

2023 Sustainability Report

Long-term Investment / Value Investment / Responsible Investment

CONTENTS

About the Report	01
Message from the General Manager	03
About Us	05
Southern Asset Management's	
Disclosure Framework	13
2023 in Numbers	13

1 Making Responsible Investments to Promote Sustainable Development

ESG Investment Strategic Objectives	17
ESG Management Structure	17
ESG Investment Process	19
ESG Investment Strategies	20
Stewardship	21
ESG Investment Tools	24
ESG Rating System	24
Comprehensive ESG Information Platform	27
ESG Risk Management	28
Research Achievements	29
Spotlight 1: Transition Finance	31

4 Reinforcing the Foundation of Governance to Go Far and Steady

Corporate Governance	55
Robust Operations	56
Corporate Culture	62

2 Promoting Green Development to Build a Beautiful China

Environmental Impact of Investment and Financing Activities	35
Environmental Impact of Operating Activities	37
Spotlight 2: Climate Change Response	41

3 Leveraging the Power of the Financial Sector to Help Create Long-term Value

Empowering New Quality Productive Forces	45
Contributing to Pension Management	45
Further Pursuing Scenario-based Wealth Management Methods	47
Prioritizing Investors' Interests	48
Protecting Clients' Rights and Interests	49

5 Charting an Ambitious Blueprint to Enable Change for the Better

Setting the Stage for a Dream	65
Leveraging the Strength of Charities	71

Appendix

Methods of Calculating the Environmental Impact of Operating Activities	72
GRI Index	74
HKEX Index	77
TCFD Index	80
Support for the Principles for Responsible Investment	82
Response to United Nations' SDGs	83
Notes on This Report	84

About the Report

This is the fourth annual sustainability report (formerly the “ESG Investment Report,” hereinafter referred to as the “Report”) released by Southern Asset Management Co., Ltd. (“Southern Asset Management,” the “Company,” or “we/us”). It gives a true and objective view of the progress in making responsible investments and performing corporate social responsibility by Southern Asset Management and its branches in 2023.

Reference of Preparation

The Report is prepared primarily with reference to Appendix C2 (formerly Appendix 27), *Guidelines for Environmental, Social, and Governance Reporting*, to the Listing Rules of the Stock Exchange of Hong Kong (HKEX), the *Global Reporting Initiative (GRI) Standards (2021)* of the Global Sustainability Standard for the Board (GSSB), and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In conjunction with the Report, we issued the second *Environmental Information Disclosure Report by Financial Institutions* to meet the disclosure requirements of Shenzhen for financial institutions set out in the *Regulations of Shenzhen Special Economic Zone for Green Finance*. Accordingly, the environmental information disclosure report was prepared in accordance with the *Guidelines for Environmental Information Disclosure by Financial Institutions* in Shenzhen (Shen Jin Jian Gui [2022] No. 5).

Reporting Period

Reporting Period: January 1, 2023 to December 31, 2023. To ensure consistency, some parts of the Report go beyond this timeframe.
Release Interval: It is an annual report.

Comments

The Report is released in electronic form and can be browsed or downloaded from the ESG section of Southern Asset Management's official website.

Southern Asset Management maintains regular communications and good relationships with stakeholders. If you have any comments on the sustainability report or related performance, please feel free to make contact via:

Email address: esg@southernfund.com

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

Message from the General Manager

Contributing to High-Quality Development of Financial Services as a Trailblazer in Building a Financial Powerhouse

2023 has been an extraordinary and memorable year. China, like a giant ship navigating the waves of recovery, has witnessed a steady economic rebound, outpacing the world's major economies and demonstrating remarkable resilience and potential. Over the past 26 years, China's publicly offered fund sector has transitioned from rapid growth to high-quality development, playing a crucial role in supporting the real economy, national strategies, capital market reforms, wealth management needs, and the preservation and appreciation of state-owned capital.

The 2023 Central Financial Work Conference set forth the goal of building a financial powerhouse, emphasizing for the first time the development of technology finance, green finance, inclusive finance, pension finance, and digital finance (the "Five Priorities"). This initiative outlines the roadmap for the high-quality development of financial services. As one of the first publicly offered fund managers in China, we stay true to our original aspirations in asset management, driven by a strong sense of mission and responsibility. By focusing on the political and people-oriented aspects of financial work, we have bolstered confidence, reinforced our determination, and proactively invested in China's assets, thereby contributing to the establishment of a financial powerhouse.

In technology finance, we have increased our investments in strategic emerging industries in recent years. We have expanded our footprint and intensified our efforts in developing technology-focused thematic products. Our Technological Innovation series is designed for the multi-level capital market, resulting in the issuance of 17 funds that target investments in the Sci-Tech Innovation Board, the Growth Enterprise Market, and the Beijing Stock Exchange. Additionally, we have launched thematic funds that cover various technological sectors such as artificial intelligence, innovative drugs, biotechnology, new materials, communication services, the digital economy, semiconductor chips, robotics, and computers.

In green finance, we are committed to implementing Xi Jinping Thought on Ecological Civilization. We continuously optimize our financial offerings and expand our ESG product system. In 2021, we pioneered the first "carbon neutrality" action plan in China's publicly offered fund sector, outlining a comprehensive and multi-faceted approach to climate change, along with sustained exploration for ESG investment practices in the investment-research integration, product presence, and the ESG ecosystem. As of the end of 2023, our self-developed ESG rating system, which aligns with international standards and incorporates Chinese characteristics, covered 4,907 A-share listed companies and 6,966 bond issuers. On the ESG product side, we have vigorously developed ESG-themed products centered on green finance and have launched 12 green finance-related equity, bond, and index funds. In terms of stewardship, we conducted ESG assessments and analyses on 6,475 proxy votes throughout 2023, supporting companies' sustainable development efforts.

In inclusive finance, we are dedicated to our mission "to deliver sustained value for our clients" by offering high-quality and stable products and guiding them toward lower-price assets and long-term investments. Our investor-centric approach has led to the development of a professional and high-quality investment advisory companion system, adaptable to various scenarios, as well as continuous innovation in our service methods to meet investors' needs. We have established three major companion systems: Client Investment Lifecycle, Product Lifecycle, and Client Care, providing one-on-one, intensive companion services such as account diagnosis and product explanations and refining our services with professionalism.

In pension finance, addressing an aging population is crucial for high-quality economic development. Pension management has long been a core focus for us. We have built a comprehensive pension asset management system encompassing Pillars 1, 2, and 3. By the end of the first quarter of 2024, our pension assets under management ranked among the top in the industry, and we have created cumulative investment returns of over RMB 150 billion, demonstrating our contribution to the preservation and enhancement of the value of national pension assets.

In digital finance, building a digital China is the key engine of a Chinese path to modernization. We embrace financial technology (fintech) by leveraging cloud-native technology as our foundation, supported by business mid-offices and data centers, and utilizing our self-developed Euler Asset Management System and smart office system. By enhancing investment research and technology as our core competencies, we aim to transform from a traditional asset manager to a digital, intelligent, and smart asset manager. To further promote this digital and intelligent transformation, we have initiated reforms across various levels, including mechanisms, talent, technology, and capital, ensuring the smooth implementation of our top-level plan. We have built an autonomous and controllable digital platform centered on users, integrating products, marketing, research, investment, trading, risk control, and operations to offer comprehensive solutions across all business lines. This approach allows us to consolidate our business capabilities and effectively summarize our knowledge and experience.

Setting sail and braving the wind, we are embarking on a new journey. Looking ahead, we will firmly implement the guiding principles from the 20th National Congress of the Communist Party of China (CPC) and commit fully to the "Five Priorities" and the state's latest nine policies aimed at strengthening regulation, preventing risks, and promoting the high-quality development of the capital market, alongside other regulatory requirements. With a strong sense of responsibility, mission, and urgency, we will concentrate our efforts on building a financial powerhouse. On the Chinese path to modernization and sustainable development, we will strive to enhance our asset management service capabilities, contributing to the nation's prosperity, rejuvenation, and the well-being of its people. Additionally, we will deeply incorporate ESG principles into our investment decisions and management, working alongside our clients and peers to pursue the Chinese approach to ESG investment and build a better future together!

Yang Xiaosong
General Manager, Southern Asset Management Co., Ltd.




About Us

Founded on March 6, 1998, Southern Asset Management is one of China's first standardized fund managers approved by the China Securities Regulatory Commission, marking China's entry into the "new era of funds." Headquartered in Shenzhen, the Company operates six branches in Beijing, Shanghai, Shenzhen, Nanjing, Chengdu, and Hefei, along with two subsidiaries: China Southern Capital Management Co., Ltd. in Shenzhen and Southern Dongying Asset Management Co., Ltd. in Hong Kong. Southern Dongying Asset Management is the first overseas branch of a domestic fund management company approved by the Chinese Government.

Southern Asset Management ranks among the top in the sector in terms of assets under management (AUM) as well as cumulative profits and dividends of its publicly offered fund products. The Company's diverse products include stock funds, mixed funds, bond funds, currency funds, index funds, QDII funds, and FOF funds. Over its 26-year history, Southern Asset Management has evolved into a leading fund manager, distinguished by its comprehensive product offerings, exceptional performance, a top-ranking AUM size of AUM.



Vision

To be a trusted global leader in asset management



Mission

To deliver sustained value for our clients



Core Values

Client Focus, Integrity, Sharing, Proactive



Our Identity

Trendsetter and Market Pioneer

Participation in Initiatives

2018	<p>United Nations Principles for Responsible Investment (UNPRI)</p> <p>Signatory</p> <p>As a responsible institutional investor, Southern Asset Management complies with the ESG-related standards in making investment decisions, adopts the six Principles for Responsible Investment, and encourages its investees to observe and practice the ESG requirements.</p>
2019	<p>China ESG Leaders Association</p> <p>Council member</p> <p>In collaboration with other business leaders in the organization, Southern Asset Management helps to develop an ESG rating standards system that is appropriate for China, thus promoting the development of ESG investment by the asset management industry of China.</p>
2020	<p>Climate Action 100+</p> <p>Signatory</p> <p>As a signatory to the Climate Action 100+ initiative, Southern Asset Management is committed to urging high-emitting enterprises across the globe to take action by tracking climate change, enforcing sound governance frameworks to address climate-related risks, and improving their information disclosure.</p> <p>Xiangmi Lake Women Directors Initiative</p> <p>Initiator</p> <p>As an initiator of the initiative, Southern Asset Management encourages listed companies to raise the share of women directors on their boards, improve the efficiency of their decision-making processes, and regard these measures as important avenues for innovating governance practices, achieving gender equality, and empowering women.</p>
2021	<p>Task Force on Climate-Related Financial Disclosure (TCFD)</p> <p>Supporter</p> <p>According to the TCFD's requirements, Southern Asset Management develops various management frameworks, including those for governance, strategies, risk management, and targets and indicators, to incorporate climate-related risks into its investment strategies and portfolio risk management.</p> <p>Sustainable Blue Economy Finance Principles</p> <p>Signatory</p> <p>Southern Asset Management was China's first publicly offered fund manager to sign the initiative. It pledges to comply with 14 principles for a sustainable blue economy to help achieve SDG 14, which covers biodiversity of life below water.</p>
2022	<p>CDP</p> <p>Signatory</p> <p>As a signatory to the CDP, Southern Asset Management tracks climate change, and in partnership with large asset managers overseas, encourages enterprises to reduce their GHG emissions, protect water and forest resources, and help to achieve China's goals of carbon peaking and carbon neutrality (the Dual Carbon goals).</p> <p>Transition Pathway Initiative (TPI)</p> <p>Signatory</p> <p>As a signatory to the CDP, Southern Asset Management tracks climate change, and in partnership with large asset managers overseas, encourages enterprises to reduce their GHG emissions, protect water and forest resources, and help to achieve China's goals of carbon peaking and carbon neutrality (the Dual Carbon goals).</p> <p>The Global Investor Statement to Governments on Climate Change</p> <p>Signatory</p> <p>As a signatory to the statement, Southern Asset Management incorporates science-based net-zero objectives and strategies into its investment strategies and portfolios and formulates climate action plans for investors to urge enterprises to forge reasonable transition paths and call on policymakers to create and implement effective policy mechanisms.</p>
2023	<p>China Climate Engagement Initiative (CCEI)</p> <p>Initiator</p> <p>As one of the initiators of the CCEI, Southern Asset Management leverages its influence in stewardship to help China's capital market effectively incorporate institutional investors' expertise and technical resources. This integration aims to boost the willingness, capability, and effectiveness of Chinese companies in achieving a green, low-carbon, and high-quality transition.</p>

ESG Awards and Recognitions

Sustainability awards and recognitions that we won in 2023



Annual Highlights: Efforts in the Five Priorities

Vigorously increasing efforts in technology finance to promote high-quality economic development

Against the backdrop of rapid technological progress and innovation, investment in science and technology has become a new focus of the financial market.

- We have expanded our presence in technology finance, directing social capital towards the semiconductor, new materials, and biomedicine sectors.
- We have enriched our product system by issuing technology-related thematic funds and increasing our support for competitive companies in strategic emerging industries, advanced equipment, and technological innovation, thus contributing to high-quality economic development.

Seizing opportunities in green finance and contributing to the Dual Carbon goals

Green finance has become an indispensable part of national strategic decision-making.

- We continue to improve our ESG rating system and optimize our comprehensive ESG information platform. Carbon emission data is put into application for a more effective assessment of our investees' ESG performance.
- As of the end of 2023, our green investments amounted to RMB 43.269 billion. Four green-themed funds were issued throughout the year, with a total issuance size of RMB 4.646 billion.
- We actively utilize the stewardship strategy to support companies in orderly transition while promoting a greater focus on ESG.

Keeping in mind the mission of inclusive finance and pursuing common prosperity

Inclusive finance is an important guarantee for building China into a great modern socialist country in all respects.

- We provide a full range of fund financial services, actively engage in financial infrastructure construction, and enhance investors' sense of fulfillment.
- We promote rational investment and disseminate financial knowledge through online and offline platforms to enhance investor awareness.
- In 2023, our *Hello, Friend Southern!* series of livestreaming was well received by investors, and the 13 issues throughout the year reached a cumulative audience of 960,000 people.

Maintaining efforts in pension finance and serving the construction of the pension security system

Pension finance is becoming increasingly important in the face of an aging population.

- We have maintained efforts in various business lines of pension investment management, built an all-round pension business system, and enhanced our pension asset management capability.
- In 2023, we created a pension brand, *Seniors' Companion*, and provided pension investment education through online and offline events in 25 cities.







Embracing digital finance and progressing the smart upgrade of asset management

The digital and intelligent transition is necessary for a company to achieve high-quality development.

- We have established a sound data governance system and reinforced our data security management and protection measures.
- In 2023, we increased the application scenarios in the sales process and the transparency of business processes by enhancing the digital and intelligent systems, and launched a number of innovative applications, thus significantly improving communication efficiency.
- We have launched the Euler Asset Management System 3.0 and advanced the functional updates of the Southern Asset Management App. By harnessing digital technology, we have empowered the Company's business and enhanced our customer service capability.

Stakeholder Engagement

Stakeholder engagement is one of our priorities. We consistently monitor and address their needs and expectations. We have established regular communication mechanisms to stay connected. Stakeholder demands are systematically integrated into our operations and decision-making processes. This ensures that material issues of significance to our stakeholders are disclosed in this Report. Below are our key stakeholders and the formats we use to interact with them.

Stakeholder	Demands and Expectations
<p>Government and regulators</p> 	<ul style="list-style-type: none"> Tracking and implementing regulatory policies Releasing investment strategies and products to respond to national strategies Participating in policy formulation Online surveys
<p>Clients</p> 	<ul style="list-style-type: none"> Client product needs surveys Questionnaire surveys online Online communication, e.g., service hotlines, WeChat notices, email subscriptions, etc. Client satisfaction surveys Client feedback Client rights protection
<p>Shareholders</p> 	<ul style="list-style-type: none"> Corporate meetings Questionnaires Periodic reports Communication through phone calls, emails, etc.
<p>Employees</p> 	<ul style="list-style-type: none"> ESG newsletters (monthly) Internal interviews Online questionnaires Employee training and technical support Employee satisfaction surveys Employee complaint boxes Meeting of employees' representatives Employee development and healthcare activities
<p>Communities</p> 	<ul style="list-style-type: none"> Online questionnaires Donations Community and voluntary services Financial knowledge dissemination
<p>Suppliers</p> 	<ul style="list-style-type: none"> Online questionnaires Centralized procurement Supplier training Communication through phone calls, emails, etc.

Materiality Analysis

In 2023, through policy research, industry benchmarking, and expert judgment, we further updated, screened, and reviewed our materiality analysis process. Material issues of importance to the Company and stakeholders are highlighted and addressed in this Report.

