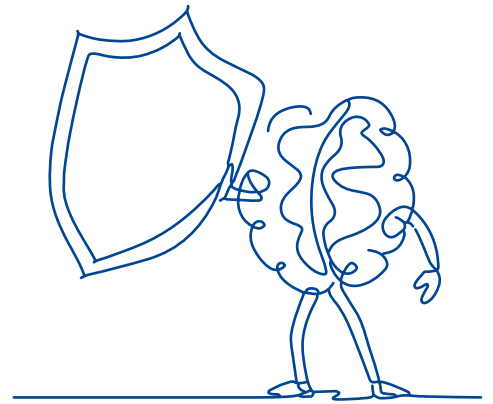
We enhanced the protection of intellectual properties in accordance with relevant laws and regulations, including regulating the use of intellectual properties and business information of South Asset Management, customers and third-party institutions. In order to encourage the innovations in intellectual property rights, we set up the Information Technology and Intellectual Property Rights Authentication Working Group to establish the software copyright application process for our independently developed software systems and the patent application process for our technological research and development. In addition, we regularly organized all members of the IT Department to carry out a package of thematic training programs on intellectual property rights protection.

## Privacy and Data Security

---

According to the requirements of laws and regulations, we formulated the internal systems such as the *Information and Confidentiality Management System of South Asset Management*, the *Data Governance System of South Asset Management*, the *Information Technology Management System of South Asset Management* and other systems related to data security for the purpose of ensuring data security through data registration, data classification, data governance, information system security, among others.

We formulated the *Investor Rights and Interests Protection System of South Asset Management*, and strictly monitored the client service process by employing the intelligent quality inspection system and manual quality inspections to ensure the effective implementation of the system and protect the privacy of clients. In day-to-day business operations, a number of measures were adopted to ensure the security of client information, such as restricting or prohibiting the data export function of client accounts, strictly requiring service personnel to verify client account information in details, and refusing to provide account inquiry service to clients who cannot provide accurate account information. In order to protect the privacy and rights of clients on the online platforms and comply with relevant national laws, regulations and regulatory requirements, we publicly disclosed the *Privacy Policy of South Asset Management Electronic Direct Selling Platform* on our website, explaining how we collected, used and saved personal information and purposes for such acts to users using our products or services, and providing ways to delete and protect such information.







# 04

## Charting a New Chapter for Sustainable Development





Faith can move mountains. We sincerely care for our employees, serve our clients with heart and soul, and sincerely respond to the concerns of our stakeholders. As a responsible corporate citizen, we shoulder social responsibilities. While emphasizing creating value for clients, we promote green development by implementing green operation and green public welfare activities, and steadily move forward on the beautiful journey of common prosperity.

**Joining Hands with Employees for a Shared Future** →

**Promoting Green Development** →

**Participating in Community Building** →

# Joining Hands with Employees for a Shared Future

Joining hands with the South Asset Management, we make your dreams come true. We believe that it is our obligation to protect and benefit our customers, but more importantly, our employees. To this end, we continued to strengthen the construction of our talent teams, improved the talent training mechanism, safeguarded the rights and interests of employees, cared about their growth and health, and let them join hands with South Asset Management for a shared future.

## Legal Employment

We strictly abide by the national laws and regulations such as the Labor Law and the Labor Contract Law in improving internal policies, and issued the *Management Measures of South Asset Management for Labor Contracts*, the *Management Measures of South Asset Management for Recruitment*, the *Management Measures of South Asset Management for Staff Attendance* and the *Management Measures of South Asset Management for Interns* which clearly stipulated the remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other welfare benefits. We resolutely resisted acts that violated labor standards, such as the employment of child labor and forced labor.

We uphold the principles of fairness, impartiality and openness in staff recruitment and established a sound recruitment process with diversified recruitment channels and open and transparent recruitment information. During the candidate interview process and before granting offers to new employees, the basic recruitment conditions of candidates and new employees must be verified one by one. In 2021, core talents were added and introduced in a timely manner through various channels, such as open recruitment, internal recommendation and headhunting recommendation. In the whole year, 115 regular employees were recruited, among which 39 were fin-tech talents and 14 were equity research talents, representing a significant increase over previous years. We delivered continuous stream of backup force for the business lines, and conducted campus recruitment through online and offline approaches. For the first time, we simultaneously recruited interns for future two years. For the whole year, we recruited 316 interns and employed 39 interns for the 2021 and 2022, providing more development opportunities for young people. We honored the principle of voluntary labor contract signing, and the labor contract signing rate was 100% in 2021.

