

China Sustainable Investment Review

2 0 2 0

December 2020

2020

Written by:

Supported by:

Acknowledgements:

Foreword

Simon O' Connor / Chair, Global Sustainable Investment Alliance

As the world has rapidly responded to the fall out of the global pandemic in 2020, and economies have suffered in the face of economic downturns, 2020 will also be remembered as a year of a great acceleration in sustainable investment and finance.

The year of 2020 laid bare the very case for sustainable investment, whereby risks that are not directly financial in nature, such as a pandemic, and thereby other systemic risks such as climate change, could so fundamentally alter and shape economic outcomes.

Through the strong global focus on economic recoveries that are tied to also responding to the other great global challenge of climate change, a massive movement in capital has begun towards those low carbon, sustainable assets.

Globally, across the many markets that investment forums like China SIF operate, including the major markets represented by the Global Sustainable Investment Alliance (GSIA), the story has been repeated: a story of acceleration in the uptake and commitments flowing to sustainable investments.

As the GSIA, we welcome this important study by China SIF that contributes critical market data to map and measure that movement of capital in China. This important report complements the comprehensive picture produced by the equivalent studies produced by SIFs in many markets across the world. These studies provide deep and knowledgeable market insights reflecting the important work that SIFs around the world do in shifting capital markets towards a sustainable future.

We commend the work of China SIF in producing this report, and we welcome this exciting moment of great acceleration towards sustainable investment and finance that is occurring in China, along with other major regions of the world.

Foreword

An Outlook into the Next Five Years

Dr. GUO Peiyuan / Chairman, China SIF

The year 2020 is unforgettable. The COVID-19 pandemic raging around the world has hammered global economy, leading to social and economic slowdowns, even shutdowns. Like a light against this dark backdrop, the stableness and robustness of sustainable investment have been highlighted — global sustainable assets hit an all-time high of \$1.26 trillion in Q3 2020.

In 2020, China saw pan-ESG indices and pan-ESG mutual funds growing to 51 and 127 respectively, with total assets under management (AUM) of over RMB 120 billion, a record high level; and a rapid rise in commercial banks' pan-ESG wealth management products from zero to 47, estimated to be worth upwards of RMB 23 billion. During the 13th Five-Year Plan period (2016-2020) of China, the number of pan-ESG indices has increased by 34% and the number and AUM of pan-ESG mutual funds by 79% and 109% respectively, in each case, on a five-year basis. This means sustainable investment as a whole has showed satisfactory development.

2020 marks the end of the 13th Five-Year Plan period. Lately, the Fifth Plenary Session of 19th CPC Central Committee adopted the Proposals of the 14th Five-Year Plan (2021-2025) and 2035 Vision, mapping out a blueprint for China's development in the next five to fifteen years.

Looking into the next five years, I have full confidence in the development of sustainable investment in China for four reasons. First, the pandemic makes us reflect on the existing development models, and as a result, many countries have regarded green recovery as a priority, which is a boon to sustainable development. Second, under the Paris Agreement, the world has sped up the efforts to tackle climate change, in which financial markets and financial institutions are expected to play a crucial role. Third, as China pushes forward the two-way opening up of its capital market, the inflow of long-term foreign capital will motivate the engagement of asset managers in sustainable investment. Last, given that China's ongoing registration-based IPO system reform will bring a change to the existing supply-demand structure in the capital market, ESG will be more valued by investors and companies as ESG will provide the former with fuller, value-added insights into the latter.

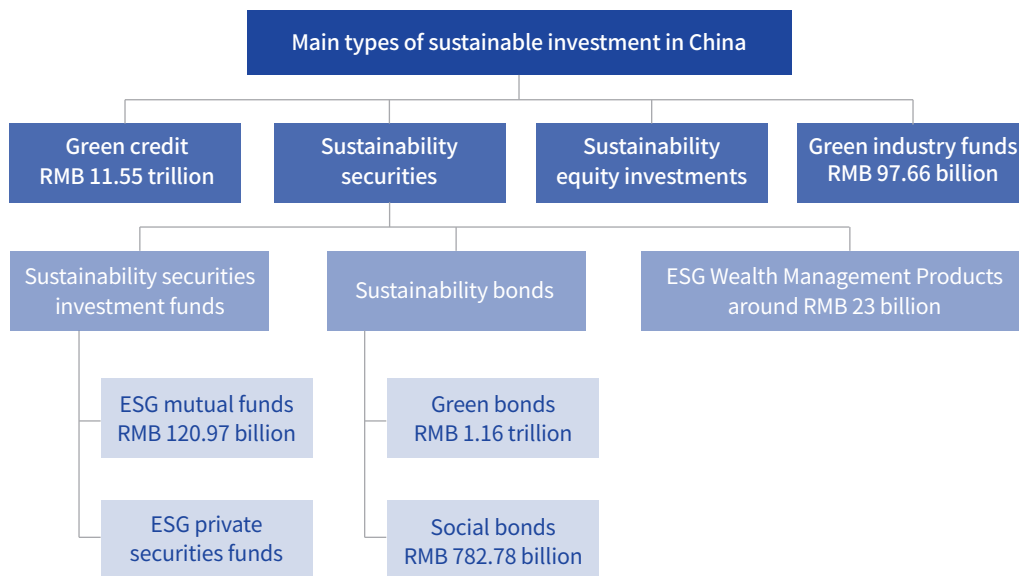
The current trend indicates that sustainable investment in China is expected to show the following characteristics over the next five years. First, ESG-based sustainable investment and green finance will continue to develop in synergy and will often intertwine with each other. Second, policies will remain a major driver for the sustainable investment market, but some work through market mechanisms, such as the two-way opening up of the capital market and the registration-based IPO system as described above. Third, economic transformation and restructuring will result in some changes to substantial ESG issues: environmental issues will cover climate change and biodiversity in addition to pollution control, and social issues will focus more on the protection of consumer rights and personal privacy. Fourth, with more sustainable investment practices, asset managers in China will adopt increasingly diverse approaches to sustainable investment, and leading asset managers will explore more complicated approaches to ESG investment, such as quantitative ESG integration and active ownership strategy, even though the screening strategy will remain the most commonly used one.