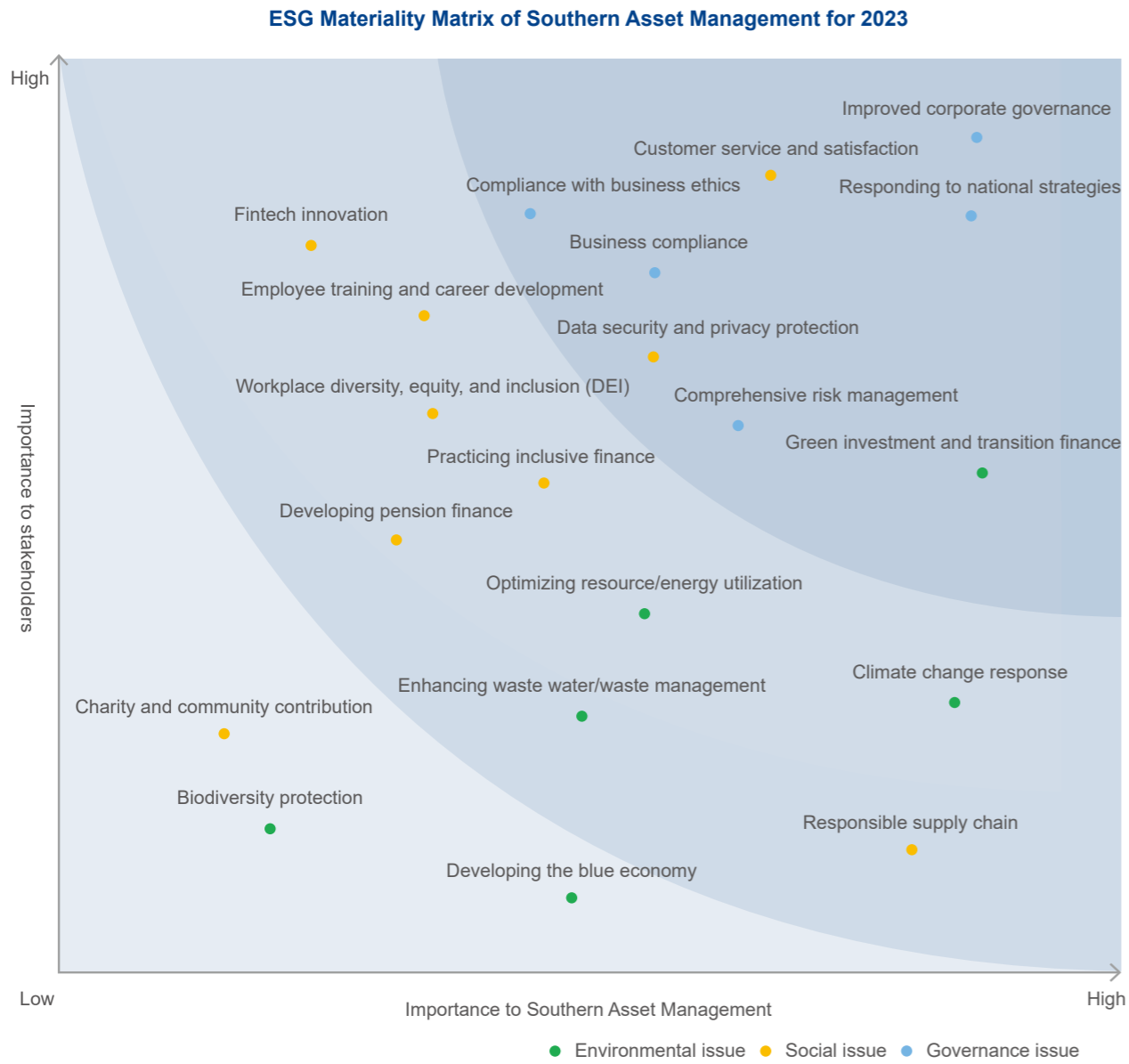
We used an online questionnaire to prioritize material issues and understand the importance of various ESG issues to our internal and external stakeholders. During the reporting period, we analyzed and determined the scope and boundaries for disclosing these issues based on the survey results. This analysis culminated in the creation of the ESG Materiality Matrix of Southern Asset Management for 2023.

Our analysis identified a total of 20 issues: six environmental, nine social, and five governance issues. We categorized these issues based on their importance to our stakeholders, dividing them into three categories: high, medium, and low importance.

Created preliminary list of ESG issues	Communicated with external ESG experts to create a preliminary list of ESG issues with potential or actual impact on the Company.
Engaged stakeholders through various methods	Based on the list of topics, stakeholder research on ESG issues was conducted through policy research, research reports, media coverage, customer surveys, and other methods.
Assessed importance of ESG issues	After analysis, key annual ESG topics were identified and used as one of the important reference bases for the preparation of the ESG investment report 2023.
Conducted internal review of ESG issues	Relevant personnel of the Company reviewed the ESG issues and their disclosure and finally determined the level of importance of various issues.



We further completed the materiality analysis matrix based on the "importance to stakeholders" (vertical axis) and the "importance to Southern Asset Management" (horizontal axis). The results are shown in the figure below.



	Material Issue
Issues of high importance	Improved corporate governance
	Responding to national strategies
	Customer service and satisfaction
	Green investment and transition finance
	Business compliance
	Data security and privacy protection
	Comprehensive risk management
	Compliance with business ethics
Issues of medium importance	Fintech innovation
	Employee training and career development
	Workplace diversity, equity, and inclusion (DEI)
	Climate change response
	Practicing inclusive finance
	Developing pension finance
	Optimizing resource/energy utilization
	Responsible supply chain
Issues of low importance	Enhancing waste water/waste management
	Developing the blue economy
	Charity and community contribution
	Biodiversity protection



Southern Asset Management's Disclosure Framework



2023 in Numbers

Social Domain	2023	2022	2021
Total number of employees	990 people	900 people	815 people
Ratio of suppliers regularly reviewed	100%	100%	100%
Donations	RMB 1.362 million	RMB 1 million	RMB 4.127 million

Environmental Domain	2023	2022	2021
Total GHG emissions (scope 1 and scope 2)	4,775.8 tons of carbon dioxide equivalent	4,429.0 tons of carbon dioxide equivalent	3,992.5 tons of carbon dioxide equivalent
GHG emissions (scope 1)	286.9 tons of carbon dioxide equivalent	206.7 tons of carbon dioxide equivalent	159.2 tons of carbon dioxide equivalent
GHG emissions (scope 2)	4,488.9 tons of carbon dioxide equivalent	4,222.3 tons of carbon dioxide equivalent	3,833.3 tons of carbon dioxide equivalent
GHG emissions per employee (scope 1 and scope 2)	4.7 tons of carbon dioxide equivalent/employee ¹	4.7 tons of carbon dioxide equivalent/employee	4.9 tons of carbon dioxide equivalent/employee
GHG emissions per unit of area (scope 1 and scope 2)	0.1 tons of carbon dioxide equivalent/m ²	0.2 tons of carbon dioxide equivalent/m ²	0.1 tons of carbon dioxide equivalent/m ²

¹ In 2023, Southern Asset Management had 1,028 employees, including those at the headquarters, branches, and the Shenzhen subsidiary but excluding those at the Hong Kong subsidiary.

Making Responsible Investments to Promote Sustainable Development 01

As one of the first asset managers in China to join the United Nations Principles for Responsible Investment (UNPRI), we actively support global initiatives and international conventions, including the United Nations 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). We have integrated ESG factors into our business strategy to align with national objectives. By adopting Xi Jinping Thought on Ecological Civilization, we support China's Dual Carbon goals and proactively implement the requirement to enhance financial support for green and low-carbon development. Our commitment is to advance the SDGs through ESG investments, fostering a virtuous cycle of the eco-environment, social harmony, and economic development.

Against the backdrop of global sustainable development and low-carbon transformation, we adhere to the investment philosophy of "long-term investment, value investment, and responsible investment." Guided by principles of specialization and differentiation, we actively explore and practice the localization integration of ESG within the context of global sustainable development and climate transition. We are progressively enhancing our ESG business management framework, optimizing ESG investment processes, strengthening ESG risk management and climate change resilience, aiming to transform ESG investment operations into distinctive advantages for the company. Our goal is to become a pioneer and leader in the industry, driving transformation and innovation.

Responding to the UN SDGs:



ESG Investment Strategic Objectives

ESG principles are integral to our long-term development strategy. By staying attuned to industry trends and fulfilling our social responsibility, we are committed to deeply integrating ESG concepts into our operations, investment decisions, and product development. We have formulated and implemented the *Ten-Year Development Strategic Plan of Southern Asset Management (2017-2026)*, incorporating ESG into our development strategy. Our focus is on enhancing ESG research and improving our ability to acquire new types of high-quality assets, cumulating in an ESG system with the characteristics of Southern Asset Management. This will boost our value creation and strengthen our core competitiveness.

As we integrate ESG investment principles into our overall long-term strategy, we have established specific goals to grow our ESG investment business at both the macro and micro levels.

On the macro level

We seek to achieve the SDGs through ESG investment, boost the sustainable development of society, and form a virtuous cycle comprising the ecological environment, a harmonious society, and economic development.

On the micro level

We seek to create a performance appraisal framework that can go beyond pure financial data, issue alert to tail risks, and identify potential opportunities through more diversified means and in a more sensitive manner. The aim is to optimize the risk-reward ratio of our portfolios and make our value creation more resilient.

ESG Management Structure

Guided by our strategy and business objectives, we have set up a sound ESG management structure to advance our ESG initiatives effectively. This structure includes a two-tier leadership structure of an “ESG Leadership Group” and “ESG Working Groups”. These groups are under the leadership and responsibility of the General Manager. Executives from various business lines oversee the implementation of ESG practices across the equity, fixed income, compliance and risk control, and product lines. ESG progress is reported to the Board of Directors regularly.



ESG Leadership Group

The ESG Leadership Group is responsible for coordinating the Company’s ESG work, leading the implementation of various ESG initiatives, regularly reviewing ESG progress, and setting priorities for the next phase of work.



ESG Working Groups

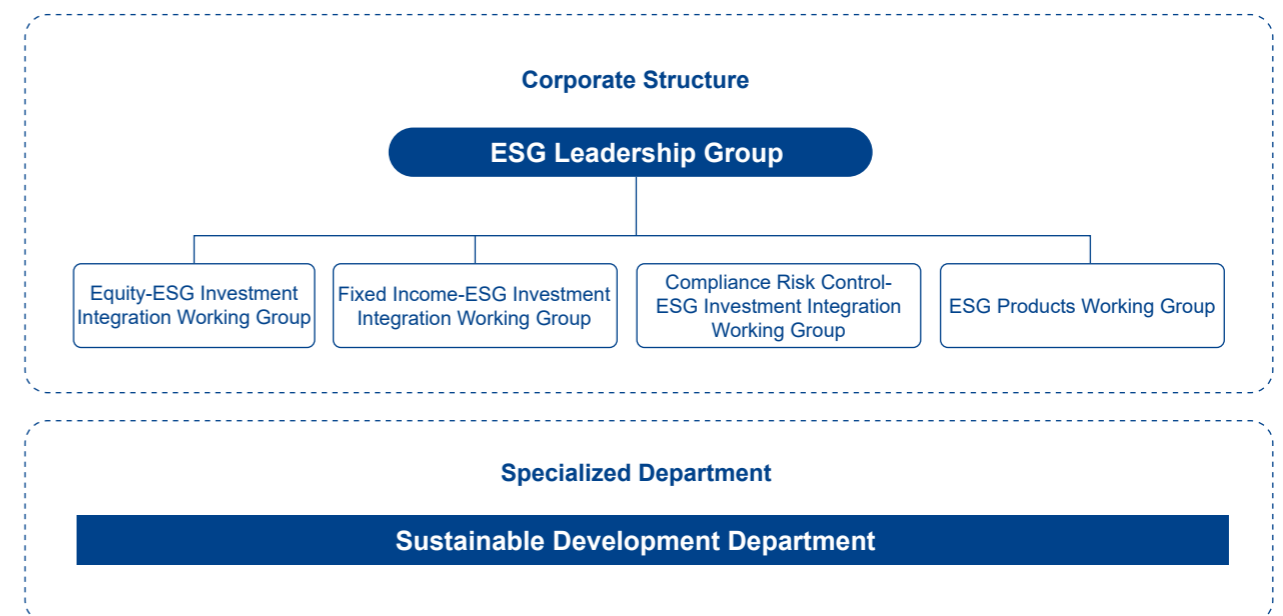
ESG Working Groups are responsible for implementing the decisions of the ESG Leadership Group. The equity- and fixed income-ESG investment integration groups promote the application of ESG integration in the investment research line as scheduled, take ESG factors into account in the research and analysis process, and transfer ESG research results to the investment research system. The compliance risk control-ESG investment integration group advances the use of ESG in risk management. The ESG products group drives the evolution of the product system.



Setup of Specialized Departments

Our Sustainable Development Department is the industry’s first department specifically responsible for promoting sustainable investment. Internally, the department facilitates the integration of ESG investment and research, builds an ESG rating system, conducts research on ESG issues and policies to address climate change, and develops ESG product strategies. Externally, it performs stewardship, participates in policy making, shares ESG practices, and promotes ESG ecosystem building.

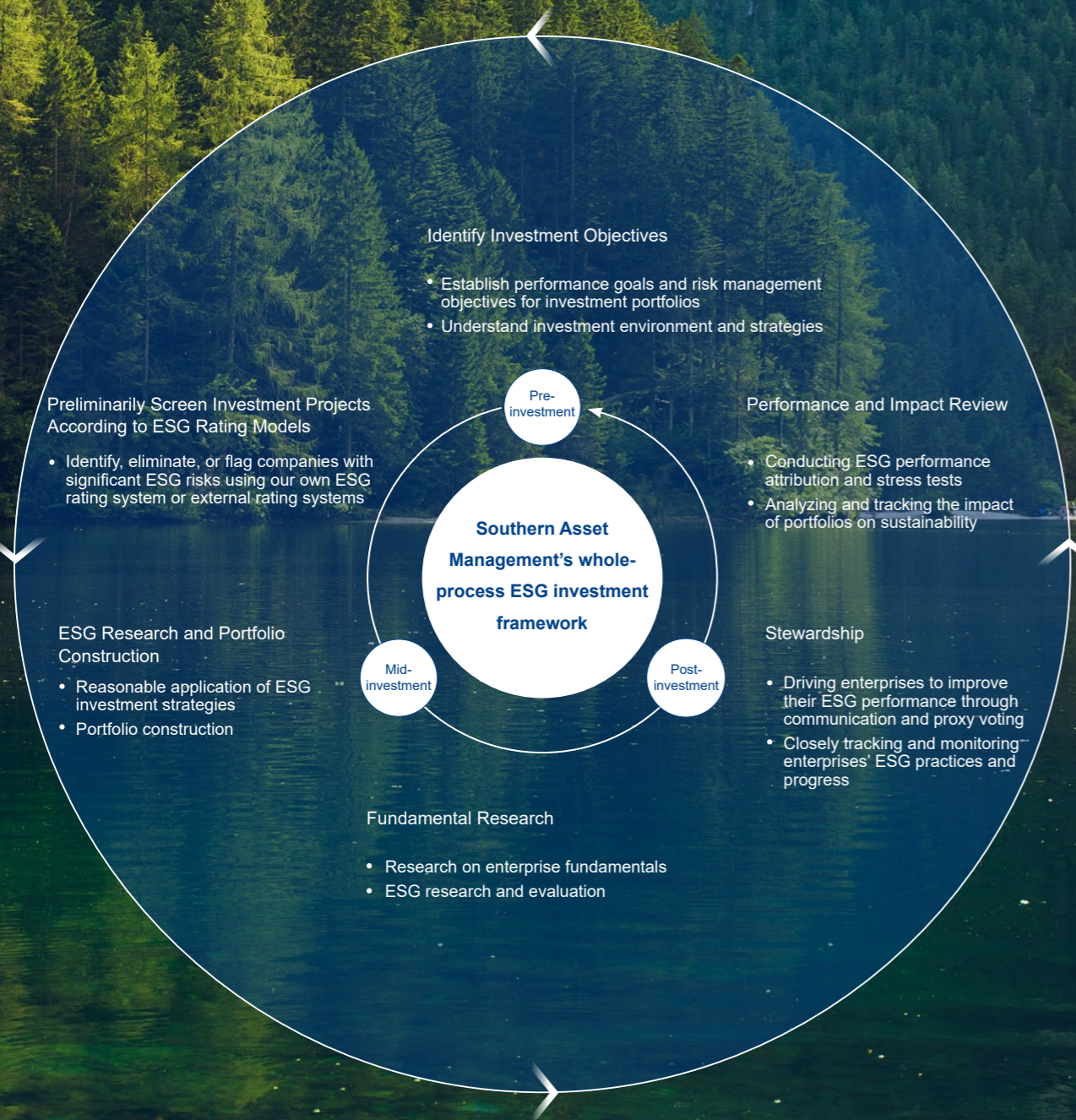
Southern Asset Management’s ESG Management Structure



Our governance structure for climate-related risks and opportunities is aligned with the ESG organizational structure, with the ESG Leadership Group coordinating relevant efforts and the ESG working groups implementing responsive measures.

ESG Investment Process

We have established a comprehensive ESG investment system that covers the entire process of "pre-investment, investment, and post-investment." ESG elements are fully integrated into all stages of our business activities. The implementation and execution of this system are ensured through a well-structured ESG investment management framework and procedural regulations. The overall principles of our ESG investment system are "in-depth research, objective evaluation, timely tracking, and categorized application." This approach involves a thorough assessment of the ESG performance of invested companies and the strengthening of ESG risk management. Our ESG rating system supports all our products, enhancing the resilience and value creation of our portfolios.



ESG Investment Strategies

When applying ESG investment strategies, we remain committed to our ESG investment philosophy, integrating ESG factors into our investment strategies. In our research and investment process, we flexibly apply various ESG investment strategies, including ESG integration, ESG positive screening, ESG negative screening, stewardship, and ESG thematic investment. By combining ESG insights with fundamental research, we identify high-quality companies across different sectors that excel in ESG performance and have strong potential for long-term growth.

Investment Strategy	Definition	Application
ESG integration	The investment manager explicitly and systematically incorporates ESG factors into traditional financial analyses to gain a comprehensive understanding of the sustainability and social responsibility performance of investees.	<ul style="list-style-type: none"> We explicitly and systematically integrate ESG factors into our investment analyses and decision-making processes to gain a comprehensive view of investees' ESG performance. This enhances our ability to manage ESG risks and optimize the risk-reward ratio of our investment portfolios. Due to the wide variety of ESG risks, it is crucial to focus on the key ESG risks with material ESG metrics specific to the company's industry when using the ESG integration strategy, and adjust valuations accordingly.
ESG positive screening	We prioritize investments in sectors or companies that excel in ESG performance compared to their peers.	<ul style="list-style-type: none"> We reference internal and external ESG assessments to identify and prioritize listed companies that excel in ESG performance within their industries. Since improvements in ESG performance often lead to better operations and higher returns, we encourage fund managers to increase investments in listed companies that show significant progress in their ESG practices.
ESG negative screening	We exclude certain sectors, companies, or businesses from our portfolios based on specific ESG guidelines to mitigate potential risks and promote sustainable development.	<ul style="list-style-type: none"> We adopt an absolute exclusion strategy for enterprises that have violated domestic or international laws, bans, or agreements, as well as for investment targets likely to have adverse societal impacts, such as those involved in the manufacture of weapons of mass destruction. Portfolios purchasing low ESG-rated stocks and bonds will receive risk warnings.
Stewardship	We exercise our influence as institutional investors to guide corporate behavior through direct interviews with staff members of the company, submitting or co-submitting proposals, and proxy voting in accordance with comprehensive ESG guidelines.	<ul style="list-style-type: none"> We regularly monitor the ESG performance of our investees and incorporate ESG issues into our communications with them. This helps raise their awareness of ESG matters and encourages improvements in their governance structures and overall ESG performance. We actively participate in major business decisions and regulatory discussions of the companies we invest in, promoting sustainable development through voting and other means.
ESG thematic investment	We focus on investing in themes or assets related to sustainable development.	<ul style="list-style-type: none"> We prioritize ESG topics that materially impact economic and social sustainability and are highly regarded both domestically and internationally. These include climate change, the Dual Carbon goals, corporate governance structures, the sustainable blue economy, and just transition.