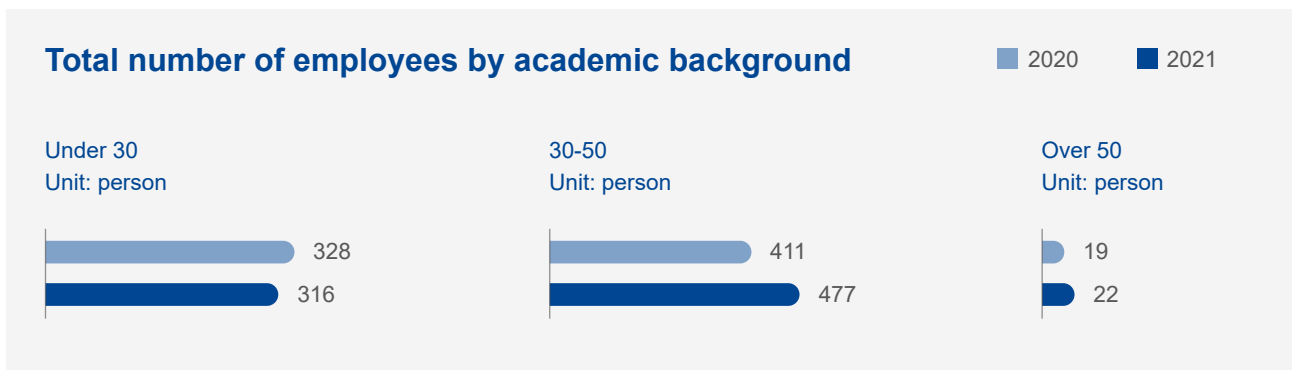
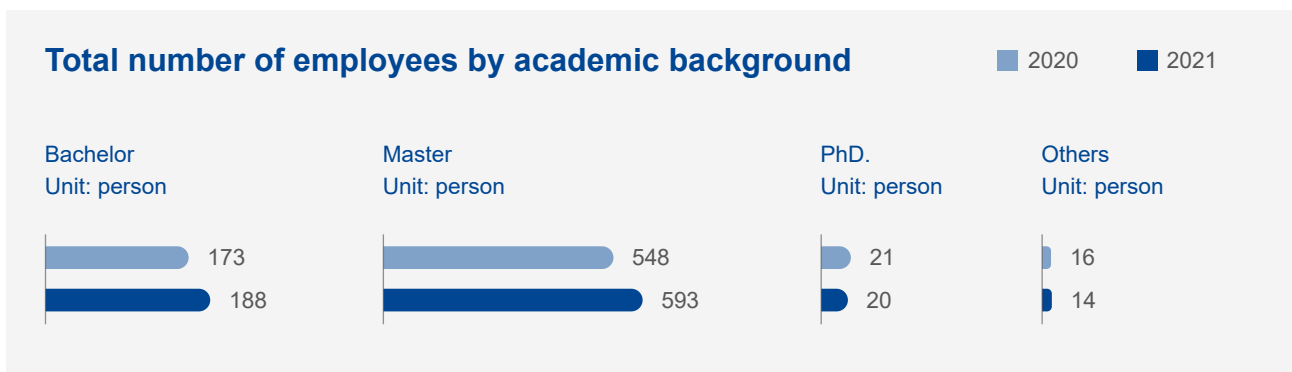
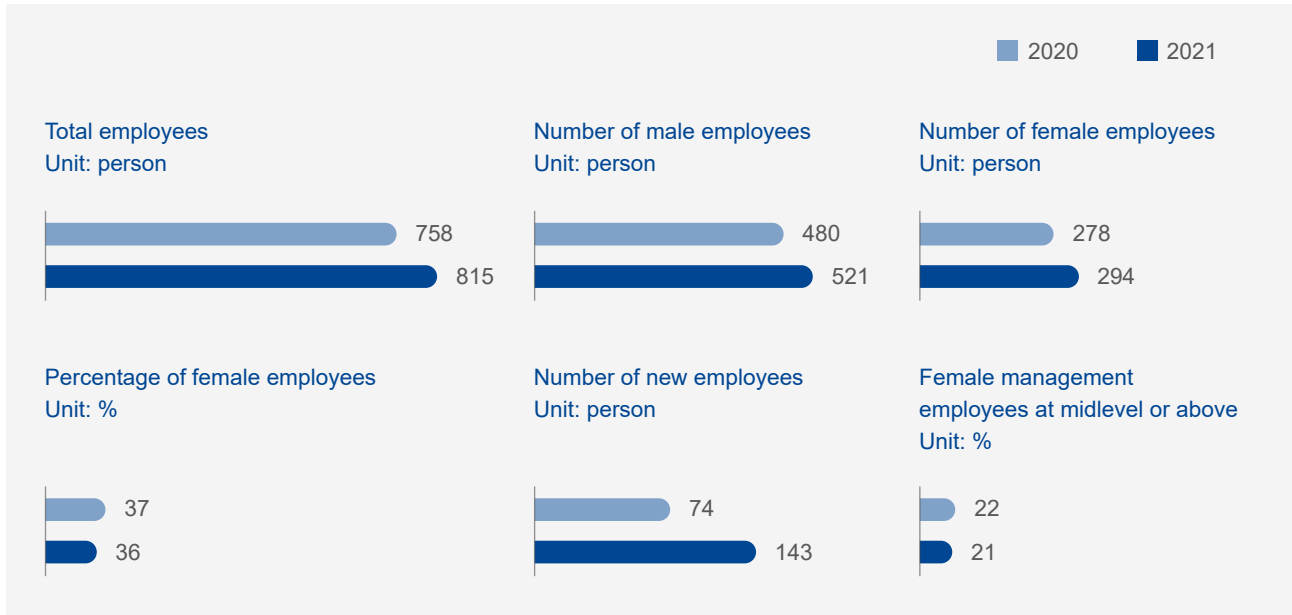


On-campus Recruitment Campaign



To protect the rights and interests of employees, we formulated the *Staff Remuneration Allocation Measures of South Asset Management*, took into account both remuneration incentives and the long-term development of South Asset Management, and put into place a remuneration incentive system incorporating wages, bonuses and comprehensive benefits to maintain the forward-looking remuneration strategy and achieve the goal of attracting, retaining and motivating talents with competitive remuneration.

We adhered to the policy of staying open to opinions and continuously unblocked staff communication channels, and conducted staff communication activities through staff representative meetings, staff discussions, e-mails, enterprise WeChat, CEO's Luncheon and other means. There were no labour disputes throughout 2021.



## Health Security

In order to embody the people-oriented talent management concept, we have established and improved the welfare and security system to safeguard the interests of our employees creating a more harmonious and stable environment for operation and development.

### Health and Security Mechanisms

We attach importance to the level of medical insurance for our employees, and formulated the *Interim Measures of South Asset Management for the Management of Health Accident Insurance and Aid Fund for Employees in Special Difficulties*. On the basis of providing employees with five social insurances and one housing fund, we purchased commercial insurances for employees and specified the types, limits, insurance application procedures, application conditions, payment procedures and relevant limits of health accident insurances that employees can enjoy. In order to regulate the management of sickness and non-work-related injuries of our employees, we have formulated the *Management Measures of South Asset Management for Medical Treatment Period of Employees*, which clearly stipulated the confirmation, limit, calculation method of the medical treatment period and relevant remuneration and benefits during such period.