Stewardship

We leverage digital tools such as the ESG rating system and comprehensive ESG information platform to fully utilize the power of institutional investors. By actively employing responsible management strategies, we serve the high-quality development of the real economy and take on the responsibility of promoting the sustainable capability building of invested companies, offering improvement suggestions. Through engagement in corporate governance and proxy voting, we encourage our investees to prioritize sustainable development, effectively manage ESG risks and opportunities, continuously enhance their ESG performance, and refine their governance and business practices. In addition, we leverage our impact to guide capital toward low-carbon and innovative industries to build a healthy and effective ESG ecosystem that facilitates a virtuous cycle of orderly operations among all stakeholders.

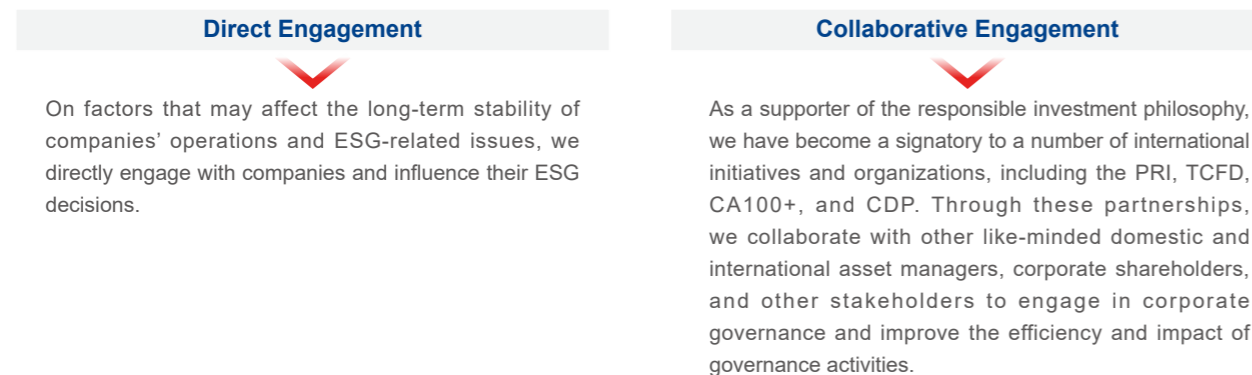
In the application of stewardship, our researchers incorporate ESG considerations into their work. We actively contribute to and participate in various aspects of companies' ESG improvements and long-term value creation while ensuring compliance with laws and regulations. This includes assisting companies in developing transition plans, optimizing financial performance and capital structures, enhancing corporate governance, and assessing sustainability risks and opportunities.

Southern Asset Management's Focal Points in Stewardship: E, S, G



Engagement in Corporate Governance

Engaging in corporate governance is crucial for helping our investees enhance their understanding of ESG and improve their ESG performance, ultimately creating sustainable long-term value for stakeholders. We communicate with investees' boards of directors, management, and relevant departments through on-site surveys, conference calls, emails, written letters, and inquiries to provide opinions and recommendations on factors that could impact corporate sustainability. Upon completion of the survey, our in-house researchers produce reports containing ESG-related insights based on these communications. Additionally, we integrate ESG factors into our fundamental research process, giving fund managers a more comprehensive perspective for making investment decisions.



Proxy Voting

At annual general meetings, bondholders' meetings, and extraordinary meetings of listed companies, we express thoroughly-researched and prudently-analyzed views and stances on relevant issues through proxy voting. Our goal is to help companies make decisions that promote long-term sustainable development while also ensuring our clients' investment returns.

We actively vote on ESG-related proposals, incorporating our ESG investment philosophy into the voting process. In compliance with laws and regulations, our fund managers use insights from our investment research to encourage companies to improve in areas critical to long-term value creation, such as strategic planning, financial performance, capital structure, corporate governance, and sustainability risks and opportunities. In addition, for key positions or key ESG proposals, our research team and ESG experts provide proxy voting recommendations and closely monitor the progress of these companies. They conduct in-depth analyses to ensure informed and careful voting decisions.

Proxy Voting in 2023²

Number of "Yes" Votes

6,398

Number of "No" and "Abstention" Votes

77



Case 1 of Southern Asset Management's Stewardship

Company D is dedicated to the design, R&D, manufacturing, installation, and technical support of fiber optic cables, cables, and composite cables for electric power, wind power, nuclear power, and offshore oil and gas exploration. Our researchers suggest Company D, as a national high-tech enterprise and a national innovative enterprise, to enhance its sustainability efforts in all aspects and proactively disclose ESG information to elevate its ESG performance.

To this end, our researchers have engaged with Company D on several occasions. With respect to rooftop photovoltaic construction, corporate ESG governance structure, and shareholder behavior, we have supported the company in improving its ESG performance and achieving more responsible and sustainable production and operations. We have also strongly recommended the company to disclose ESG information about its sustainability practices.

In addition, Company D is involved in cable systems and marine engineering. As a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI), we are keenly aware of the importance of marine conservation to the SDGs and the healthy functioning of the global ecosystem. As such, our researchers have engaged with Company D to understand the impacts of its operations on marine ecology and to make recommendations.

As a result of multiple rounds of communication and continuous tracking by our researchers, Company D has launched ESG disclosure and set carbon peaking and carbon neutrality targets. It is constantly strengthening its efforts in technological innovation in energy conservation and carbon emission reduction and seeking sustainable development by reducing carbon emissions and enhancing the use of clean energy.

²Circumstances of proxy voting include stocks only, not bonds.



Case 2 of Southern Asset Management's Stewardship

As part of our stewardship strategy, we have conducted two ESG exchanges this year with Company T, a leader in the precious metals industry. Before these exchanges, our ESG researchers conducted an in-depth analysis and made holistic comparisons with domestic and international ESG leaders in the industry to assess the company's various metrics and ESG performance more comprehensively. It was found that there was still much room for improvement in the quantification and control of carbon and pollutant emissions. The researchers had an in-depth discussion with T and made recommendations on the following three points. T agreed with the researchers' analysis and feedback and pledged to strengthen its responsible practices and enhance disclosure in subsequent sustainability reports.



Through in-depth communication with the company, the researchers learned that the company has launched various environmental initiatives targeted at carbon emission reduction and wastewater discharge. Therefore, the researchers encouraged the company to include the progress of its carbon emission reduction, waste water, and pollutant discharge control programs in its next year's sustainability report, and to disclose its emission reduction and pollution control targets and outcomes.



In terms of carbon emissions in the supply chain, the researchers encouraged the company to refer to the attribution analysis of overseas companies. It should focus on the energy consumption or production process optimization of regional mineral processing and reduce carbon emissions in the production chain according to local conditions, so as to develop a better case of carbon emission reduction in the industry and improve the ESG evaluation of the company.



The researchers learned that the company has proactively assessed and analyzed the impacts of overseas mineral development prior to development, and has implemented a whole-process "avoid-mitigate-rehabilitate" program to reduce the impacts of development on local biodiversity and ecosystems. With regard to the program, the researchers recommended that the company align itself with the OECD framework to increase awareness and recognition of its responsible initiatives by overseas investors.



ESG Investment Tools

ESG Rating System

We have independently developed an ESG rating system and database tailored to Chinese characteristics while aligning with international standards. This multidimensional ESG rating system is **based on quantitative ratings and supplemented by researcher evaluations, with references to external ratings**, seamlessly integrating ESG concepts with the investment logic of Chinese investors. Moreover, it continuously tracks and adjusts ratings, thus serving as a crucial factor in investment decision-making.

Our sound ESG rating system consists of **3** tier-1 dimensions, **14** tier-2 issues, **38** tier-3 indicators, and **700+** tier-4 data points. To ensure the reliability of our ESG ratings, we test the validity of our indicators to enhance the accuracy and usability of corporate ESG ratings and better support investment research and decision-making.

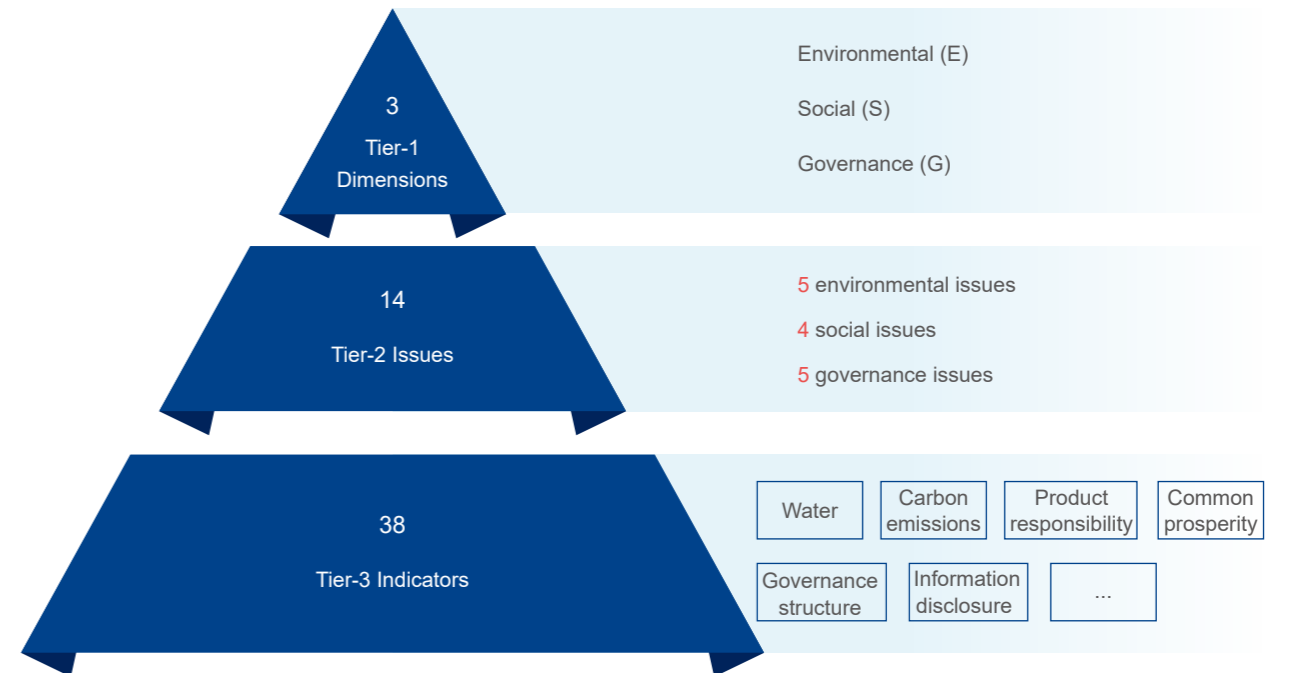
As of the end of 2023, Southern Asset Management's ESG rating system has covered

4,907

A-share listed companies

6,966

bond issuers.



In practical applications, we have blended the ESG rating system with fintech to record, display, and monitor the rating results more efficiently. We have uploaded all ESG rating results on the Euler system, sufficiently integrating ESG ratings with investment research.

The ESG rating system boasts six features: localized application, buyer's perspective, digital and intelligent technological empowerment, industry materiality, multisource data integration, and controversial events.

Localized application

We have extensively explored localized ESG applications. Leveraging our ESG research in the Chinese market, we have developed a rating system specifically designed for this market, offering more targeted ratings and investment advice.

Buyer's perspective

Our ESG rating system is based on the buyer's perspective. The rating results not only reflect the ESG performance of investees but also closely align with ESG investment practices.

Digital and intelligent technological empowerment

In the rating process, we employ AI-assisted data mining and processing technologies. We also use financial big data analysis and supplement with ESG news reports and major negative events, enhancing the efficiency and scope of ESG data acquisition.

Industry materiality

With the expertise of our industry-specific and ESG research teams, we differentiate ESG indicators according to industry-specific materiality and dynamically adjust their weights. This improves the effectiveness and accuracy of our ESG ratings.

Multisource data integration

We actively expand our sources of ESG data, comparing the quality of data from various sources to incorporate high-quality ESG indicators into our rating system, thus enhancing accuracy.

Controversial events

We continuously track and assess the impact of companies' controversial ESG events. In the event of a significant negative incident, we promptly evaluate its severity and determine if the company's ESG rating requires adjustment.



Application Case of Equity Investment

Company Z is in the basic chemicals industry. In 2023, our researchers identified significant problems with Z's governance and management structure through research and analysis. Specifically, the company had a fragmented shareholding structure, significant changes in management, and a significant increase in compensation while revenues continued to decline. Our researchers concluded that there were significant governance risks at company Z, significantly downgraded the company's ESG rating, and issued an early warning.

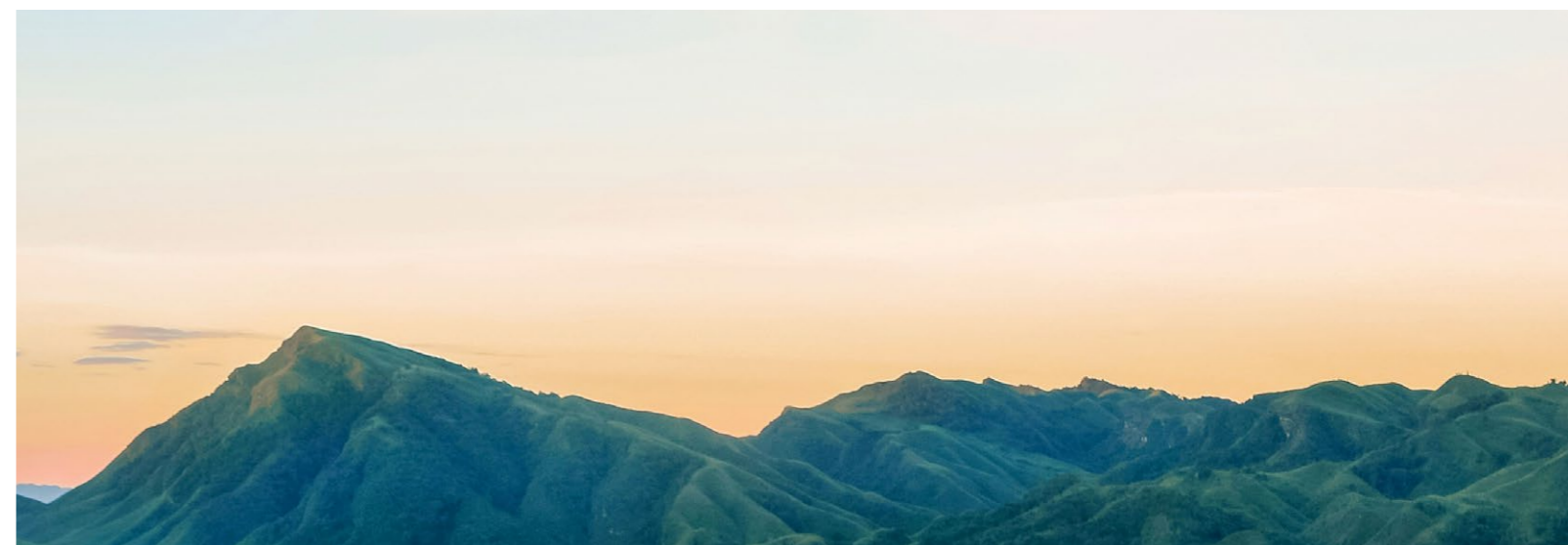
Subsequently, Company Z received an administrative penalty decision and other risk warnings. Although the company's misrepresentations were hidden, our ESG researchers did manage to identify its significant governance risks in advance through ESG research and ESG metrics analysis. They applied the ESG integration strategy and incorporated ESG factors into the research process to effectively prevent investment risks.



Application Case of Fixed Income Investment

In the application of fixed income investment, we take ESG factors into account when screening our underlying assets. Our internal system automatically identifies and blocks entities with an ESG rate of CCC and below, thereby fully integrating ESG ratings into our investments. In 2023, we achieved good performance by applying ESG ratings and effectively avoided risks, with no credit risk events triggered throughout the year.

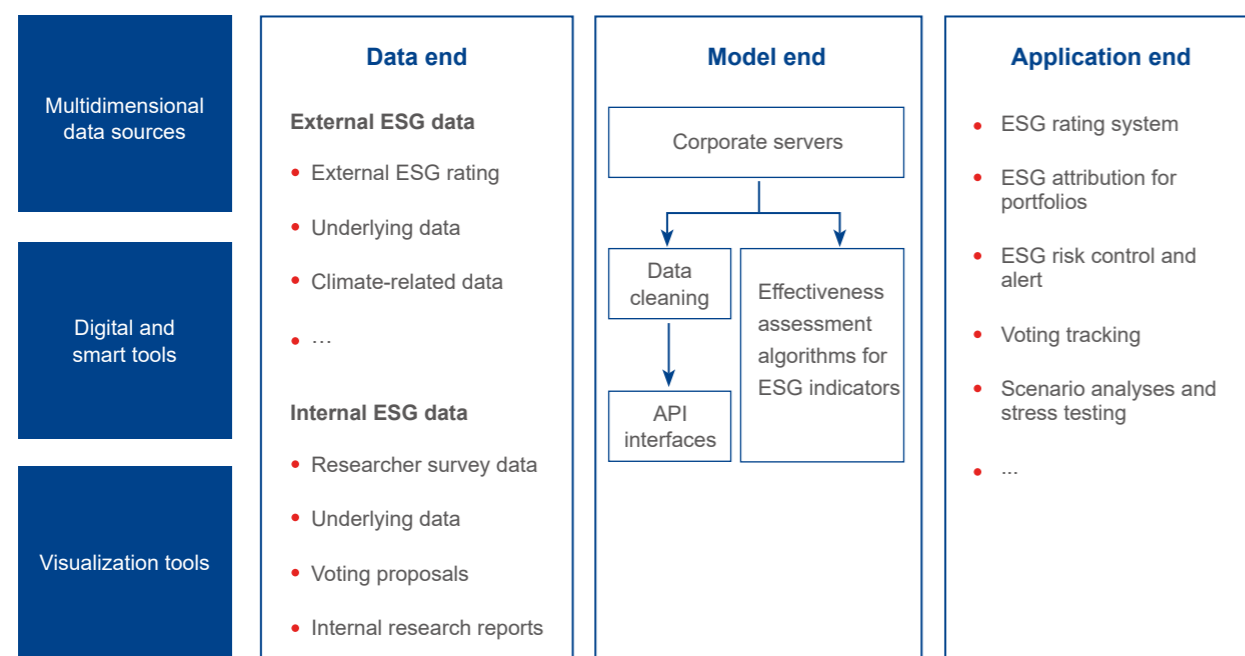
When evaluating and tracking the corporate governance of a certain real estate company, we found major corporate governance flaws. As a result, the company was moved to the watch list in September 2021, and the position manager was alerted to the risks and advised to actively sell. In 2023, after disposing of the position, we promptly removed the company from the pool and downgraded its ESG rating to CCC. Subsequently, the company's bond valuation experienced significant upward movement until a bond default occurred.



Comprehensive ESG Information Platform

We uphold the idea of investment research powered by fintech, embracing digital transformation to enhance our ESG investment research capabilities and financial services. Our goal is to become a digital and intelligent asset manager, offering clients more accurate, convenient, and high-quality financial services, and fostering innovation and development in the asset management sector.

We have developed a comprehensive ESG information platform composed of the data, model, and application ends. This platform features multidimensional ESG modules, providing localized, digital, and intelligent tools and data support for the integrated application of portfolio management, risk control, and modeling.



In 2023, we further improved the performance and functionality of our comprehensive ESG information platform by reorganizing web pages and refining the content, thereby enhancing the experience and productivity of investment researchers when using the platform. These enhancements have significantly improved the performance of our visualization tools, making them more intuitive and user-friendly. This ensures that our investment researchers can access and interpret key ESG information more quickly and efficiently.

ESG Risk Management

Recognizing the importance of ESG factors in our operations and investment decisions, we have formulated the *Southern Asset Management Risk Management System for ESG Investment*. This system clearly defines the roles and responsibilities of various departments in managing ESG risks. The Risk Control Committee oversees the ESG risks across all investment portfolios of the Company. The investment departments serve as the first line of defense, implementing specific risk prevention and control measures. The Risk Management Department and the Supervision and Audit Department, as the Company's acting bodies of risk control and compliance management, timely identify and prevent potential ESG risks to ensure stable growth of the Company.

Key Links of ESG Risk Management

ESG risk monitoring mechanism

ESG risk warning is added to the regular risk monitoring of investment portfolios to promote the integration of negative ESG information with the risk control system and thus effectively reduce the risk exposure of the portfolios.

ESG performance attribution

We regularly evaluate and attribute the investment performance of all company portfolios, analyzing portfolio ESG performance and factors contributing to ESG performance changes. Additionally, we analyze the impact of integrating ESG considerations on investment performance, track the actual performance of ESG investments, and calculate the difference in returns between assets with high, medium, and low ESG scores over a specified period. This includes presenting how fund managers adjust ESG factor exposure, assess the impact of selecting different types of ESG securities on portfolio performance, and assist in optimizing future ESG investment strategies.

ESG integration analysis and tracking

ESG rating dynamics are closely followed on an ongoing basis. According to the positions of different types of portfolios, the shares of securities with different ESG ratings are statistically analyzed for all portfolios. Overall ESG integration across the Company and changes in this regard are examined according to the timing and time series data of positions held.

ESG Investment Management Systems

We have developed a sound system framework to promote standardized and orderly ESG investment practices. Our internal systems include the *ESG Rating and Management System of Southern Asset Management for Listed Companies*, the *Southern Asset Management Risk Management System for ESG Investment*, and the *ESG Management Provisions of Southern Asset Management for Credit Products*. Additionally, we refer to external ESG and green finance-related standards and policy guidelines in our ESG investment business.

ESG-related systems newly formulated or revised by Southern Asset Management in 2023:

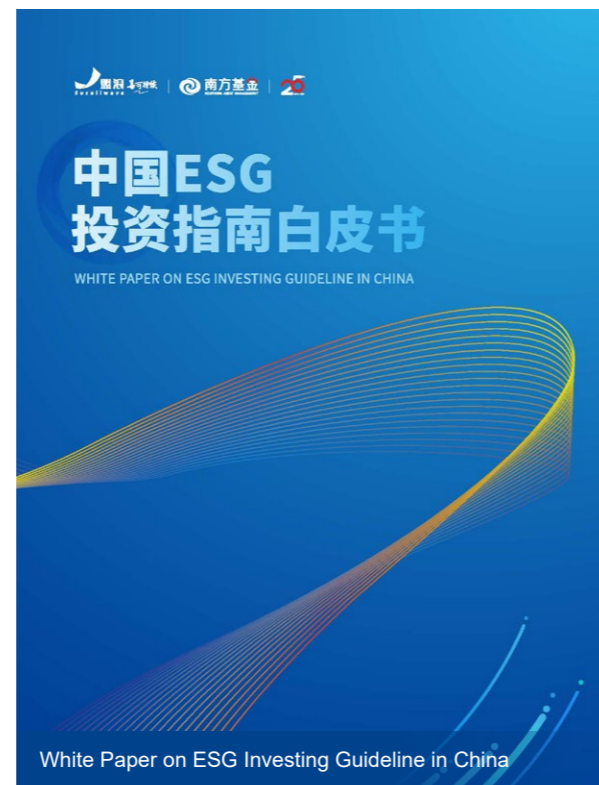
- The newly-formulated *Management Provisions of Southern Asset Management for Due Diligence*: to better fulfill manager responsibilities, ensure the rigorous, standardized, and orderly ESG stewardship of the Company, and define the workflow of the ESG stewardship and the responsibilities of the relevant positions
- The newly-formulated *Management Provisions of Southern Asset Management for ESG Information Disclosure*: to enhance the rigor, compliance, and consistency of the Company's ESG investment business for truthful, accurate, timely, and consistent ESG information disclosure
- The revised *ESG Management Provisions of Southern Asset Management for Credit Products*: to optimize the credit recipient scoring mechanisms within the industry to complement research and investment decisions

Research Achievements

We continuously pursue advanced values and uphold a localized ESG investment philosophy aligned with China's path to modernization and commitment to sustainable economic development. As both a proponent of ESG principles and an active ESG investor, we have always been at the forefront of exploration and innovation. We are dedicated to pioneering new practices and are committed to building a better, more sustainable future.

White Paper on ESG Investing Guideline in China

We have released the *White Paper on ESG Investing Guidelines in China*, offering a comprehensive analysis of the ESG investing landscape both domestically and internationally. This White Paper aims to assist beginners in China by clarifying key concepts, providing foundational knowledge, and establishing benchmarks for ESG investing. Through detailed case studies, it demonstrates how asset management institutions bridge the gap between strategy and implementation of ESG practices. It outlines the process of building an ESG investment business system and offers insights to help the asset management sector effectively engage in ESG investing.



2023 ESG Survey Report for Asset Owners

We conducted a questionnaire of asset owners practicing stewardship in China and compiled the *ESG Survey Report for Asset Owners (2023)*. The questionnaire covered more than 50 domestic and international asset owners, including sovereign funds, pensions, insurers, wealth management subsidiaries of banks, and family offices, which represented more than USD 2.9 trillion in AUM. The *Report's* analysis focuses on three aspects: the concepts and practices of shareholder engagement and stewardship, the implementation of these practices in China, and the requirements for fund managers to effectively practice stewardship. Our goal is to provide insights into asset owners' attitudes and needs regarding stewardship in the Chinese market.



Research on Climate Scenario Analysis for the Asset Management Sector

We released the report of the *Research on Climate Scenario Analysis for the Asset Management Sector*. It outlines the methodology and steps for conducting climate-related risk analysis tailored to the characteristics of the asset management sector. It aims to educate domestic asset managers on the impact of climate-related risk on their sector, provide a basic understanding of climate scenario analysis, and share domestic and international best practices. Driven by the Dual Carbon goals, scenario analysis can help asset managers better manage climate-related risk at the asset portfolio level.



Spotlight 1: Transition Finance

China's carbon-intensive industries are essential for the country's economic and social development, making their transition critical for achieving the Dual Carbon goals. The report to the 20th CPC National Congress emphasizes that to build a modern socialist country in all respects, we must, first and foremost, pursue high-quality development. It also highlights that a green and low-carbon economy and society are crucial to high-quality development. Achieving this vision will require significant investment in the green and low-carbon areas, with estimates suggesting that China will need RMB 139 trillion to reach carbon neutrality before 2060, which is about 2.5% of its GDP, with a long-term capital gap of more than RMB 1.6 trillion.

We focus on transition finance to support the low-carbon transition of carbon-intensive industries while ensuring economic and social stability. As one of the earliest asset managers in China to adopt ESG principles, we direct investments to optimize resource allocation and support transition finance through our investments. This approach not only supports green economic activities but also helps the gradual reduction of greenhouse gas emissions from high-emission sectors. In this process, we scientifically and rationally assess and manage financial support for carbon-intensive industries to ensure a smooth and sustainable transition.

Creating Green Value with Local Roots

As the green and low-carbon transition becomes a global consensus, investors are now focused on "how and how fast this transition will happen" rather than "whether the transition will happen." However, the restructuring of energy and industries cannot occur overnight. In the medium to long term, carbon-intensive industries will still be crucial for China's energy supply, economic growth, livelihood, and employment. The phase-out of traditional energy sources must be based on the safe and reliable introduction of new energy sources to avoid disrupting economic growth and social stability.

Our approach to managing carbon-intensive industries is different from the phase-out policies adopted by many foreign investors. Instead of simply phasing out these industries, we use the research capabilities of institutional investors to identify industry pain points and engage in corporate governance to help companies plan their transitions to manage the reduction of fossil energy consumption. By introducing best practices from both domestically and internationally, we assist companies in organizing their management systems and understanding the perspectives and concerns of various stakeholders. This allows us to build a sustainable development framework from the top down, guiding our investees to improve corporate governance, strengthen risk management, explore new strategic opportunities, and enhance their capacity for sustainable value creation.

Transition finance demands higher investment research capabilities from asset managers. This includes accurately understanding the overall policy landscape, balancing corporate climate transitions with economic and social stability, and leveraging institutional investor influence to facilitate these transitions. We advocate for publicly offered funds to incorporate green and ESG factors into their asset allocation frameworks and investment decision-making processes. By guiding capital flows to areas that support green and low-carbon transitions, we can help bridge the significant funding gap in climate investment and financing, while also sharing in the investment returns from these transitions.

Just Transition

As a developing country, China is committed to achieving the Dual Carbon goals, demonstrating a significant demand for just transition. Recognizing the importance of just transition, we have made it a key focus of our ESG investments. We engage with our investees, emphasizing the need to consider stakeholder interests and provide support in their transition activities, including:

- Human capital investments related to the climate transition
- Creating decent and sustainable jobs
- Helping employees acquire new skills and retrain
- Leveraging investees' own value in climate transition
- Maximizing fair and equitable treatment of employees
- Guaranteeing workers' right to fair employment
- Improving compensation and benefit systems
- Anticipating potential negative events in climate transition and formulating plans to reduce negative impacts on the community and society

As a pioneer ESG investor in China's asset management sector, we are committed to continuing our role as a professional institutional investor. We aim to provide investors and the market with a broader range of green and transition products. Together with our stakeholders, we will promote transition finance and inject new momentum for high-quality development.

Promoting Green Development to Build a Beautiful China

02

“Green” is an integral component of the Five Priorities and the new development philosophy, covering resource conservation, waste management, eco-environmental protection, and improved water resource management. It emphasizes the importance of promoting harmony between humans and nature through green development to achieve a green and low-carbon transition. As a responsible asset manager, we always place equal emphasis on both ESG investments and green, low-carbon operations. We are dedicated to implementing effective practices and initiatives in our investments and operations to support the green economy transition and contribute to China’s Dual Carbon goals.

Responding to the UN SDGs:



Environmental Impact of Investment and Financing Activities

Sustainable investment is a key tool for the capital market to support the state's Dual Carbon strategy. Innovation in green financial products and services plays a critical role in promoting green development and improving the green financial product system. In green investment, we adhere to the ESG investment philosophy and channel capital towards industries and companies that contribute to the Dual Carbon goals. As of the end of 2023, our green investments totaled RMB 43.269 billion.

Investment Size in Green Industries/Green Projects ³	Size of Green Investment by the End of the Reporting Period (RMB 100 million)	Percentage in Total Green Investment
Energy conservation and carbon reduction	38.36	8.87%
Environmental protection	21.22	4.90%
Resource recycling	13.98	3.23%
Green and low-carbon transition of energy	248.15	57.35%
Ecological protection, restoration, and utilization	3.30	0.76%
Infrastructure greening	103.55	23.93%
Green services	4.13	0.95%

We have established a diverse ESG investment product system and continuously expanded our offerings with thematic funds focused on carbon neutrality, ESG, and environmental protection. This not only meets the increasing market demand for sustainable investments but also supports the UN SDGs. In 2023, we issued four new ESG thematic funds, raising RMB 4.646 billion. As of the end of 2023, we had issued 12 green thematic funds, with a total issuance volume of RMB 11.357 billion. This accounted for 2.27% of the Company's monthly average size of the publicly offered funds dealing in non-monetary wealth management, which totaled RMB 499.463 billion.⁴

By the end of 2023, we had issued

12

green thematic funds, with the cumulative volume of issuance at

RMB **11.357** billion

³The size of green investment is measured based on the *Catalogue for Guiding the Transition of Industries to Green and Low-carbon Energy (2024)*. The measurement covers the A-share and bond positions in all of the Company's portfolios as of December 31, 2023. There is an update in the statistical scope of the reference basis for the calculation compared with previous years.

⁴The statistical scope is the monthly average size of the publicly offered funds dealing in non-monetary wealth management during the fourth quarter of 2023. Data was taken from the Asset Management Association of China.

An ESG product case in the year:

Product Name	China Southern ESG Pure Bond Fund
Launch Day	2023-05-25
Fund-raising Size	RMB 2.68 billion ⁵
ESG Strategies Taken	Negative screening strategy, positive screening strategy, stewardship strategy, and integration strategy
Investment Scope	The invested bonds of the fund that are selected using the ESG investment methodology account for no less than 80% of its non-cash assets. The fund constructs a pool of ESG bonds using such ESG investment strategies as screening and integration. It focuses on green bonds, sustainability-linked bonds, rural revitalization bonds, carbon neutrality bonds, and high-growth bonds in the pool, as well as the issuers of the above bonds. It selects bonds with good quality and market recognition in the medium- to long-term range.
Screening Criteria	Using the negative screening strategy, the management team eliminates bonds with low internal ESG ratings, develops the underlying bond pool for the fund's investment, and ensures that the issuers in the pool have not experienced any major negative ESG events recently. Using the positive screening strategy, the management team selects bonds issued by top-40% issuers in the underlying bond pool and ultimately develops the ESG bond pool of the China Southern ESG Pure Bond Fund. The team also updates and adjusts the pool on a regular or occasional basis to provide a clear reference for investment decisions.

⁵Source of data: Annual statements of the product.

Environmental Impact of Operating Activities

We adhere to the green development concept and has conducted carbon inventories for four consecutive years, consistently achieving operational carbon neutrality. By reducing energy and resource consumption, managing waste, and implementing other measures, we have successfully conserved energy and lowered emissions, driving our transition to green, low-carbon operations. Our goal is to become a leading environmentally friendly asset manager.

GHG emissions (scope 1) (Unit: ton of carbon dioxide equivalent)		
2021	2022	2023
159.2	206.7	286.9
GHG emissions (scope 2) (Unit: ton of carbon dioxide equivalent)		
2021	2022	2023
3,833.3	4,222.3	4,488.9
Total GHG emissions (scope 1 and scope 2) (Unit: ton of carbon dioxide equivalent)		
2021	2022	2023
3,992.5	4,429.0	4,775.8
GHG emission intensity (by employee) (Unit: ton of carbon dioxide equivalent/employee ⁶)		
2021	2022	2023
4.9	4.7	4.7
GHG emission intensity (by area) (Unit: ton of carbon dioxide equivalent/m ²)		
2021	2022	2023
0.1	0.2	0.1

⁶ In 2023, Southern Asset Management had 1,028 employees, including those at the headquarters, branches, and the Shenzhen subsidiary but excluding those at the Hong Kong subsidiary.

Resource Conservation

We are committed to green and sustainable operations, and we actively fulfill our corporate social responsibility and promote environmental protection and sustainable development by managing our energy and water use in every detail, minimizing office paper consumption, and using environmentally friendly packaging materials.

Energy Management

We adhere to reasonable, necessary, and economical use of energy. At our headquarters, the Fund Building, a fine-tuned management approach is adopted to reduce unnecessary energy consumption through centralized control. For example, facilities such as the energy-saving VAV balanced air-conditioning system, double-layer curtain walls, and intelligent lighting systems have been installed to significantly reduce power consumption. Solar power is utilized in some areas to reduce reliance on traditional energy sources.

Water Management

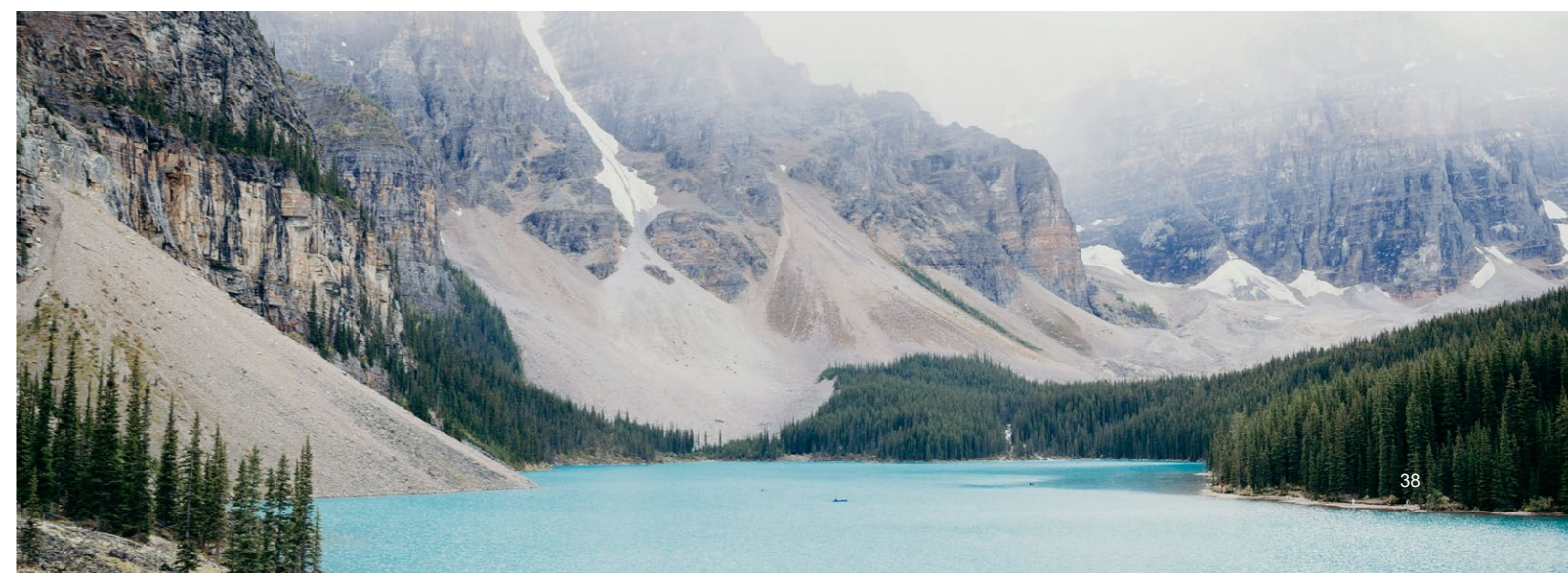
We encourage our employees to save water. Energy-saving sanitary ware with low water consumption is used in restrooms, which, together with the direct drinking water system, significantly reduces water consumption in the headquarters Fund Building. Moreover, we have realized "zero waste water discharge" by establishing water treatment and rainwater recycling systems.