In order to ensure the security of personnel, assets and properties here in South Asset Management, we strengthened the security awareness of employees, and prevented and defused the security risks in the office environment, and we formulated the *Security Protection Work Process of South Asset Management*, which systematically sorted out and regulated the relevant posts, personnel rights and responsibilities and work requirements for security protection, to provide a safe and secure working environment for our employees.

#### Case: Routine Prevention and Control of the COVID-19 Pandemic

We closely followed the latest pandemic dynamics and government prevention policies, strictly implemented the requirements for filing and approval, and made suggestions and arrangements for telecommuting and nucleic acid testing. We also proactively worked with community health service and nucleic acid testing institutions to provide convenience and information for employees in terms of nucleic acid testing and vaccination, safeguarded their health and prevented the pandemic-related risks from affecting business operations. In 2021, we effectively prevented pandemic-related risks, registered no confirmed cases, no infections and no suspected cases throughout South Asset Management, and ensured the health of all staff. As a result, we saw no risk events occur and business run smoothly.

In 2021, we effectively prevented pandemic-related risks, registered 0 confirmed cases, 0 infections and 0 suspected cases throughout South Asset Management.

## Achieving Work-life Balance

In order to encourage employees to achieve work-life balance, we organized a number of cultural and sports activities, including the “South Asset Management Cup” series of company-wide celebration activities, the quarterly team building activities of the Trade Union, etc., to enrich the employees’ lives and promote the harmonious and healthy growth of their bodies and minds.

### Case: Advocating Fitness Campaign among Employees

We provided a wide range of supports for employees to engage in fitness activities, fostering a strong atmosphere for the fitness campaign. The gym had a high utilization rate. Every week, we saw staff actively participate in tennis, badminton, basketball, football and other sports activities. In addition, we invited traditional Chinese medicine (TCM) experts to give health lectures and organized TCM physiotherapy teams to conduct physiotherapy for our staff. In addition, the sports teams of South Asset Management Trade Union represented the Company in the 2021 “China Merchants Cup” Basketball Tournament, “Hang Seng Cup” and “Huayu Cup” Badminton Competitions.



## Caring for Employee

### Case: EAP “South Asset Management with You” Service Program

We care about our employees, and proactively organized a package of heart-warming initiatives to protect and care for our employees, such as health insurance lectures, exclusive psychological consulting services and visits to sick employees. We worked with a third-party professional organization, Ciic Guanaitong, to deliver psychological health assistance to our employees. Employees can turn to psychological counselors for consultation through WeChat and telephone, and they could have such consultation via telephone calls, video calls, face-to-face meetings, among others.

In order to care for the health of employees, help them to be in good mood and shape a positive mental attitude, we continued to provide the “South Asset Management with You”, which is an Employee Assistance Program (EAP). With this, employees could consult a counselor about career development, family and children, marriage and romantic relationship, emotional adjustment and other issues by phone calls, video calls or on-site face-to-face consultation.

In 2021, we attached greater importance to caring for employees and strengthened extensive publicity. As a result, the EAP ran smoothly and was well received by the employees. The satisfaction rate of the consultation callback posted 4.72 points (with a total score of 5 points), which was higher than the industry average.

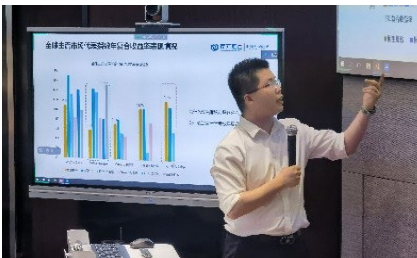
## Career Development and Training

We adhered to the correct orientation of selecting and employing people, followed the principle of equal and diversified career development opportunities, and continued to build a career development channel for our employees to promote their career development and growth.

We attached great importance to staff training and development. According to staff's career development and promotion needs, we ensured the standardization and effectiveness of rank promotion and review, and ensured the rational application of review criteria, review process and operation rules.

We ensured the institutionalization and standardization of staff training by formulating the *Management Measures for Staff Training of South Asset Management* and improving staff's professional competence, work skills, work performance and compliance awareness through a package of training methods and channels such as seminars, special lectures and video-based training programs. We customized training programs for new employees, and helped them quickly understand and recognize corporate culture, learn about work processes and master work methods through the tutorial system. We carried out pre-job training for fresh graduates to help them learn about South Asset Management, have frontline experience and get fitted into South Asset Management as soon as possible. In 2021, our staff training coverage rate reached 100%, and staff training expenses amounted to RMB 2,852,514 yuan, covering 3,244 persons.

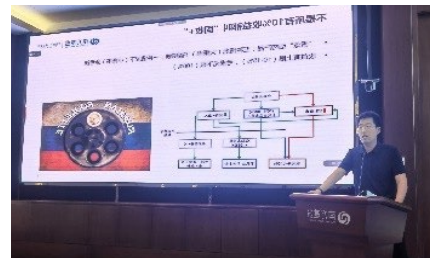
Taking into account requirements of business development, we continuously strengthened the construction of professional talents pool. We empowered investment research teams by keeping close alignment with the business attributes of investment research and the needs of investment research personnel, and provided them with training services to broaden their international vision and enhance their professional competence. In 2021, 6 training sessions were conducted in a targeted manner, covering a total of 269 people, to help build an echelon of investment research personnel. In order to train and empower marketing and front-line sales personnel, relevant South Asset Management departments and subsidiaries worked hard together and delivered all-round and customized training programs. A total of 8 training sessions were organized and delivered, covering 546 people in total, which systematically improved the combat capability of the marketing system. In response to the call for digital transformation, we delivered training programs for scientific and technological personnel by fully introducing external resources and mobilizing internal resources. In 2021, a total of 8 training sessions were organized and implemented and covered a total of 171 people, which provided talents for the development of Fin-tech in South Asset Management.



Hong Kong Stock Training



Publicly Offered REITs Training



Fixed Income Plus Training

In 2021



Our staff training coverage rate reached

**100%**



Staff training expenses amounted to RMB

**2,852,514** yuan

Covering

**3,244** persons

**Case:** New employee training camp and induction training were launched to empower new employees

The 2021 training camp for new employees lasted for 5 weeks and provided 75 backup personnel for a wide range of businesses (including 29 for investment research, 12 for marketing and 34 for operation). In the training of new employees, a training model of “becoming classmates before colleagues” was adopted to help new employees quickly get fitted into the team, promote cross-departmental collaboration, foster a cultural atmosphere of sharing, and jointly uphold the core values of “client focus, integrity, sharing and proactive” through mutual mentoring and assistance.

## Promoting Green Development

### Green Operation

We acted on the philosophy of green development by proactively promoting green operation, striving to reduce resource and energy consumption and waste emissions, implementing energy conservation and emission reduction, facilitating low-carbon transition, and building us into a green and environment-friendly enterprise. In 2021, there were no cases or reports of violation of environmental laws and regulations. In 2021, we took the lead in initiating the carbon neutrality initiative, and achieved carbon neutrality in our own operations (Scope I and II), and proactively supported the implementation of the national strategy of achieving carbon peak by 2030 and carbon neutrality by 2060.

Although the GHG emissions in 2021 trended up as compared with that in 2020, yet the Greenhouse gas emissions per employee declined. From February to April 2020, in order to contain the spread of COVID-19 and safeguard the health and safety of our employees, we adopted the form of telecommuting, which was also the main reason for the increase in our greenhouse gas emissions in 2021. As a responsible institutional investor, we will continue to take emission reduction measures in an all-round and multi-dimensional manner and resolutely implement the philosophy of sustainable and green operation.

Greenhouse gas emissions	Unit	2021	2020
Scope 1 emissions	Tons of carbon dioxide equivalent	175.1	175.1
Scope 2 emissions	Tons of carbon dioxide equivalent	3,270.2	3081.3
Total GHG emissions	Tons of carbon dioxide equivalent	3,445.3	3256.4
Greenhouse gas emissions per employee	Tons of carbon dioxide/employee	4.2	4.3
Greenhouse gas emissions per square meter of floor area	Tons of carbon dioxide/square meter	0.1	0.1

Notes:

The greenhouse gas emissions were calculated based on those generated in the office of the South Asset Management Head Office and all of the branches, namely branches in Beijing, Shanghai, Shenzhen, Nanjing, Chengdu and Hefei.

Scope 1 emissions include direct emissions from the combustion of fuel from fixed sources (i.e. equipment) and movable sources (i.e. company-owned vehicles). The greenhouse gas emission factors used in the calculation are based on the *2006 IPCC Guidelines for National Greenhouse Gas Inventories*; the GHG global warming potential values are from the Green House Gas Protocol Fifth Assessment Report (AR5).

Scope 2 emissions include indirect emissions from electricity purchased and used by SAM. The State Grid emission factors used in the calculation are based on the average carbon dioxide emission factors of power grids in China in 2012 issued by the National Development and Reform Commission.

## Waste Disposal

To strengthen the management of waste disposal, we continued to promote the work of waste classification, carried out publicity and training programs on waste classification, strengthened mentoring and other means, and improved the environmental protection awareness of our staff.

We strictly abided by the regulations of the Urban Administration and Law Enforcement Bureau of Shenzhen Municipality and other relevant competent authorities, and effectively disposed of harmless garbage such as waste paper, waste office furniture, domestic garbage and kitchen garbage generated from our operation. As for disposal of kitchen waste, we signed an agreement with the recycling company designated by the competent authority for point-to-point recycling. The waste electronic equipment and components were treated in an environmentally-friendly way via classified recycling and centralized disposal. Hazardous wastes that cannot be recycled, such as waste ink cartridges, waste toner cartridges, waste lamp tubes, etc., were collected separately and disposed of in a centralized manner to avoid any environmental pollution. For example, the waste toner cartridges were recycled and disposed of by the printer manufacturer after being used up, and the discarded electronic equipment was recycled and disposed of by the service provider in a centralized manner every year.

## Use of Energy and Resources

We strengthened the management on use of energy and resources, adopted a series of energy-saving and consumption-reducing measures such as water and electricity conservation, paperless office and garbage sorting, to improve the efficiency on use of resources and energy.

### Water-saving and electricity-saving

We promoted the use of energy-saving products, strengthened air-conditioning management, and adopted the VAV (Variable Air Volume) balanced air-conditioning system with less energy consumption. Water-saving appliances were used to reduce water waste. We adopted renewable energy systems. For instance, solar water heaters were used in gym shower enclosures. In addition, we strengthened daily supervision and management on use of water and electricity.

### Paperless office

The office space was provided with printing paper recycling boxes to encourage all staff to reuse printing paper. We integrated the concept of environmental protection into the investors education, and encouraged clients to switch from paper bills to customized electronic bills. We also promoted video conference or telephone conference, and reduced the proportion of on-site meetings.

### Advocating a low-carbon lifestyle

We encouraged employees to develop a green and low-carbon lifestyle, preferably select public transport, increase the use and consumption of recyclable stuff, and promote green development with concrete actions.