Office Paper Management

We advocate a paperless office and promote electronic billing to reduce the use of paper bills, thus practicing green and sustainable development. Our employees are encouraged to reuse printing paper. The amount of printing paper is controlled through a paper printing detection system, and color printing is managed by dedicated staff members.

Packaging Material Management

We encourage the use of environmentally friendly cloth bags or bags made of biodegradable materials to improve the reuse rate and environmental friendliness of bags.



Energy consumption

Total electricity consumption

8,062,030.85 kWh

Per capita electricity consumption

7,842.44 kWh

Unleaded gasoline consumption

33,799.16 liters

Natural gas consumption

77,885 cubic meters

Office resource consumption

Office paper

4.98 tons

Per capita office paper consumption

0.005 tons/employee⁷

Total water consumption in offices

11,307.78 tons

Per capita water consumption in offices

11.00 tons/employee⁷

⁷In 2023, Southern Asset Management had 1,028 employees, including those at the headquarters, branches, and the Shenzhen subsidiary but excluding those at the Hong Kong subsidiary.

Waste Management

We strictly abide by the regulations of the Shenzhen Municipal Bureau of Urban Management and Law Enforcement and other relevant agencies for waste disposal and classified recycling.

We have signed kitchen waste recycling agreements with organizations designated by the Shenzhen Municipal Bureau of Urban Management and Law Enforcement for fixed-point recycling. To improve waste classification, we have provided classified recycling bins and informative posters in our cafeterias and on each floor to guide our employees. Moreover, we organize environmental education activities to promote food conservation and encourage employees to use their own cups to reduce bottled water consumption.

Office waste, such as shredded documents and scrap newspapers, is sorted and collected for centralized recycling. Electronic waste, including used toner cartridges and outdated equipment, is also classified and disposed of responsibly. Each floor has designated bins for the separate collection and centralized disposal of hazardous waste, such as used batteries.

Waste discharge

Total general waste

7.54 tons

Per capita general waste

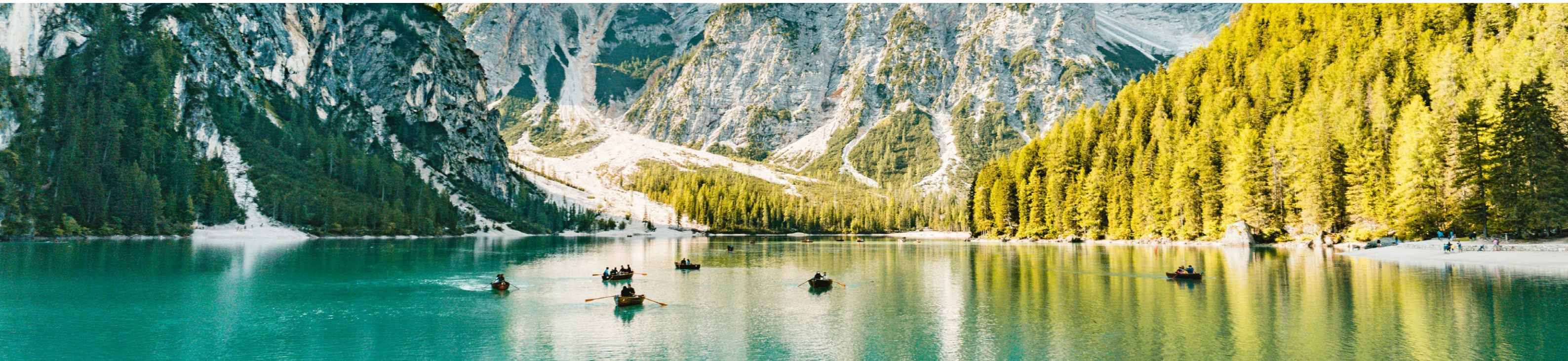
0.007 tons/employee⁷

Total electronic waste

5.41 tons

Per capita electronic waste

0.005 tons/employee⁷



Spotlight 2: Climate Change Response

We fully understand the potential impact of climate change on our operations and investments and take proactive measures to address it. While strengthening our operational management, we are committed to incorporating climate-related risks and opportunities into our investment strategies and portfolio risk management.

We continuously identify, assess, and address climate-related risks and opportunities. With reference to the climate change scenarios set out by the Task Force on Climate-related Financial Disclosure (TCFD) and the climate-related risk transmission channels described by the Network for Greening the Financial System (NGFS), we conduct climate-related risk stress tests to evaluate potential impact. Based on these evaluations, we implement appropriate mitigation and adaptation strategies. As a fund manager, we carefully assess how climate change might affect our investments, considering the likelihood and potential impacts of various climate scenarios to make informed investment decisions.

	Identification	Assessment		Monitoring
	Step 1: identify environmental risk issues	Step 2: conduct survey among internal and external stakeholders	Step 3: confirm the level of importance of issues	Step 4: receive confirmation from the management
Work	Analyze policy environment and market trends to create a list of environmental risk issues.	Conduct investigations and analyze the effectiveness and materiality of investigation results.	Conduct scientific analyses and assessments to identify material environmental risk issues.	Review the issues covered by environmental risks and the level of response to them by the management.
Output	Create a preliminary list of environmental risk issues.	Includes internal and external materiality assessment.	The current assessment identifies six environmental issues.	Provide guidance for the preparation of annual ESG investment reports and environmental information disclosure reports, as well as the disclosure of TCFD information.

Indicators and Targets

As a fund management company, we pay attention to the carbon emission indicators of our own operations, i.e., scope 1 and scope 2 GHG emissions and emission intensity, and the emission indicators of our investments, i.e., scope 3 GHG emissions and emission intensity.

For carbon emissions from our own operations, we have set a goal to achieve “carbon neutrality.” Since 2020, we have been fully offsetting our carbon emissions by conducting carbon inventories, managing our emissions effectively, implementing energy-saving measures, and purchasing carbon offsets. These efforts have enabled us to meet our annual “carbon neutrality” targets.

For carbon emissions from our investment, we are intensifying our research on the physical and transition risks that our portfolios face. Using our carbon emissions data, we track the carbon footprint of the companies we invest in to evaluate their climate change performance. We have developed a plan to measure the carbon emissions of our investment portfolios. In the future, as we improve our carbon management system, we aim to extend our “carbon neutrality” goal to include scope 3 emissions.

Climate Change Response Measures

In 2021, we launched the first “carbon neutrality” action plan for publicly offered funds in China:

Key Points	Details	Progress in 2023
Enhancing carbon emission management	We are committed to achieving carbon neutrality in our own operations, establishing an internal carbon emission management system, and accounting for carbon emissions from our operations in line with internationally recognized standards. We have achieved carbon neutrality in our own operations ⁸ since 2020, becoming the first publicly offered fund in China to commit to and implement carbon neutrality. In the future, with the improvement of our carbon management system, our carbon neutrality goal will be extended to scope 3 ⁹ .	We have conducted carbon inventories for four consecutive years and partially measured scope 3 emissions.
Continuously improving information disclosure capacity and developing a long-term mechanism for information disclosure	We will make reference to the disclosure recommendations made by TCFD and further improve our disclosure framework in accordance with regulatory requirements and our actual status. We will conduct intensive research on disclosure methods suitable for fund companies and refine the disclosure indicators for governance, strategy, and risk management. At the same time, we will facilitate the disclosure of environment-related information of the fund and its investment portfolio, so as to promote long-term, sustainable, and responsible investment.	We have disclosed the <i>Sustainability Report</i> (formerly the <i>ESG Investment Report</i>) for four consecutive years and published our first <i>Environmental Disclosure Report</i> in 2023.
Incorporating climate factors into risk control considerations	Fully recognizing the risks that the carbon peaking goal and carbon neutrality vision pose to our investment portfolios, we have established a climate-related risk assessment mechanism and incorporated the impact analysis of climate factors in our investment research process. We emphasize the application of a quantitative and systematic approach to managing climate-related risks, which are included in our day-to-day investment and operational decision-making process. We will further refine our internal risk control regulations and tools for more effective management of climate-related risks.	A climate-related risk management process has been established at the company level, and the environmental benefits of some products have been measured.
Strengthening research and innovation	Our commitment extends to building a multi-level ESG and climate investment and financing product system. For a long time, we have been exploring and practicing the localized integration of ESG in accordance with the principles of internationalization, specialization, and differentiation. On this basis, we will seize the opportunities brought by carbon neutrality, intensify the research on carbon emission reduction factors in ESG investment, and actively develop related fund products.	We launched four new ESG products in 2023.
Implementing ESG-related work in all aspects	We continuously promote the integration of ESG investments, actively advocate ESG concepts, and build industry influence. We joined the PRI, the Climate Action 100+ initiative, and other related organizations and activities to catalyze the sharing and exchange of low-carbon transition experiences among more stakeholders.	We have become one of the initiators of the CCEI.

⁸An organization’s own operational activities include: scope 1: all direct GHG emissions; and scope 2: indirect GHG emissions from purchased electricity, heat, or steam.

⁹Scope 3 refers to other indirect emissions not covered by scope 2, including upstream and downstream emissions, that are generated in a company’s value chain but do not arise from sources owned or controlled by the company.

Leveraging the Power of the Financial Sector to Help Create Long- term Value

03

We adhere to a business philosophy that is "client-focused, value-driven, and powered by product innovation." Our commitment includes advancing the modernization of the Chinese economy, contributing to Pillar 3 in the pension sector, optimizing service offerings and approaches, improving customer experience, protecting investor rights, and improving financial literacy among the public. We continuously explore and market products and services that align with the characteristics of China's capital market and its investors.

Responding to the UN SDGs:



Empowering New Quality Productive Forces

We continuously optimize our capital supply structure to make equity financing more accessible for tech innovation enterprises. Our focus areas include strategic emerging industries, high-end equipment manufacturing, and tech innovation sectors such as semiconductors, new energy, CRO, biomedicine, precision chemicals, and smart manufacturing. By strongly supporting the transition and upgrading of these enterprises, we aim to boost the quality and efficiency of the real economy.

We have developed a unique product system with a focus on "Technological Innovation" products. One after another, we have launched and promoted various thematic funds related to tech innovation, the Sci-Tech Innovation Board, the Growth Enterprise Market (GEM), Tech Innovation and Entrepreneurship, the New Third Board, the Beijing Stock Exchange, and specialized, sophisticated, distinctive, and innovative industries. These funds provide continuous investment and attract investors to tech innovation enterprises. Further, we have supported major capital market reforms, such as the establishment of the Sci-Tech Innovation Board, the reform and registration system pilot program of the GEM, and the founding of the Beijing Stock Exchange.

Contributing to Pension Management

Pension is a material guarantee for the elderly, ensuring they can live peacefully in their later years and forming a foundation for sustainable societal development. We are one of the first Chinese fund managers authorized to manage and invest in pensions and are "fully licensed" to conduct all pension management and investment business. We regard the management and investment of pensions as a strategic business, committing significant resources for the long term. Our comprehensive pension asset management system includes national social security, basic pensions, enterprise annuities, occupational annuities, and personal pension products, ranking third in the industry in terms of AUM.¹⁰

We are actively contributing to the establishment of the third pillar of pension insurance in China. We were one of the first entities qualified by the test for personal pension settlement systems and launched the personal pension business online in late November 2022.

In 2023, we intensified our effects on training personnel, building investment research capabilities, and providing service support to strengthen our pension asset management and promote the growth of pension finance.

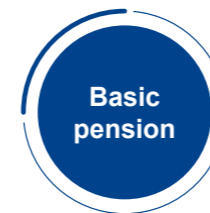


¹⁰Data was taken from the Asset Management Association of China.

Southern Asset Management's Comprehensive Pension Business System



Social security funds are used to supplement and adjust social security expenditures such as pension insurance during the peak of an aging population. We have a proven track record in managing social security funds, with several of our portfolios receiving "A" ratings and many of our fund managers being recognized for their outstanding performance.



The basic pension is paid from the balance of pension insurance funds in the Five Insurances of each province.



Enterprise annuities are additional pension benefits provided by employers to their employees, on top of the basic pension. Committed to the principle of "ensuring principal security and pursuing long-term absolute returns," we have developed a comprehensive and diverse range of enterprise annuity products. As of the end of 2023, we have participated in managing the enterprise annuity funds of many provincial-level jurisdictions in China, with more than 250 enterprise annuity portfolios under our management.



Occupational annuities are supplementary pension benefits provided to civil servants and employees by government agencies and public institutions, on top of the basic pension. As of the end of 2023, we were authorized to manage occupational annuity funds in all 31 provinces (including autonomous regions and municipalities directly under the Central Government), Xinjiang Production and Construction Corps, and the central government departments and public institutions that have created such funds.



Private pensions are funds that individuals voluntarily set aside for their retirement, accumulating through personal savings, investments, or the purchase of commercial pension insurance products. We are one of the leading fund managers contributing the most items to the first catalog of products eligible for investment from personal pension funds.

We keep abreast of the policy guidance and the needs of investors, coordinating our efforts both online and offline. We created the pension brand Seniors' Companion and developed a high-quality education and communication system for pension investors, enabling more people to have a more secure retirement. In 2023, in line with the *Temporary Provisions on the Management of Personal Pension Funds Investing in Publicly Offered Securities Investment Funds*, we reached out to different investor groups regarding pension in an all-round and multi-level manner through various events held at corporations, universities, cities in the pension pilot program, communities, and business districts, as well as through livestreams. Throughout the year, we hosted 76 online and offline pension communication events in 25 cities. In terms of collaterals, we employed traditional cultural elements and human touches to create educational materials for pension investors, including posters, videos, articles, and brochures. These were shared across more than a hundred internal and external platforms, drawing national attention to our pension services. Our series of pension livestreams and short videos, which coincided with Chinese and Western festivals, featured innovative formats like debates and symposiums, using everyday topics to provide ongoing pension education.



Promotional micro-movie on pension investment education



Offline pension event in a nursing home

Further Pursuing Scenario-based Wealth Management Methods

We provide clients with one-stop fund wealth management services tailored to various scenarios throughout the investment cycle, focusing on creating a smart, scenario-based platform through our self-developed Southern Asset Management App. In 2023, we significantly enhanced the app's functionality, improving modules like Affinity Treasure and Pension. We also optimized the newcomer section and operation page and enhanced the account panoramic data function. In addition, we launched a multi-dimensional and all-round fund analysis tool and a customer asset allocation evaluation system called "Bullish Value" to boost our customer service capabilities.



» Wealth management services with a human touch: We have further pursued scenario-based wealth management methods, aiming to create a tie between investors and fund products. For example, the Affinity Treasure feature allows investors to set up different investment plans for their parents and children, creating customized family financial plans. This meets the unique financial planning needs of family members.



» Digital and intelligent technological innovation capabilities: We launched various instrumental modules. The Stock and Bond Spread module helps investors evaluate the cost-effectiveness of their investments and provides a reference for decision-making. The Account Panorama module offers a detailed analysis of investors' account data to optimize their asset structure, and it uses biometric technology to enhance security and improve the user experience, reducing business risks.

We provide multiple convenient trading methods, including the Southern Asset Management App, WeChat trading, and online trading, to meet our client's diverse wealth management needs.

Prioritizing Investors' Interests

Our top priority is always the interests of our investors. We strive to enhance our clients' investment experience by expanding our product offerings, improving financial services, and reducing investment costs. This approach helps foster a healthy ecosystem for the industry.



Innovation in Fund Products: A Performance-linked Floating Management Fee Product

In 2023, we were approved to launch the first performance-linked floating management fee product in the market, the China Southern Win-win Foresight 3-Year Regular Open Hybrid Fund. This product represents a significant move towards high-quality development in the publicly offered fund sector. It aims to align the interests of fund managers and investors by sharing both risks and rewards. The fund operates on a 3-year regular-open model, with management fees adjusted based on the fund's performance relative to a benchmark during the closed period. It also includes a fee cap and a dormant mode option, which encourages medium- and long-term investments. This structure helps equity funds play a stabilizing role in the market and supports the smooth operation of the capital market. Launching this floating management fee product is a major milestone in building our equity brand, enhancing our income-generating capabilities, and expanding our range of equity products. It also highlights our commitment to inclusive finance and demonstrates our dedication to the fund sector.



Protecting Clients' Rights and Interests

When marketing products, we ensure that we fulfill our obligations regarding suitability matching, risk alerts, and informing investors based on their risk tolerance. We carefully select partners when entrusting other agencies to sell funds or provide services and review our investor suitability management on a semi-annual basis. In training our proxy sales agencies, we emphasize the importance of investor suitability, ensuring that investors complete a risk assessment and select products that match their risk tolerance.

To regulate the conduct of sales agents and ensure that full consideration is given to the suitability of clients for particular products, we have formulated a series of policies to protect clients' interests. These include the *Management Provisions of Southern Asset Management on the Proxy Sale Business* and the *Operational Guidelines of Southern Asset Management on Investor Suitability for Sales Agents*. For direct sales clients, we have developed the *Sales Suitability Management System for Electronic Direct Sale*. Through risk assessment questionnaires, we collect and regularly update information about each investor on our direct sale platform, including their investment objectives, experience, horizons, financial status, and risk tolerance. During the trading process, we provide clear risk alerts about the risk levels of our fund products, ensuring comprehensive protection of clients' rights and interests.

Enhancing Customer Experience

We have created a platform with multiple channels for client communications. Investors can seek advice, file complaints, or provide feedback about our products, services, and systems through our national customer service hotline, online services, emails, SMS, and reception counters in our sales network. We take client suggestions seriously and regularly collaborate across departments to make improvements that enhance the customer experience.

In 2023, we implemented

120+ customer needs

and achieved a customer service satisfaction rate of

99.60%¹¹

¹¹The Company surveyed on customers' service satisfaction through the 400 customer service hotline, online customer service, and WeChat service notifications.