### Energy consumption by SAM Headquarters Office:

Total electricity consumption in 2021

**6,064** MWh

Total electricity consumption in 2020

**5,375** MWh

### Consumption of energy/fuels in 2021



Purchased electricity

**6,064** MWh



Liquefied petroleum gas

**10,868.7** L

Natural gas

**36,517** m<sup>3</sup>

Unleaded gasoline

**5,384.4** L

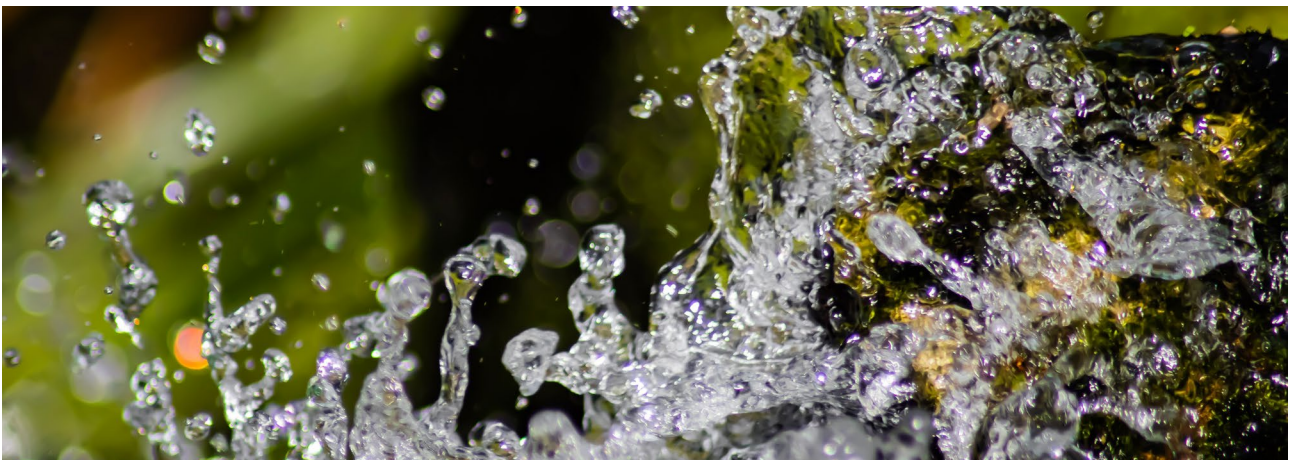
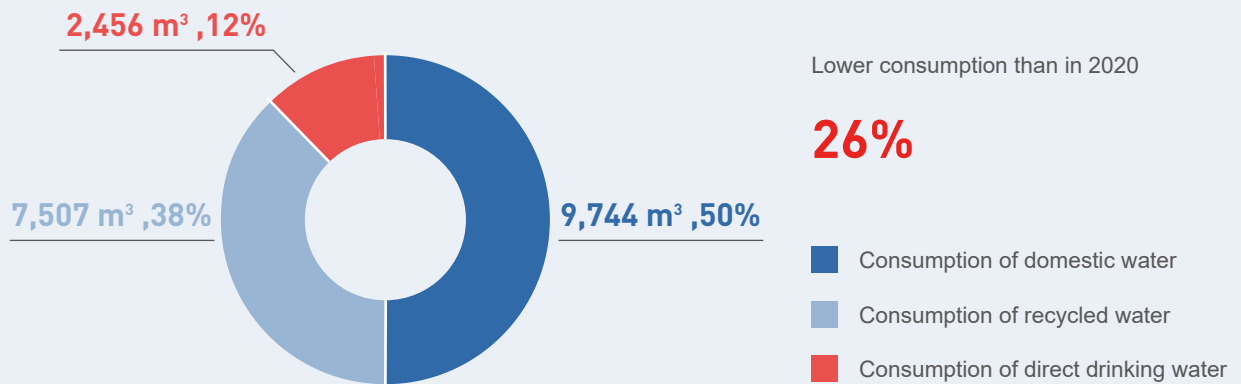
Total consumption

**6,676** MWh

Notes:

The GHG emissions were calculated based on those generated in the office of the South Asset Management Head Office and all of the branches, namely branches in Beijing, Shanghai, Shenzhen, Nanjing, Chengdu and Hefei. The data of energy consumption was calculated according to relevant conversion factor provided in the national standard of the People's Republic of China, *General Rules for Calculation of Comprehensive Energy Consumption (GB/T2589-2008)*. It includes purchased electricity, liquefied petroleum gas, natural gas and unleaded gasoline.

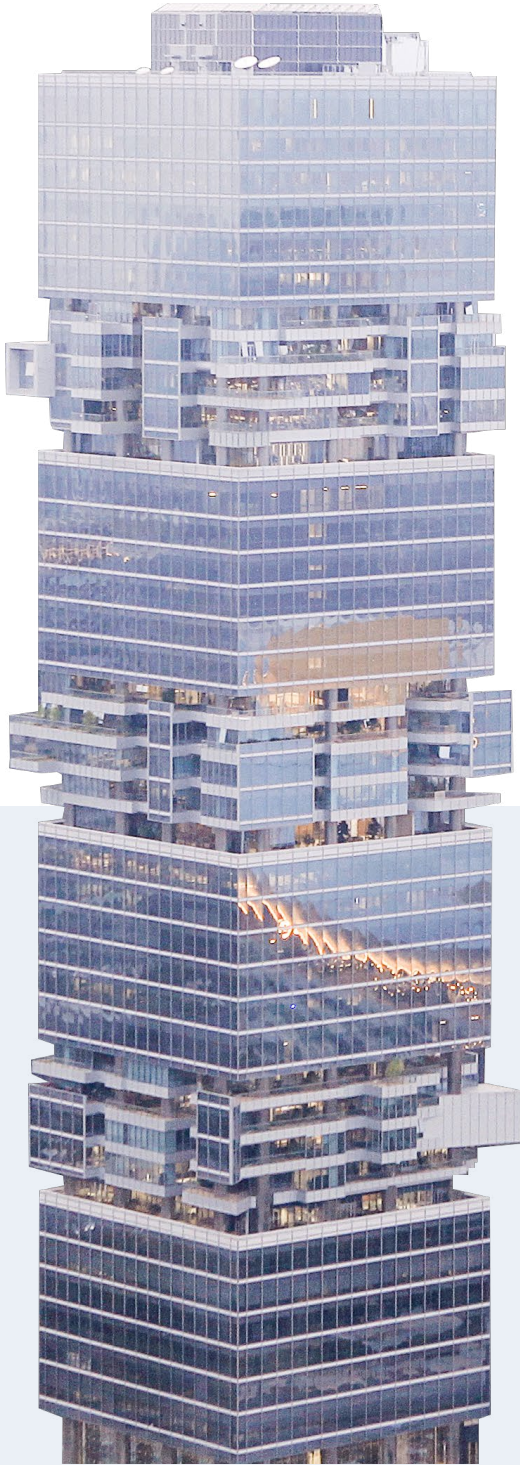
### Water consumption by South Asset Management Headquarter in 2021



## | Green Building

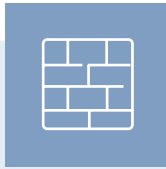
We have integrated green elements into our day-to-day operation and management, and paid great attention to environmental protection and green considerations for hardware facilities. Our Headquarter building located in Futian CBD Financial Center in Shenzhen, the Fund Building, with the design concept of recyclable building, green technology and low-carbon life, we integrated local spirituality and Lingnan architectural features and cared about the environmental protection benefits generated in its whole life cycle, which testified to our proactive response to the country's call for green building development.

Fund Building takes up an area of 7,260.06 square meters, with a total construction area of 110,000 square meters and a height of 200 meters. From the stages of planning and designing, to construction and choice of construction materials, attention is given to each detail in order to incorporate green elements into the design in accordance with international green building standards. In November 2020, after multiple rounds of assessment by the U.S. Green Building Council, and Green Building Certification Association, Fund Building finally acquired the LEED Gold Certification, making it an internationally recognized green building.



In 2020, the “Fund Building”, the Headquarters building of SAM was awarded the LEED Gold Level Certification for Green Building





Exterior wall design

The building includes a rooftop garden which increases the area of building surfaces covered by plants. The double-layer curtain wall which was more beneficial to energy conservation was adopted to reduce energy consumption.



Water supply and drainage system design

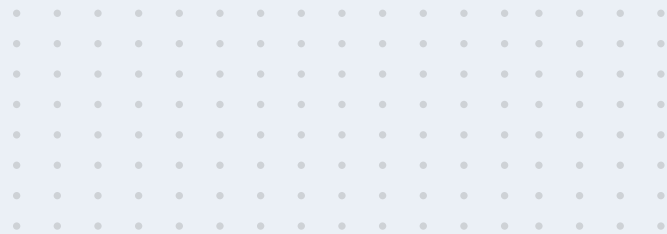
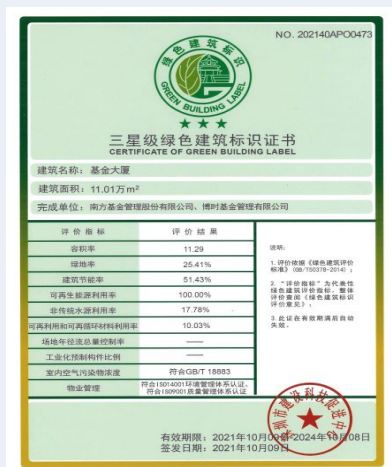
Recycled water treatment and rainwater recovery systems were adopted to achieve “zero discharge of wastewater”. Energy-saving sanitary wares with low water volume were selected for toilets, and the direct drinking water system was used together with the sanitary wares, reducing water consumption of the building.



Electrical design

Energy efficient VAV system and smart lighting system controlled by presence are used to effectively reduce power consumption. In addition, renewable energy systems, such as solar water heaters, are extensively used in the building.

In 2021, the “Fund Building”, the Headquarter building of SAM was awarded the three-star Certificate of Green Building Label



## Green Procurement

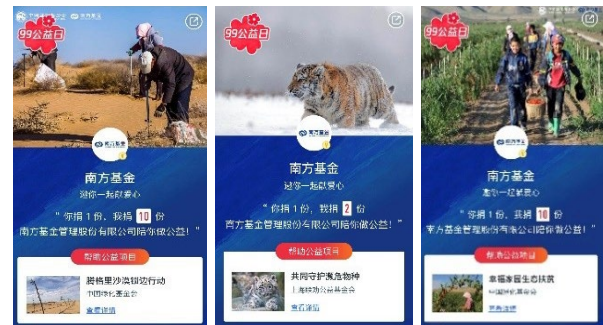
We conducted our procurement work in compliance with the requirements of laws and regulations such as the *Bidding Law of the People's Republic of China* and the *Implementation Regulation on Implementation of the Bidding Law of the People's Republic of China*, and continuously improved our supplier management system and strengthened our supplier management. As a financial institution, we have a relatively short supply chain. Supplies engaged mainly provide IT software and hardware, office supplies, facilities and equipment, and relevant services. Thus, our supply chain imposes a relatively lower ESG risk. In terms of supplier selection, SAM requires suppliers to have no record of any administrative penalties for violations in the past three years, and gives priority to suppliers with better social images and stronger CSR performance. For the procurement of cleaning and office supplies, priority is given to eco-friendly supplies, such as ecofriendly paper, to reduce the impact on the environment. We acted on green procurement, especially when purchasing cleaning, office and other supplies, gave priority to environment-friendly products and services on the premise of satisfying service quality. We also gave priority to purchasing environmental-friendly products, such as office furniture, cleaning supplies and other daily necessities, to reduce the impact on the environment.