Handling of Client Complaints

To improve our service capabilities and quality, we have established sound systems, mechanisms, and organizational structures for handling complaints. Our *Investor Complaint and Dispute Handling System of Southern Asset Management* clearly defines processes for classifying and grading complaints, internal transfers, handling procedures, assigning responsibilities, setting deadlines, emergency responses, accountability, and information management. We also conduct attribution analysis of complaint data on a regular or irregular basis and make timely and focused improvements to identify and address weaknesses and potential issues.

In 2023, we received 132 customer complaints related to fund performance and business rules, with a 100% resolution rate. We responded promptly to each complaint, proactively communicating with clients and providing detailed explanations of fund products' information, operation mechanisms, and trading rules. We made every effort to help clients resolve their issues. For recurring issues among most clients, our departments collaborated to discuss and optimize solutions, establishing a long-term mechanism for risk assessment and improvement. For escalated complaints, we thoroughly analyzed them to enhance risk control for clients with repeated or rule-related complaints, implementing advanced strategies to address customer concerns more efficiently.

In 2023, we received

132

customer complaints related to fund performance and business rules

with a

100% conclusion rate

Protection of Client Privacy

In strict accordance with the *Data Security Law* and the *Personal Information Protection Law*, as well as the Company's provisions on data security management, we classify and protect clients' private and sensitive information. We prevent unauthorized access, leakage, and misuse of data. We have developed and enforced an *Information and Confidentiality Management System* that orders that employees keep client information strictly confidential. New employees must sign a confidentiality agreement when they join the Company. Our systems are managed with strict access controls and traceability to ensure the integrity and security of client information.

In 2023, we updated the *Privacy Policy of Southern Asset Management on the Electronic Direct Sale Platform*. This update clearly informs clients about how their information is collected, used, and stored when using the Company's products and services. It also provides ways for clients to access, update, delete, and protect their personal information. The goal is to enhance clients' awareness of privacy protection and build their trust in the Company.

Investor Education

To effectively advance investor education, we have formulated a series of rules and regulations, including regulations governing investor education, an investor protection system, and a communication management system. We have created a website, Investor Education Base of Southern Asset Management, launched a WeChat service account for the base, and constructed an investment education management platform. We also adopted an operation and management model for smart big mid-offices to ensure the production of high-quality content for investor education. Through online and offline sessions, we provide basic knowledge about funds, promote the concepts of long-term and value investing, and guide investors to make rational decisions. Our goal is to fulfill the mission of inclusive financial services in the fund sector and reach a wider audience of investors.



Online Sessions

We host presentations, investor training, symposiums, debates, and online tasks on more than 40 internal and external internet platforms to provide industry interpretation, market analysis, knowledge dissemination, risk prevention, and skill enhancement. Among these sessions, the Hello, Friend Southern! livestreaming series discusses investment and financial topics in daily life through friendly and easy conversations. The series has been well received by investors, with a cumulative total of 1.06 million viewers for the 15 episodes throughout the year.



Online sessions: the Hello, Friend Southern! livestreaming series



Offline Sessions

We disseminate investment and financial management knowledge through events on campuses and in enterprises, communities, and business districts, offering investor education to all sectors of society. In 2023, we hosted a total of 17 campus events, instructing 1,293 students from 14 universities, including Renmin University of China and China University of Political Science and Law, about securities investment and risk prevention, to support national education. The core of our offline sessions is the "Rainbow Journey" national investor interaction tour. We have not only enhanced traditional formats such as presentations, investor salons, and training sessions but also launched innovative investor education pop-up stores. In August 2023, we cooperated with six Decameron Coffee stores to launch the "Dream Alliance" pop-up store. By setting up investor education promotion corners, offline sign-up and interactions, and special livestreaming, we disseminated investment and financial management skills and financial risk prevention knowledge to more than 1 million customers, effectively expanding the coverage and influence of investor education.



Campus events



Pop-up stores

In 2023, we hosted 929 investor education sessions, including:

587

online sessions

reaching a total audience of

23,260,000

342

offline sessions

for a total of

28,605

participants



Content and Format Innovation by Blending the Ancient and the Modern Times to Enhance the Social Impact of Investor Education

We utilize new technologies such as AI and blend them with traditional cultural essences such as intangible cultural heritage crafts to innovate in the production of investor education works. Throughout the year, we produced about 1,570 investor education works. They not only disseminated financial knowledge and prevented financial risks among investors but also promoted traditional culture and contributed to a financial culture with Chinese characteristics. In terms of the forms of investor education, we worked with the government, communities, enterprises, and regulators to bring investor education to tens of thousands of households in the form of "pop-up stores" and "scientific popularization camps." In 2023, we launched 60 thematic investor education activities and special research projects, covering a total audience of 65.7 million people.



AI-generated investor education video



Posters of intangible cultural heritage + 24 solar terms



The Comprehensively Upgraded Rainbow Journey to Serve and Accompany Thousands of Investors Face-to-Face

In 2023, we continued to expand the geographical coverage of our "Rainbow Journey" national investor interaction tour. In 33 cities, including Tier-3 and 4 cities such as Heze, Nanyang, and Yining, we hosted a total of 52 sessions and had face-to-face exchanges with more than 8,600 investors, which were highly recognized by investors. The sessions included expert sharing, roundtable discussions, and interactive Q&A, during which we communicated face-to-face with investors and answered their questions concerning macroeconomic research, industry and market analysis, and fund investment knowledge. The "Rainbow Journey" helped the general public to establish a scientific investment and financial management knowledge system and conveyed the philosophy of "long-term investment, value investment, and responsible investment" to investors.



The site of the "Rainbow Journey"

Reinforcing the Foundation of Governance to Go Far and Steady

04

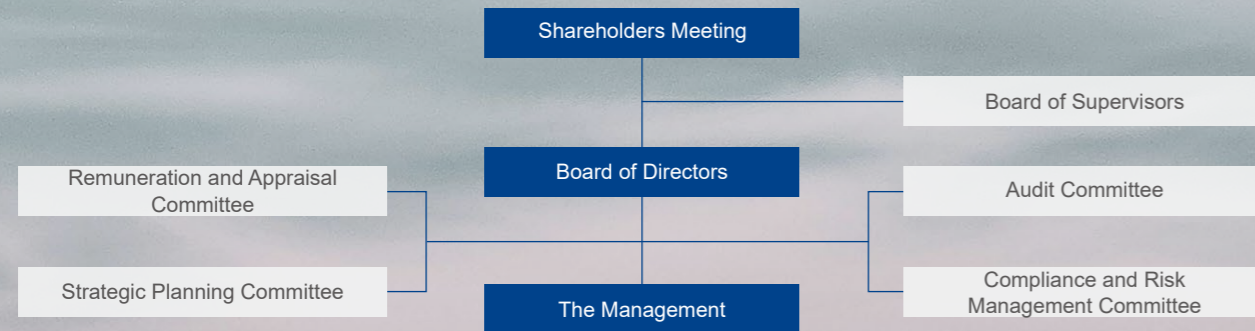
Robust operations are an important guarantee for the Company's long-term development. We adhere to Party leadership, improve Party conduct, and leverage the political and organizational strengths of the CPC to drive the Company's development. Moreover, we focus on building a modern corporate governance structure, strengthening compliance and risk management, and promoting a strong corporate culture to establish a solid foundation for sustainable growth.

Responding to the UN SDGs:



Corporate Governance

We have established a sound, modern corporate governance framework where the Shareholders' General Meeting, Board of Directors, Board of Supervisors, and management efficiently fulfill their respective roles. We prioritize Party leadership as a fundamental principle, continuously improving our governance structure. This includes clearly defining the roles and responsibilities of the Party Committee and the governance and management teams to ensure clear delineation of positions, alignment of rights and responsibilities, and effective checks and balances.



Robust Operations

Internal Control and Compliance

We have established a top-down compliance and risk management system, consisting of a Risk Control Committee, a chief supervisor, compliance risk control departments, and full- and part-time compliance risk control commissioners. This collaborative approach creates a thorough risk monitoring and compliance assurance network.

We strictly comply with the *Measures for the Administration of Disclosure of Information on Publicly Offered Securities Investment Funds* and other laws and regulations concerning the publicly offered fund sector and continuously optimize our internal control system, policies, and business processes. In 2023, in response to new regulations such as the *Interim Provisions on the Regulation of Important Money Market Funds*, we updated several internal management systems, including the *Compliance Handbook*, *Data Compliance Management Provisions*, and *Management Provisions on Practitioners' Personal Investments*, ensuring timely compliance with regulatory requirements.

Throughout 2023, we hosted

34

compliance training sessions, covering all of the Company's business lines and a total of

4,190 participants

Risk Management

Risk management has been deeply embedded in our business lines and processes. We have formulated internal systems such as the *Risk Management System of Southern Asset Management*, the *Supervision and Audit Management System of Southern Asset Management*, and the *Management Provisions of Southern Asset Management on Investment Managers*. These systems, combined with our continuous efforts to enhance risk control and prevention, ensure the stable and orderly operation of our funds and the Company.

To further strengthen our reputational risk management, we have established a Reputational Risk Management Committee and a working group, clearly outlining their roles and responsibilities. We have formulated dedicated *Reputational Risk Management Provisions of Southern Asset Management* and guided our subsidiaries to set up effective risk management systems. Through the work of risk control commissioners and a monthly reporting system, we implement reputational risk management requirements, identify potential risks, and report them promptly.

Business Ethics

Professional Integrity

Guided by the principle of “ensuring officials are deterred from corruption, incapable of committing it, and unwilling to engage in it,” we have established a robust integrity management system with clearly defined powers and responsibilities. Our strict internal accountability system ensures the effective implementation of measures for Party conduct and clean governance. Since establishing this system, we have not encountered any integrity issues among our leaders, nor have we faced regulatory action for violations related to professional integrity.

The Company's Party Committee

is the primary entity responsible for Party conduct, integrity, and anti-corruption affairs, progressing the development of relevant policies and measures.

The Discipline Inspection Committee

oversees the enforcement of the accountability system for Party conduct and clean governance and investigate and handle disciplinary and legal violations.

The Board of Directors and the Board of Supervisors

play decision-making and supervisory roles in integrity building.

The audit, financial, compliance, risk control, discipline inspection and supervision, organization and personnel departments

play key roles in collaborative management and are responsible for professional integrity management in respective areas.

We have implemented several internal control measures to regulate financial expenditures, specify the requirements, norms, and standards for internal control, and establish the procedures to handle violations. These include the *Internal Control System of Southern Asset Management for Business Integrity*, the *Financial Expenditure Management Measures of Southern Asset Management*, the *Information System Tender Management Measures of Southern Asset Management*, the *Compliance Performance Management System of Southern Asset Management*, and the *Accountability Management Measures of Southern Asset Management*. Our employee management system includes rigorous integrity requirements, ensuring thorough assessments during recruitment, qualification management, promotion, selection, departure, and performance appraisals. We also conduct internal self-inspections on integrity on a regular or occasional basis to identify and rectify integrity issues promptly. Any violations of our professional integrity provisions are handled according to the *Compliance Performance Management System* and the *Accountability Management Measures*. During the reporting period, we were not involved in any corruption litigation cases.

Anti-money Laundering

We actively fulfill our statutory anti-money laundering obligations. We strictly adhere to relevant laws, regulations, and regulatory requirements, integrating anti-money laundering measures into our internal control system and daily operations.



Money Laundering Risk Management Structure

We have established a sound money laundering risk management structure, defining the responsibilities for money laundering risk management of our directors, supervisors, executives, departments, and branches.



Money Laundering Risk Management System

Our comprehensive risk management system includes measures to mitigate money laundering risks. We continuously optimize our anti-money laundering systems, enhancing our ability to prevent and control money laundering risks through process controls, client due diligence, monitoring sanction risk lists, and integrated data display. Our anti-money laundering reviews cover both our headquarters and all branches.



Money Laundering Risk Management Policies

We have established an anti-money laundering internal control policy system in line with regulatory requirements. This includes the *Risk Management System of Southern Asset Management for Money Laundering and Terrorist Financing*, the *Internal Control System of Southern Asset Management for Anti-money Laundering Purposes*, the *Assessment Rules of Southern Asset Management for Money Laundering Risk in Products*, and specific anti-money laundering systems for our departments and branches. These policies cover all statutory anti-money laundering obligations.



Money Laundering Risk Assessments

We utilize digital tools to conduct comprehensive money laundering risk assessments across four segments: client groups, geographies, products and services, and channels. This approach allows us to map money laundering risks thoroughly and enhance the compliance and effectiveness of our anti-money laundering efforts.

Protection of Intellectual Property

The protection and operation of intellectual property rights are among our priorities. We strictly adhere to the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, and the *Copyright Law of the People's Republic of China*, safeguarding our legitimate rights and interests while ensuring we do not infringe on third-party intellectual property rights. We have established a working group for verifying IT intellectual property rights and set up procedures to apply for software copyrights and technical patents for our independently developed systems.

To enhance employees' awareness of intellectual property protection, we conduct regular training sessions on this topic.

By the end of 2023, we possessed

5 patents and

23 software copyrights

Digital and Intelligent Transition

With the acceleration of digital transformation, data security has become a material issue for us. We are committed to building a robust data security management system to ensure a safe and reliable environment for business development.

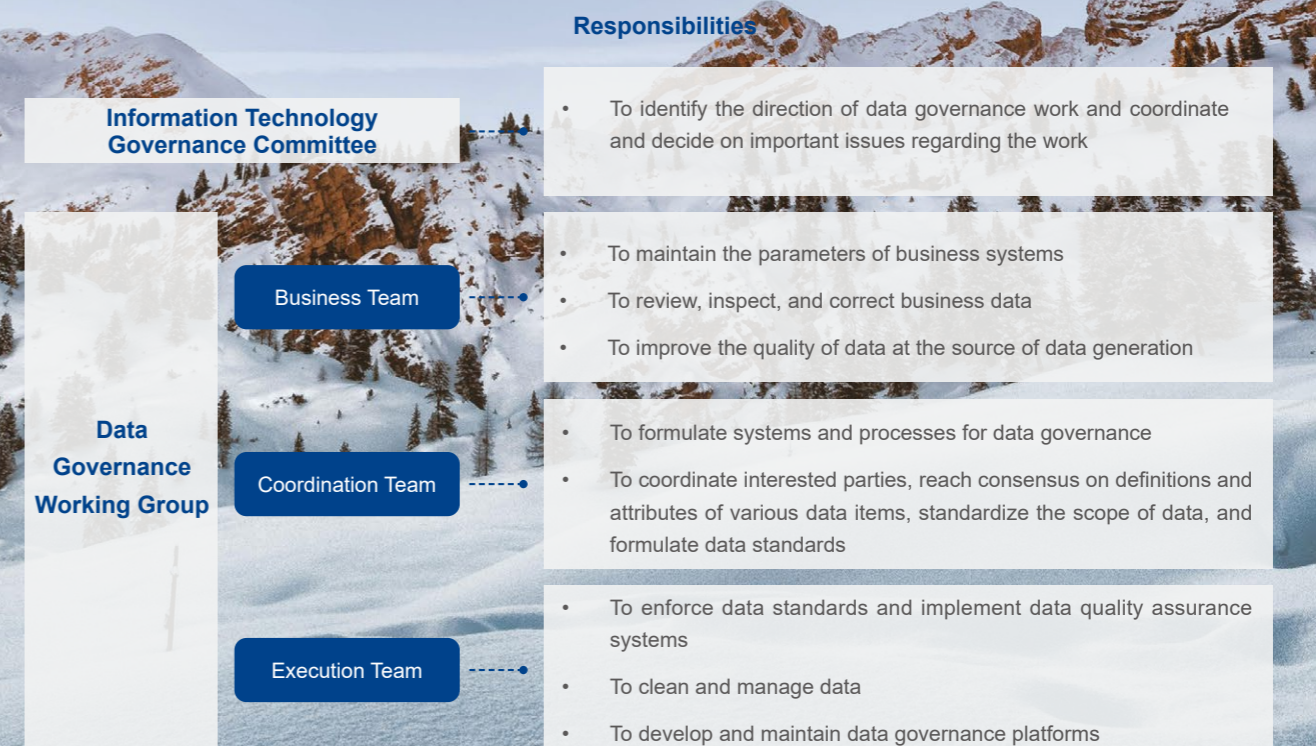
Data Governance System

We have established a sound data governance system that includes data governance policies, an organizational structure, a governance platform, and a strict collaborative approval process. This system allows us to sort, verify, and protect data for day-to-day operations and disclosure. We strictly comply with the *Data Security Law of the People's Republic of China* and the *Personal Information Protection Law of the People's Republic of China*, as well as industry standards such as the *Financial Data Security - Security Specification of Data Life Cycle* and the *Guidelines for Classification and Grading of Securities and Futures Industry Data*. We have developed, issued, and regularly updated various systems and provisions, including the *Data Governance System of Southern Asset Management*, the *Data Security Management Provisions of Southern Asset Management*, the *Data Lifecycle Management Provisions of Southern Asset Management*, and the *Data Commissioners Management Provisions of Southern Asset Management*, among others.

The Company's Information Technology Governance Committee oversees and makes decisions regarding data governance, leading the Data Governance Working Group in its daily activities. The Working Group is composed of a Business Team, a Coordination Team, and an Execution Team, ensuring proper data handling through collaboration and approvals.

We have developed and optimized our data governance platform to guide all business lines and systems in classifying data for security protection and protecting personal information. The platform has data request and response processes available to enhance the Company's internal management and control of data security, encrypted data transfer, and approval or authorization of data use. The platform focuses on metadata, data standards, data quality, and data security management. It ensures data quality and consistency through data accountability, data standards, and data auditing, and ensures timeliness via mass data collection and real-time synchronization technologies.

The coordination team coordinates the transfer of sales, investment research, and risk control data, and manages the forwarding, handling, and distribution of data to the Digital and Smart Technology Department. The Business Team, which includes a data commissioner from each department, is responsible for sorting data, submitting data requests, and collecting feedback for their respective departments. All internal and external data requests, transfers, and uses must follow the data request and response processes and undergo strict examination and approval by the Data Governance Working Group according to their data security classifications, ensuring secure data transfer and the protection of private or sensitive data.



Data Sorting, Verification, and Protection Measures

At Southern Asset Management, our Data Governance Working Group collaborates with the Audit and Supervision Department and various business departments to manage, verify, and protect our data. The Data Governance Working Group work together with the Operations Security Department, Internet Finance Department, and Client Relations Department to conduct training on data security self-inspections and implement measures for handling clients' private and sensitive information. The Working Group regularly sorts and verifies data quality to enhance the quality of basic data and ensure it is timely and accurate. Our Digital and Smart Technology Department continually enhances the data governance platform and enhances data security classification. The Internet Finance Department safeguards data security and the rights of data subjects by optimizing app security, applying national commercial cryptography algorithms in transformation, using HTTPS interfaces, and implementing data encryption and desensitization.