## Green Public Welfare

We have been acting on the ecological concept of green environmental protection and harmonious coexistence with concrete actions. We have devoted ourselves to green public welfare activities, leaving our footprint across the land of the motherland, from the Tengger Desert to the Yangtze River valley, contributing to environmental protection, protecting species diversity and ecological poverty alleviation. We also encouraged all employees to live a green lifestyle in an environmental-friendly, positive and healthy way while bearing in mind public welfare and making positive contributions to the green and ecological public welfare undertaking.

## Participating in “99 Public Welfare Day” of Tengan

In 2021, Southern Asset Management, as one of the first five major partners for the “99 Public Welfare Day” organized by Tencent Tengan and Tencent Public Welfare, contributed a total donation of RMB 500,000, which was mainly invested in environmental protection projects such as desert border locking, protection of endangered species, ecological poverty alleviation, 100 million Haloxylon ammodendron, and keeping the smile of Yangtze River. By doing so, Southern Asset Management hoped to pool the love and strength of employees, partners, clients and the general public with concrete actions through the internet platform to jointly drive the sustainable development of the society.



Tengger Desert Boundary Locking Action

Protection of Endangered Species Initiative

The Happy Lands Ecological Poverty Alleviation Initiative



One Hundred Million Haloxylon ammodendron

Keeping the Smile of the Yangtze River Initiative

## Participating in Community Building

As one of the first fund companies established in the country with one of the largest AUM, we attached great importance to the fulfillment of social responsibilities, proactively engaged in various public welfare and charity projects and environmental protection work, and have invested a total of more than RMB 10 million in social welfare undertakings, setting an industry benchmark as a responsible and caring enterprise, and creating a responsible South Asset Management, a caring South Asset Management and a happy South Asset Management.

### Embracing the Development of the Greater Bay Area

As one of the first batch of fund management companies operating in a well-regulated manner in China and based in the Greater Bay Area, we embrace the trends of the times and have proactively grasped the development opportunities, and established ourselves as the mutual fund with the largest AUM from public offering in Shenzhen Special Economic Zone.

Serving the development of the Greater Bay Area, in September 2019, we launched the China Southern Greater Bay Area ETF, tracked the Greater Bay Area Innovation 100 Index, aggregated Guangdong-Hong Kong-Macao Greater Bay Area enterprises with outstanding innovation capabilities, and boosted the development of Greater Bay Area's strategic emerging industries, modern service industry and marine economic industries. To promote cross-border investment, CSOP Asset Management Limited, as the first overseas asset management subsidiary of a domestic fund company approved to be established, has always been at the forefront of the opening up of China's capital market since its inception in 2008. It invests in products across the world, including those in Hong Kong, the United States, Japan, Luxembourg, Ireland, the Cayman Islands and other regions. With its advantageous position in management of RQFII products, it has become an important ETF provider in Hong Kong.

### Powering Public Welfare Undertakings

Over the years, we have been enthusiastic about public welfare, proactively participated in social welfare and charity activities, and fulfilled our corporate social responsibilities. In order to better fulfill our corporate social responsibilities, we donated RMB 8 million on July 25, 2011 to set up the Guangdong Southern Asset Management Charity Foundation, which is mainly engaged in social welfare and charity activities such as rewarding teachers and aiding students, disaster relief, poverty alleviation and environmental protection.

By the end of 2021, the Company had donated a total of RMB 15.4882 million, and the Southern Asset Management Charity Foundation had donated a total of RMB 7.6757 million, a total of RMB 23.1639 million. In 2021, the total public welfare and charity donation of Southern Asset Management was RMB 412.68 ten thousand.

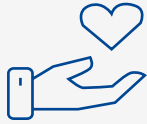


In 2021,  
the total public welfare and charity donation  
of Southern Asset Management was RMB

**412.68** ten thousand.

Case: The Education Aid Scheme for Needy Students in Fenxi County

“Among fundamental undertakings staying crucial for generations to come, education is the very one that should be given top priority to. Education is the foundation of a state and the symbol of prosperity of a nation. We have committed ourselves to China's rural education program and the great cause of socialism and continued to stage educational public welfare programs. In November 2021, we donated RMB 254,939 yuan for the Education Aid Scheme for Needy Students in Fenxi County, which supported 247 students.



We donated RMB

**254,939** yuan

supported

**247** students



## Supporting Emergency Relief

We have fully fulfilled our corporate social responsibilities, responded promptly to major events such as pandemic prevention and control and rainstorm in Henan, provided supports and repaid the society with concrete actions.

Case: Sharing the storm and advancing hand in hand, Southern Asset Management came to the aid of Henan

In July 2021, many places in Henan province were affected by severe rainstorm and flood. In order to help the people of Henan fight against the rainstorm disaster, we donated RMB 3 million to Henan Charity General Federation, which was earmarked for flood relief and post-disaster reconstruction in Henan Province.



In order to help the people of Henan fight against the rainstorm disaster, we donated RMB

**3** million.



# Appendix

## List of Stakeholders

Southern Asset Management communicates with stakeholders in an active and open manner, continuously expands communication channels, fully listens to and learns about the opinions and feedback of relevant groups, responds to important ESG issues of concern to stakeholders in a timely and sincere manner, promotes its business development, and strives to foster its image as an excellent corporate citizen.