In 2023, we strengthened the enforcement of our *Data Security Management Provisions of Southern Asset Management* and the *Data Lifecycle Management Provisions of Southern Asset Management*. We enhanced our data security emergency drill scenarios and refining steps to handle and report data security incidents in the emergency drill plans of all systems, ensuring vigilant prevention and monitoring. We communicated our data security grading objectives, principles, and scope to all departments, branches, and subsidiaries, clarifying the elements, rules, and processes involved. We also updated the data security classification template and provided training on data classification and grading.

The Supervision and Audit Department, along with the Data Governance Working Group, conducts semi-annual training on data security compliance, self-assessment inspections, and emergency drills. In 2023, we launched one revision of our data security system, conducted two compliance training sessions, performed two self-assessment inspections and report services, and carried out one emergency desk drill and one off-site disaster recovery drill. These sessions covered our major client information systems and product data for direct sales customers.



Achievements of Digital and Intelligent Systems

In 2023, one of our key priorities was to develop digital and intelligent systems, with a strong focus on enhancing and optimizing the sales process through technological innovation. We also worked on penetrating process management to enhance the transparency and efficiency of business processes. By facilitating information integration and interaction between sales, product teams, and investment research, we introduced several innovative applications. These included pop-up notifications for product periods, an interactive section for investment research views, and an appointment management system for fund managers. These applications have significantly shortened the information transfer chain and improved communication efficiency. At the same time, we improved and optimized the existing work log system, turning it into a vital tool for detailed process management. In 2023, the usage of the work log system expanded significantly, with accesses reaching 347,000, a 104% increase from the previous year's 170,300, and visits totaling 64,000, a 48% year-on-year increase. These numbers highlight our significant progress and success in our digital and intelligent transition.

In 2023, the application scenarios of the work log continued to expand, with the number of accesses amounting to

347,000

and the number of visits reached

64,000

Looking ahead, we will continue to drive digital enhancement and build an integrated information management platform that aligns closely with our business development goals. We aim to further improve system efficiency and user experience to meet the diverse needs of our investors and business teams, thereby ensuring a high-quality digital transformation for the Company.



Steady Progress of the Channel Tree "Star Program"

We launched a three-year Channel Tree "Star Program," rolling out and standardizing the sorting of channel structure and underlying data to ensure the accuracy and completeness of information. By exploring the output and interaction models of the underlying database, the program facilitates the effective accumulation of key information and enables dynamic information updates. It provides accurate guidance and support to sales teams and significantly improves sales efficiency and decision-making quality.



Continuously Enhancement in Digital and Intelligent Business

We continued to enhance the digital and intelligent business with the Southern Asset Connect mini-app. The mini app integrates scientific popularization, investment research information, training courses, and fund research tools and features innovative tools such as Immersive Investment, Fund Practice Training, and the Sentiment Valuation Indicator. It has not only won the recognition of financial managers in retail channels but also attracted widespread attention and imitation in the industry. As of the end of 2023, the Southern Asset Connect mini-app provided services for 255,800 users, ranking among the first tier in the industry.



Euler Asset Management System 3.0

In 2023, the company launched the Euler Asset Management System 3.0 to restore the essence of business and redefine business models. This includes enhancing online morning meeting functionalities, optimizing system processes, and providing tools and mechanisms for platform-based equity business operations.

Corporate Culture

Our corporate culture is deeply rooted in the essence of traditional Chinese culture; it is a cultural innovation based on a 25-year corporate history. In recent years, we have placed a strong emphasis not only on business growth but also on cultural development. To support this, we have issued several codes of conduct and established a robust system to promote our corporate culture. These include the *Outline of Corporate Culture of Southern Asset Management*, the *Principles of Southern Asset Management*, and the *Norms of Southern Asset Management*.

To enhance organizational support and leadership, we established the Leadership Group for Corporate Culture Development. This group is supported by an organizational framework composed of the leadership group, a working group, and correspondents, ensuring clear goals and strategies for developing our corporate culture.

Charting an Ambitious Blueprint to Enable Change for the Better **05**

We adhere to a people-centric management philosophy, committed to fostering an environment that supports the growth and well-being of our employees, communities, and partners. We prioritize the development and welfare of our employees by creating a healthy, fair, and harmonious work environment with positive labor relations. Additionally, we value community investment and public welfare, actively participating in social advancements to give back to the community and achieve mutual benefits. In our interactions with partners, we follow principles of honest cooperation and mutual benefit, working together to promote business development and shared prosperity.

Responding to the UN SDGs:

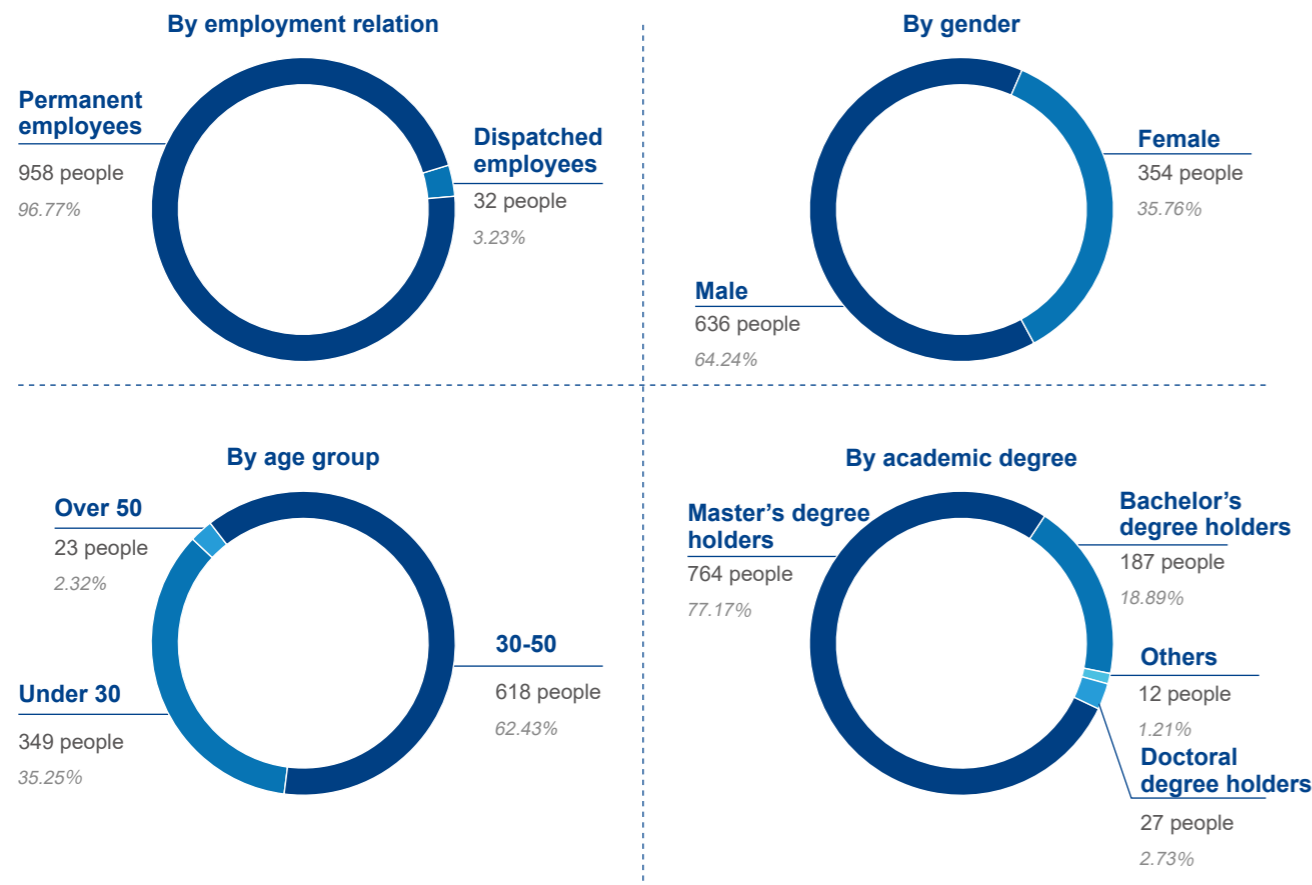


Setting the Stage for a Dream

Lawful Employment

We prioritize protecting the legitimate rights and interests of employees and strive to create healthy, fair, and harmonious labor relations and work environment. During the reporting period, we revised the *Labor Contract Management Measures of Southern Asset Management*, the *Labor Contract of Southern Asset Management*, and the *Employee Attendance Management Measures of Southern Asset Management* in accordance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and other state laws and regulations, alongside industry regulations such as the *Measures for the Supervision and Administration of Managers of Publicly Offered Securities Investment Funds* and the *Guidelines for Performance Evaluation and Remuneration Management of Fund Management Companies*. This move has further improved the basic safeguards for recruitment, labor contracts, attendance, leaves, and performance management. During the reporting period, 100% of our employees signed employment contracts and were covered by social insurance and the housing provident fund.

As of December 31, 2023, the total number of employees was 990,¹² and the employee composition was as follows:



¹²The score of these statistics covers the head office in Shenzhen and its branches.

Indicator	2023	2022	2021
Number of investment researchers (people)	299	287	259
Share of investment researchers compared to the total workforce (%)	30.2 ¹³	31.9	31.8
Number of operating personnel (people)	153	343	300
Share of operating personnel compared to the total workforce (%)	15.5 ¹³	38.1	36.8
Number of marketing personnel (people)	307	270	256
Share of marketing personnel compared to the total workforce (%)	31.0 ¹³	30.0	31.4
Number of technicians (people)	231	/	/
Share of technicians compared to the total workforce (%)	23.3 ¹³	/	/
New employees (people)	145	157	143

¹³Share of each team = Number of people in each team / Total number of employees at the Company



Recruitment and Retention

Talent is the cornerstone of the sustainable development of an enterprise. Our workforce and talent pipeline are always at the core of our strategy. We actively bring in key talent through open recruitment, internal recommendations, headhunting, and partnerships with campus recruitment websites, ensuring we have the right people for key positions, and injecting new impetus for the long-term development of the Company. In 2023, a total of 145 new employees joined the Company. Campus recruitment is one of the key channels for us to introduce talent. We have attracted many outstanding graduates with innovative spirit and professional skills through both online and offline events.

We strictly follow laws, regulations, and our internal policies during the recruitment process, ensuring equal opportunities for all candidates regardless of gender, age, ethnicity, marital status, nationality, or religion. We thoroughly check the employment conditions of all candidates to prevent child labor, forced labor, and other labor violations. During the reporting period, we experienced no incidents of child labor or forced labor.

Performance Management and Incentive and Restraint System

To ensure standardized and effective employee performance appraisals, we have developed scientifically sound and reasonable evaluation methods for employees at all levels. Using the OKR method for target management, we uphold the principle of comprehensive evaluation. We conduct in-depth analyses and assessments of employees' actual output and contributions, considering industry standards, employees' performance history, and the specific requirements of their positions.

Appraisal Dimensions

- A combination of quantitative and qualitative indicators is used. For example, the annual performance appraisal of a department general manager includes factors such as departmental performance, general fulfillment of responsibilities, and compliance and risk control. The annual performance appraisal of primary-level employees focuses on factors such as work performance, overall performance, and compliance and risk control.

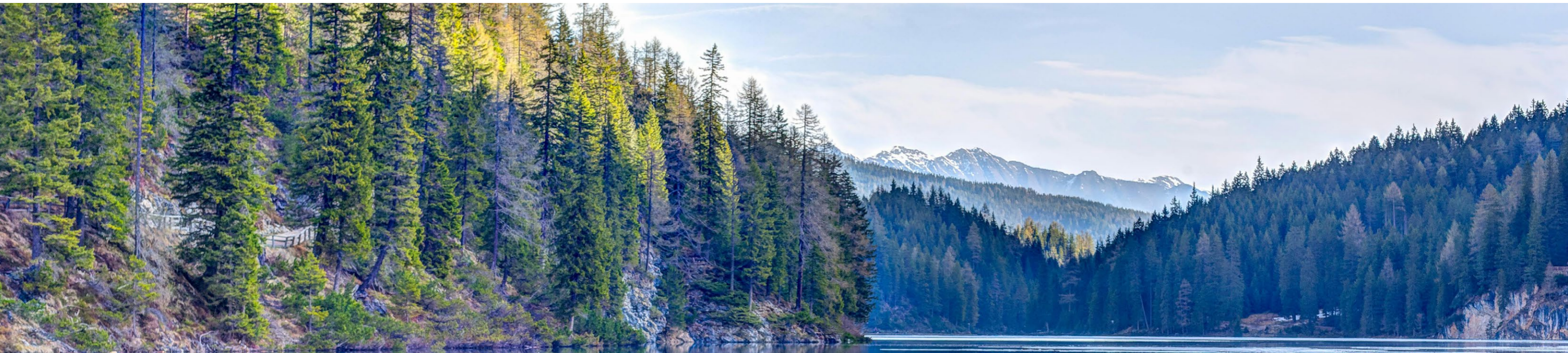
Appraisal Authority

- A hierarchical management system is in place to ensure that leaders at all levels have appropriate autonomy in their appraisals.

Appraisal Results

- The principles of comprehensiveness and differentiation are followed, and evaluations are based on the actual value contribution of individuals. Employee targets are aligned with the targets of the team, the department, and the Company as a whole to promote the continuous improvement of the organization's performance and capability.
- The appraisal results are applied to evaluations for commendation, appointments, training and development, bonus distribution, and salary adjustment, aiming to stimulate the vitality and competitiveness of the workforce.

Following market-oriented, performance, and incentive principles and with consideration to characteristics of the industry and the requirements of corporate management, we have created a scientific, systematic, and diverse system for compensation and benefits that integrates long-term and short-term incentives. The mechanism combines intangible incentives with material rewards. In practice, we have strictly enforced a mechanism of incentive and restraint to ensure that the interest of our investment personnel aligns with that of our clients, thus promoting the alignment between employees' targets and those of the Company.



Employee Promotion and Development

We prioritize a people-centric approach to promotions, ensuring the right individuals are placed in the right positions based on both virtue and talent while emphasizing self-discipline. We adhere to the Party's guidelines for managing cadres and talents, following selection standards that prioritize virtue and talent. Our goal is to provide employees with ample career development opportunities and to foster their enthusiasm through a fair, unbiased, and transparent promotion mechanism. We also focus on individual career development planning, offering personalized guidance to support the sustainable growth of the Company.

We have set up a competence-based position system consisting of eight MD series of positions in the fields of management, investment, research, sales, marketing, technology, operations, and wealth management advisor. Each MD series includes clear standards for promotion and demotion, providing employees with a defined career development path. In 2023, we updated the Rules of Procedure of the MD Review Committee of Southern Asset Management to ensure standardized and effective promotion and review processes, enabling us to select the "best of the best" for advancement.

Occupational Safety and Health

Guarantee of Workplace Safety

We are committed to creating a safe and healthy work environment for our employees through a variety of measures:



Inspecting fire emergency responses monthly to ensure workplace safety



Pasting fire evacuation plans on all floors and organizing employees to participate in fire drills to enhance their emergency response capacity



Arranging for people to tour our workplaces and relevant facilities on a daily basis to promptly identify and address hidden safety hazards



Ensuring our office areas have sufficient sunshine and are well-lit all day long to provide a favorable visual environment for employees to improve their work efficiency and comfort



Offering employees ergonomic chairs to reduce the harm done to their health as a result of sedentary jobs and improve their work conditions

Protection of Physical and Mental Health

We continuously optimize the supplemental medical insurance scheme for employees and encourage employees to alternate work with rest and strike a balance between work and life. We are also concerned about the mental health of our employees, for which we have launched the Employee Assistance Program (EAP) to provide employees with a means to relieve stress.



"Lucky to Have You" Employee Care Program

We implement the EAP "Lucky to Have You" employee care program on an ongoing basis. Employees can consult professional advisors about their career development, family and parent-child relations, marriage love, and emotional regulation via telephone, video, or on-site consultations. To better meet the needs of employees, we maintain sustained and effective promotion of the "Lucky to Have You" program, helping employees in need obtain timely psychological assistance. During the reporting period, the "Lucky to Have You" program operated smoothly and was well received by employees, effectively improving their mental health.

Employee Training

We provide comprehensive training resources and support for our employees for the organic alignment of their personal career development and the Company's business growth. We have formulated the *Employee Training Management Measures of Southern Asset Management of Southern Asset Management*, the *Pre-service Training Management Measures for New Hires as Fresh Graduates of Southern Asset Management*, and the *In-house Trainer Management Provisions of Southern Asset Management*. These internal systems are designed to ensure standardized and effective training.

Diverse Training Formats

Leadership Training

We hosted five Lion Plan management leadership training sessions for primary-level managers and nine internal sharing sessions for a total audience of 698 people, providing a standardized growth path and a high-quality knowledge feast for primary-level managers.

Professional Training

We hosted nine professional training sessions under the Falcon Plan, the Wolf Warriors, and the Thoroughfare, for a total audience of 784 people in the investment research and marketing business lines. These sessions helped employees enhance their basic skills and boosted team morale and professional ability.

New Employee Training

We hosted two Kunpeng Plan new employee training camps and a Teachers' Day Gratitude Assembly. The curriculum, which consists of corporate culture training, product skill learning, and job rotation, helped 133 new employees quickly integrate into the team and understand the corporate culture. The ceremonial event, experience sharing, and incentive commendation enhanced the sense of achievement of the 137 in-house trainers and created a cultural ethos of "apprenticeship" in the Company.

Leveraging the Strength of Charities

Caring for society and public welfare, we assume social responsibility and promote social harmony and prosperity through practical actions.

In 2011, we founded the Southern Asset Management Charity Foundation as a sole initiator. Since then, we have closely monitored and engaged in public welfare causes in education, disaster relief, poverty alleviation, and environmental protection. The foundation has established comprehensive internal management systems, including a financial management system, donation management measures, and a project management system. They ensure that the foundation's fund management, donation process, and project implementation comply with laws and regulations, thus protecting the rights and interests of donors and maintaining the credibility of the Foundation.

Donation

By the end of 2023, the foundation had donated a total of RMB 9.19 million. That year alone, it donated RMB 1.362, including approximately RMB 310,000, RMB 52,000, and RMB 1 million to rural revitalization, educational support, and disaster relief, respectively.