Stakeholders	Main communication channels	
 Government and regulators	<ul style="list-style-type: none"> <li>Monitoring the latest policies, regulations and guidelines</li> <li>Responding to national strategies through launching investment strategies and products</li> <li>Online survey</li> </ul>	
 Investors	<ul style="list-style-type: none"> <li>Online survey</li> <li>Annual reports</li> <li>Investor education activities</li> <li>Periodic reports and information announcements</li> <li>Maintaining communication with investors through media, telephone and email and other channels</li> </ul>	
 Customers	<ul style="list-style-type: none"> <li>Client product demand survey</li> <li>Online survey</li> <li>Online communication functions such as service hotline, WeChat notification and mail subscription</li> <li>Client satisfaction survey</li> <li>Feedback from clients</li> <li>Client rights and interests protection</li> </ul>	
 Employees	<ul style="list-style-type: none"> <li>Executive Open Day</li> <li>ESG information monthly</li> <li>Internal interview</li> <li>Online survey</li> <li>Staff training and technical support</li> </ul>	<ul style="list-style-type: none"> <li>Staff satisfaction survey</li> <li>Staff opinion box</li> <li>Congress of Staff and Employees</li> <li>Staff development and health care activities</li> </ul>
 General public	<ul style="list-style-type: none"> <li>Online survey</li> <li>Donations</li> <li>Community services and voluntary activities</li> <li>Financial literacy popularization campaign</li> </ul>	
 Suppliers	<ul style="list-style-type: none"> <li>Online survey</li> <li>Centralized procurement</li> <li>Supplier training</li> </ul>	

## About the Report

This report is the second official ESG investment annual report released by China Southern Asset Management Co., Ltd. (“SAM”), covering its headquarters, branches and subsidiaries. The reporting period mainly spans 2021, and with certain information falling outside of the reporting period. Unless otherwise specified, financial data provided herein are presented in RMB.

The report is prepared based on the Shenzhen Green Finance Association *Shenzhen Financial Institutions Environmental Information Disclosure Guidelines (Draft for Comment)*, Shenzhen Municipal Local Financial Supervision and Administration Bureau *Regulations on Green Finance for the Shenzhen Special Economic Zone*, the HKEX Environmental, Social and Governance (ESG) Reporting Guide (2020), the UN-supported PRI, TCFD recommendations, the Green Industry Guidance Catalog (2019 Edition) issued by the National Development and Reform Commission, and the SDG Finance Taxonomy (China), among others.

In this report, “China Southern Asset Management Co., Ltd.,” “Southern Asset Management”, “Company” and “we” all refer to China Southern Asset Management Co., Ltd.

## Contact Us

Dear readers,

Thank you for reading the *2021 ESG Investing Report of Southern Asset Management* during your busy schedule. In order to better meet your needs, provide you with more valuable information, and at the same time promote our continuous improvement of ESG performance and enhance our capabilities to make responsible investing and fulfill our social responsibilities, we earnestly expect you to provide valuable comments on our report!

You can provide immediate feedback by scanning the following QR code on the right.



You can also contact us in the following ways.

- Address: Sustainable Development Department, 32-42/F, Fund Building, 5999 Yitian Road, Lianhua Street, Futian District, Shenzhen City, Guangdong Province

- Postcode: 518017

- E-mail: [lisisi@southernfund.com](mailto:lisisi@southernfund.com)

Southern Asset Management ESG Investing Report Working Group  
June 10, 2022

## Disclaimer

1.All information contained herein is used for reference only, and does not serve as an offer, an invitation to offer or any commitment of whatever form. Unless those are disclosed by Southern Asset Management as required by law, the information referred to herein is sourced from public materials, hence the accuracy, completeness and reliability are not guaranteed by Southern Asset Management. Neither Southern Asset Management nor any of its directors or employees shall have any liability (including any third party liability) for any error or omission in respect of such information. Unless otherwise specified, the individual opinions, analysis, suggestions or models contained herein only reflect the opinions and views of the author on the date of issuance hereof, which do not represent the position of Southern Asset Management, and can be modified by the author without any notice.

2.Any investment (if any) referred to herein involve relevant risks, and is not suitable for all the investors. The return or value of the securities, the funds and other assets invested on the basis thereof may fluctuate. This material does not take into consideration the investment goal, financial condition, risk tolerance or specific demand of any single investor. No opinion shall at any time constitute an investment suggestion to any investor. Investors shall take full account their respective conditions, and understand

and use this material as a whole, instead of treating this material as the only reference for making any investment decisions. Investors shall seek advice from professional advisors, make judgement at its own discretion on the investment value of securities and funds, make independent investment decisions and take their own investment risks. Neither Southern Asset Management nor the author hereof shall have any legal liability for any consequence as a result of the reliance on, or use of this material.

3. Southern Asset Management, as the fund manager, undertakes to fulfill its duties faithfully and diligently in managing and operating the assets of the fund, but does not guarantee the profit or the minimum return of the fund. The historical performance and net value of funds under management by Southern Asset Management do not predict their future performance, nor shall the performance of certain funds constitute any guarantee for the performance of any other funds. Please note that investors shall take the risks of any investment they have made into the fund. After making any investment decision, the investors shall be solely liable for any investment risk arising from any change to the performance and net value of the fund.

4.Before making any investment decisions, investors shall read carefully the fund contract, the fund prospectus and any official announcement and the relevant information published by Southern Asset

Management on any information disclosure media as designated by the China Securities Regulatory Commission. Information contained in this material (including but not limited to reviews, predictions, charts, index, theories etc.) is used for reference only, and shall not be regarded as a basis for investors to make any investment decision or fund transaction. Investors shall subscribe for and redeem any fund units at the place of business of the fund distribution institutions where they carry out fund distribution business or otherwise as provided by the fund distribution institutions. Funds are not the deposit or debts of the distribution institutions and are not guaranteed or endorsed by the distribution institutions. The distribution institutions do not guarantee the return or safety of the principal of the fund.

5.The copyright of this material is protected by laws. This material cannot be published, executed, revised, duplicated, reproduced or disseminated by any institution or individual in any manner without the prior written consent of Southern Asset Management. This material may contain proprietary or confidential information or other legally protected information. If you are not the intended recipient of this material, please immediately notify the sender, and destroy and delete this material. It is not permitted to copy or use this material, or to disclose the content of this material to any other person.