Donation Projects in 2023

Donation for the Grassland Campground Construction Project in the Laolihai Scenic Area, Xinghe County, Inner Mongolia

In May 2023, our Charity Foundation donated RMB 150,000 to the Grassland Campground Construction Project in the Laolihai Scenic Area, Xinghe County, Inner Mongolia.

Donation for the Scale Planting of Large Cherries Project in Xinghe County, Inner Mongolia

In June 2023, our Charity Foundation donated RMB 110,000 to the Scale Planting of Large Cherries Project in Xinghe County, Inner Mongolia.

Donation Project for Dayu High School

In October 2023, we donated RMB 52,000 to the Dare County Charity Association exclusively for teaching incentives, school development, school construction, and the construction of a school history building at Dare High School.

Disaster Relief Donation for the Earthquake in Jieshishan County, Linxia Prefecture, Gansu

In December 2023, we donated RMB 1 million to relieve the earthquake in Jieshishan County, Linxia Prefecture, Gansu, on December 18. The funds were used to support the relief and post-disaster construction and help the people hit by the disaster to get through the difficult times and the hit areas to resume production and living as soon as possible.

Appendix

Methods of Calculating the Environmental Impact of Operating Activities

The organizational boundary¹⁴ for the current environmental data disclosure is identified according to the operational control method described in the *GHG Protocol: Corporate Accounting and Reporting Standards*. Therefore, the emissions produced by the head office, branches, and primary and secondary subsidiaries over the span of January 1 to December 31, 2023, including those in scope 1 and 2. Scope 1 direct emissions include those from fixed sources, mobile sources, and fugitive emissions. Emissions in this scope are mainly the carbon emissions generated by the combustion of gasoline consumed by self-owned vehicles, the combustion of natural gas used by gas equipment in self-owned cafeterias, and the fugitive emissions from cooling equipment. Scope 2 indirect emissions include the carbon emissions produced by the electricity consumed in offices within the boundary of accounting.

Scope 1 and Scope 2 Emissions

Scope 1 and scope 2 emissions are derived from the gasoline consumed by self-owned vehicles, the natural gas used by gas equipment in self-owned cafeterias, and an office's electric and cooling equipment. The total of such emissions is the sum of the emissions from the combustion of fossil fuel, the fugitive emissions from refrigerants, and the emissions from outsourced electricity.

- For the carbon emission from the combustion of gasoline consumed by self-owned vehicles, the activity data is actual the consumption of gasoline. The average lower heating value is based on the data found in *China Energy Statistical Yearbook 2022*, and the default emission factor for carbon dioxide is derived from the *2006 IPCC Guidelines for National Greenhouse Gas Inventory* (revised in 2019).
- For the carbon emission from the combustion of natural gas consumed by gas equipment in self-owned cafeterias, the activity data is the actual consumption of natural gas. The average lower heating value is based on the data in *China Energy Statistical Yearbook 2022*, and the default emission factor for carbon dioxide is derived from the *2006 IPCC Guidelines for National Greenhouse Gas Inventory* (revised in 2019).
- For the carbon emission resulting from the electricity consumed in offices within the boundary of accounting, the activity data is the actual consumption of electricity; the emission factor is the average emission factor for the national power grid in 2021 as released by the Ministry of Ecology and Environment and the National Bureau of Statistics of China.
- For the fugitive emissions from cooling equipment in in business offices, the activity data is the initial refrigerant charge of the cooling equipment, which is mainly derived from the nameplate of the equipment and interviews with property managers, and the emission factor or the refrigerant leakage rate is derived from the *Number Designation Method and Safety Classification of Refrigerants* (GB7778-2008).

¹⁴ The scope of GHG emission accounting covers the headquarters and all branch companies of Southern Asset Management, including the branches in Beijing, Shanghai, Shenzhen, Nanjing, Chengdu, and Hefei, as well as China Southern Capital Management and China Southern Equity.

The formula is as follows:

$$E_{GHG} = E_{GHG-combustion} + E_{GHG-outsourced\ electricity} + E_{GHG-refrigerants}$$

In the formula:

E_{GHG} is the total GHG emissions of the reporting entity, as measured by the unit of tCO₂e;

$E_{GHG-combustion}$ is the emission of CO₂, within the organizational boundary from the combustion of fossil fuels, including CO₂, CH₄, and N₂O, as measured by the unit of tCO₂e;

$E_{GHG-outsourced\ electricity}$ is the emission of CO₂, from the consumption of outsourced electricity within the organizational boundary;

$E_{GHG-refrigerants}$ is the fugitive emission of CO₂ within the organizational boundary from the HFCs generated by the operation of air conditioners and refrigerators, as measured by the unit of tCO₂e.

GRI Index

Indicator No.	Disclosure Item	Chapter in the Report
GRI 2: General Disclosures 2021		
2-1	Organizational details	About Us
2-2	Entities included in the organization's sustainability reporting	About the Report
2-3	Reporting period, frequency and contact point	About the Report
2-6	Activities, value chain and other business relationships	About Us
2-7	Employees	Setting the Stage for a Dream
2-9	Governance structure and composition	Corporate Governance ESG Management Structure
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance ESG Management Structure
2-13	Delegation of responsibility for managing impacts	Corporate Governance ESG Management Structure
2-14	Role of the highest governance body in sustainability reporting	ESG Management Structure
2-16	Communication of critical concerns	Stakeholder Engagement
2-17	Collective knowledge of the highest governance body	ESG Management Structure
2-18	Evaluation of the performance of the highest governance body	ESG Management Structure
2-19	Remuneration policies	Setting the Stage for a Dream
2-20	Process to determine remuneration	Setting the Stage for a Dream
2-22	Statement on sustainable development strategy	Southern Asset Management Sustainable Development Model Message from the General Manager
2-27	Compliance with laws and regulations	Robust Operations
2-28	Membership associations	Participation in Initiatives ESG Awards and Recognitions
2-29	Approach to stakeholder engagement	Stakeholder Engagement

Indicator No.	Disclosure Item	Chapter in the Report
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	Materiality Analysis
3-2	List of material topics	Materiality Analysis
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	2023 in Numbers
201-2	Financial implications and other risks and opportunities due to climate change	Feature 2: Climate Change Response
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investments and services supported	Empowering New Quality Productive Forces Leveraging the Strength of Charities
203-2	Significant indirect economic impacts	Empowering New Quality Productive Forces Leveraging the Strength of Charities Protecting Clients' Rights and Interests
GRI 205: Anti-corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures	Robust Operations
205-3	Confirmed incidents of corruption and actions taken	Robust Operations
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	Environmental Impact of Operating Activities
302-3	Energy intensity	Environmental Impact of Operating Activities
302-4	Reduction of energy consumption	Environmental Impact of Operating Activities
GRI 303: Water and Effluents 2018		
303-1	Interactions with water as a shared resource	Feature 2: Climate Change Response
303-5	Water consumption	Environmental Impact of Operating Activities
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Environmental Impact of Operating Activities
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Impact of Operating Activities
305-4	GHG emissions intensity	Environmental Impact of Operating Activities

Indicator No.	Disclosure Item	Chapter in the Report
305-5	Reduction of GHG emissions	Environmental Impact of Operating Activities
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Impact of Operating Activities
GRI 306: Waste 2020		
306-1	Waste generation and significant waste-related impacts	Environmental Impact of Operating Activities
306-2	Management of significant waste-related impacts	Environmental Impact of Operating Activities
306-3	Waste generated	Environmental Impact of Operating Activities
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	Setting the Stage for a Dream
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Setting the Stage for a Dream
GRI 403: Occupational Health and Safety 2018		
403-3	Occupational health services	Setting the Stage for a Dream
403-5	Worker training on occupational health and safety	Setting the Stage for a Dream
403-6	Promotion of worker health	Setting the Stage for a Dream
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Setting the Stage for a Dream
GRI 404: Training and Education 2016		
404-2	Programs for upgrading employee skills and transition assistance programs	Setting the Stage for a Dream
404-3	Percentage of employees receiving regular performance and career development reviews	Setting the Stage for a Dream
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Setting the Stage for a Dream
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	Leveraging the Strength of Charities
GRI 417: Marketing and Labeling 2016		
417-1	Requirements for product and service information and labeling	Protecting Clients' Rights and Interests

HKEX Index

Mandatory Disclosure Requirements			
Indicator		Location	
Governance Structure			
A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.		ESG Management Structure	
Reporting Principles			
A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: • Materiality; • Quantitative; and • Quantitative		Notes on the Report	
Reporting Boundary			
A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.		About the Report	
"Comply or Explain" Provisions			
Indicator		Location	
A. Environmental			
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Impact of Operating Activities
	A1.1	The types of emissions and respective emissions data.	Environmental Impact of Operating Activities
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Impact of Operating Activities
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Impact of Operating Activities
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Impact of Operating Activities
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	Feature 2: Climate Change Response

A. Environmental			
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Impact of Operating Activities
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Impact of Operating Activities
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Impact of Operating Activities
	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Impact of Operating Activities
Aspect A3: The Environment and Natural Resources	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Impact of Operating Activities
	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Feature 2: Climate Change Response
Aspect A4: Climate Change	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Feature 2: Climate Change Response
	B. Social		
Aspect B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Setting the Stage for a Dream
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Setting the Stage for a Dream
Aspect B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Setting the Stage for a Dream
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Setting the Stage for a Dream
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Setting the Stage for a Dream
Aspect B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Setting the Stage for a Dream
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Setting the Stage for a Dream

B. Social			
Aspect B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Protecting Clients' Rights and Interests
	B6.2	Number of products and service related complaints received and how they are dealt with.	Protecting Clients' Rights and Interests
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Property
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protecting Clients' Rights and Interests
Aspect B7: Anti- corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Robust Operations
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Robust Operations
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Robust Operations
	B7.3	Description of anti-corruption training provided to directors and staff.	Robust Operations
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Leveraging the Strength of Charities
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Leveraging the Strength of Charities
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Leveraging the Strength of Charities

TCFD Index

Recommendation	Response	Location
Governance		
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Our governance structure for climate-related risks and opportunities is aligned with the ESG organizational structure, with the ESG Leadership Group coordinating relevant efforts and the ESG working groups implementing responsive measures. At the same time, the Sustainable Development Department assists in the research of international and domestic climate change policies, tracks the trend of industry actions to address climate change, and participates in the formulation of the Company's strategies and objectives to address climate change.	ESG Management Structure
Strategy		
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	We have identified short-, medium-, and long-term climate-related risks and opportunities that the Company faces, including physical risks (acute physical risks and chronic physical risks), transition risks (policy and legal risks, technology risk, market risk, reputational risk), and opportunities (opportunities in the market and product and service innovation).	Details can be found in the <i>2023 Environmental Information Disclosure Report</i> .
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Climate-related risks may pose a negative impact on our financial position, including a decrease in operating income or the value of our investment portfolio, a depreciation of fixed assets, and an increase in credit risk. Climate-related opportunities, on the other hand, may pose a positive impact on our financial position, such as an increase in operating income or the value of our investment portfolio.	Details can be found in the <i>2023 Environmental Information Disclosure Report</i> .
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We continuously identify, assess, and address climate-related risks and opportunities. With reference to the climate change scenarios set out by the Task Force on Climate-related Financial Disclosure (TCFD) and the climate-related risk transmission mechanism recommended by the Network for Greening the Financial System (NGFS), we conduct climate-related risk stress tests to evaluate potential impact. Based on these evaluations, we implement appropriate mitigation and adaptation strategies. As a fund manager, we carefully assess how climate change might affect our investments, considering the likelihood and potential impacts of various climate scenarios to make informed investment decisions.	Feature 2: Climate Change Response
Risk Management		
a) Describe the organization's processes for identifying and assessing climate-related risks.	We continuously identify, assess, and address climate-related risks and opportunities. With reference to the climate change scenarios set out by the Task Force on Climate-related Financial Disclosure (TCFD) and the climate-related risk transmission mechanism recommended by the Network for Greening the Financial System (NGFS), we conduct climate-related risk stress tests to evaluate potential impact. Based on these evaluations, we implement appropriate mitigation and adaptation strategies. As a fund manager, we carefully assess how climate change might affect our investments, considering the likelihood and potential impacts of various climate scenarios.	Feature 2: Climate Change Response
b) Describe the organization's processes for managing climate-related risks.	We actively respond to climate-related risks by enhancing carbon emission management, incorporating climate factors into risk control considerations, and implementing ESG-related work in all aspects.	Feature 2: Climate Change Response
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Fully recognizing the risks that the carbon peaking goal and carbon neutrality vision pose to our investment portfolios, we have established a climate-related risk assessment mechanism and incorporated the impact analysis of climate factors in our investment research process. We emphasize the application of a quantitative and systematic approach to managing climate-related risks, which are included in our day-to-day investment and operational decision-making process. We will further refine our internal risk control regulations and tools for more effective management of climate-related risks.	Feature 2: Climate Change Response

Recommendation	Response	Location
Metrics and Targets		
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	We continuously identify, assess, and address climate-related risks and opportunities. With reference to the climate change scenarios set out by the Task Force on Climate-related Financial Disclosure (TCFD) and the climate-related risk transmission mechanism recommended by the Network for Greening the Financial System (NGFS), we conduct climate-related risk stress tests to evaluate potential impact. Based on these evaluations, we implement appropriate mitigation and adaptation strategies.	Feature 2: Climate Change Response
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We have disclosed the data of our scope 1 and scope 2 emissions and emission intensity.	Environmental Impact of Operating Activities
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	For carbon emissions from our own operations, we have set a goal to achieve "carbon neutrality." Since 2020, we have been fully offsetting our carbon emissions by conducting carbon inventories, managing our emissions effectively, implementing energy-saving measures, and purchasing carbon offsets. These efforts have enabled us to meet our annual "carbon neutrality" targets. For carbon emissions from our investment, we are intensifying our research on the physical and transition risks that our portfolios face. Using our carbon emissions database, we track the carbon footprint of the companies we invest in to evaluate their climate change performance. We have developed a plan to measure the carbon emissions of our investment portfolios. In the future, as we improve our carbon management system, we aim to extend our "carbon neutrality" goal to include scope 3 emissions.	Feature 2: Climate Change Response

Support for the Principles for Responsible Investment

Principle 1: Incorporate ESG issues into investment analysis and decision-making processes	<ul style="list-style-type: none"> • ESG Organizational Structure (P17-18) • ESG Investment Processes (P19) • ESG Investment Strategies (P20-23) • ESG Investment Tools (P24-27)
Principle 2: Be active owners and incorporate ESG issues into our ownership policies and practices	<ul style="list-style-type: none"> • ESG Investment Strategies (P20-23) • ESG Investment Tools (P24-27)
Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest	<ul style="list-style-type: none"> • ESG Investment Strategies (P20-23)
Principle 4: Promote acceptance and implementation of the Principles within the investment industry	<ul style="list-style-type: none"> • Research Achievements (P29-30) • Feature 2: Climate Change Response (P41-42) • Environmental Impact of Operating Activities (P35-36)
Principle 5: Work together to enhance our effectiveness in implementing the Principles	<ul style="list-style-type: none"> • Research Achievements (P29-30) • Environmental Impact of Operating Activities (P35-36)
Principle 6: Report on our activities and progress toward implementing the Principles	<ul style="list-style-type: none"> • We have enhanced information disclosure and released the <i>Sustainability Report</i> (formerly the <i>ESG Investment Report</i>) for four consecutive years. • We conduct annual reporting as required by the PRI.

Response to United Nations' SDGs

UN SDG	Chapter in the Report
 Goal 3: Good health and well-being	03 Leveraging the Power of the Financial Sector to Help Create Long-term Value 05 Charting an Ambitious Blueprint to Enable Change for the Better
 Goal 4: Quality education	05 Charting an Ambitious Blueprint to Enable Change for the Better
 Goal 5: Gender equality	05 Charting an Ambitious Blueprint to Enable Change for the Better
 Goal 7: Affordable and clean energy	01 Making Responsible Investments to Promote Sustainable Development 02 Promoting Green Development to Build a Beautiful China
 Goal 8: Decent work and economic growth	03 Leveraging the Power of the Financial Sector to Help Create Long-term Value 05 Charting an Ambitious Blueprint to Enable Change for the Better
 Goal 9: Industry, Innovation and Infrastructure	01 Making Responsible Investments to Promote Sustainable Development
 Goal 10: Reduced inequality	03 Leveraging the Power of the Financial Sector to Help Create Long-term Value
 Goal 12: Responsible consumption and production	02 Promoting Green Development to Build a Beautiful China 04 Reinforcing the Foundation of Governance to Go Far and Steady
 Goal 13: Climate action	02 Promoting Green Development to Build a Beautiful China
 Goal 16: Peace, justice and strong institutions	02 Promoting Green Development to Build a Beautiful China
 Goal 17: Partnership for the goals	04 Reinforcing the Foundation of Governance to Go Far and Steady

Notes on This Report

This is the fourth annual sustainability report (formerly the “ESG Investment Report;” hereinafter referred to as the “Report”) released by Southern Asset Management Co., Ltd. (“Southern Asset Management,” the “Company,” or “we/us”). It gives a true and objective view of the progress in making responsible investments and performing corporate social responsibility by Southern Asset Management and its branches in 2023.

Quantitative indicators referred to in this Report are provided explanations on their statistical bases in corresponding sections.

This Report is produced in reference to the following eight principles:

Accuracy: This Report provides accurate and sufficiently detailed information that is free of false records or misleading representations to accurately measure the impact of the organization covered during the reporting period.

Balance: This Report gives an objective view of factors and discloses both positive and negative indicators to avoid selective reporting, omissions, or reporting formats that may improperly affect the decision-making or judgment of its readers.

Clarity: This Report is easy to understand, clearly structured, and draws a clear distinction between more important and less important content to lower the effort of reading and help convey important messages of the organization covered.

Comparability: This Report expressly notes the international or industrial guidelines that serve as the basis on which to make statistical analyses or perform the calculation for the key quantitative indicators of ESG performance and, to the highest extent possible, make the indicators and calculations consistent for different reporting periods to help reflect the trend of ESG performance.

Completeness: This Report provides thorough and complete information free of material omissions to fully gauge the impact of the organization covered during the reporting period.

Sustainability: In the context of sustainable development, this Report focuses on ESG issues of the organization covered that may have an important impact on investors and other stakeholders.

Timeliness: This Report discloses information every year to provide readers with timely information that facilitates their decision-making.

Verifiability: For the information disclosed herein, this Report retains a record of data collection, recording, compilation, or analysis to help with fact-checking and ensure the quality of information and data.

Unless otherwise stated, this report uses Renminbi as the currency for monetary values. This report is released electronically. It can be downloaded from the ESG section of the Company's official website.

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