Just like a rising sun, sustainable investment in China will illuminate every corner of the capital market over time.

Executive Summary

In 2020, the outbreak of COVID-19 pandemic and the increasing materiality of climate change risks forced more and more countries to further discuss and practice sustainable investment. Incorporation of environmental, social and corporate governance (ESG) factors into investment decision-making has been widely embraced and become a consensus among market regulators and participants. In its early days, sustainable investment in China was mainly implemented by banks in extending credits. In 2020, China made an ambitious pledge to be carbon neutral by 2060. This will drive the acceleration of sustainable investment in the Chinese capital market, mushrooming of new sustainable investment products, and acceptance of ESG and sustainable investment by mainstream investors.

China Sustainable Investment Review 2020 (this “Report”) straightened out the status quo and size of sustainable investment in China based on public information. According to China SIF’s research on publicly available information, in China, the balance of green credit was RMB 11.55 trillion; the size of pan-ESG mutual funds was RMB 120.97 billion; the total amount of green bonds issued was RMB 1.16 trillion; the total amount of social bonds issued was RMB 782.78 billion; and the actual capital contribution of green industry funds was RMB 97.66 billion.



Note: The statistical dimensions for different types of data are not exactly the same. For details, please refer to Appendix 1.

This Report, focusing on the sustainable investment practice of securities investment funds, summarized the international development trend of sustainable investment, reviewed the progress of China’s sustainable investment policies in recent years, sorted out existing pan-ESG stock indices, mutual funds, wealth management products, analyzed and discussed the attitude of individual investors and institutional investors towards sustainable investment, and interviewed ESG fund managers.

Main Findings

- China has pledged to achieve carbon neutrality by 2060, and green recovery in the post-pandemic era has considerably promoted sustainable investment in China's securities market; an updated exposure draft of the Green Bond Endorsed Project Catalogue has been released, which is expected to include unified market standards for Chinese green bonds.
- The number of pan-ESG stock indices has steadily grown. As of October 2020, there were 52 pan-ESG indices tracking A shares, with satisfactory returns and stability.
- As of the end of October 2020, thirteen mutual fund management firms in China signed the United Nations-supported Principles for Responsible Investment, or PRI; the number of pan-ESG mutual funds added up to 127, with their size accounting for about 2.16% of that of all equity funds and hybrid funds in the market, a growth record.
- ESG-related wealth management products sprang up, totaling 47 offered by 10 commercial banks and wealth management companies.
- The sustainable investment by Chinese investors is primarily driven by factors such as investment risks and returns, while the choice of young individual investors also embodies the vital role of values.
- Currently, the core challenges faced by investors in sustainable investment include insufficient awareness of sustainable investment, lack of ESG evaluation criteria and tools, and unavailability of reliable ESG data.

Contents

Foreword	01
Executive Summary	03
About This Report	04
1. Trends and Key Progress in Global Sustainable Investment	07
2. Sustainable Investment Policies in China	12
2.1 Polices Directly Related to Sustainable Investment	12
2.2 Local Government's Incentive Policies Supporting Sustainable Investment	13
2.3 Update on Green Bond Taxonomy	15
2.4 Progress in Disclosure Policies and Status Quo of Disclosure	15
2.4.1 Overview of the Progress in ESG Disclosure Policies	15
2.4.2 Status Quo of ESG Disclosure by Listed Companies	18
3. Market Practices of Sustainable Investment in China	20
3.1 Pan-ESG Stock Indices	20
3.2 Pan-ESG Mutual Funds	28
3.3 Commercial Banks' Pan-ESG Wealth Management Products	34
4. Surveys on Individual and Institutional Investors' Attitudes Towards Sustainable Investment in China	38
4.1 Understanding and Practices of Sustainable Investment	38
4.2 Motivations for Investors to Consider Sustainable Investment	40
4.3 Demographic Features of Respondents Who Are Willing to Consider Sustainable Investment	42
4.4 Focus and Strategies of Sustainable Investment	43
4.5 Challenges for Sustainable Investment	46
5. Conclusions and The Road Ahead	54
Appendix 1: Type and Size of Sustainable Investment in China	56
Appendix 2: Sustainable Investment Policies in China	57
Appendix 3: Pan-ESG Mutual Funds	59
Appendix 4: Public Survey Questions and Responses	63

List of Figures

Fig. 1 Main Types of Sustainable Investment	06	Fig. 24 Changes in the Motivations for Institutional Investors to Consider ESG/Sustainable Investment	41
Fig. 2 AUM of Global Sustainable Funds	07	Fig. 25 Individual investors' Willingness to Consider Sustainable Investment by Gender	42
Fig. 3 Number & AUM of PRI Signatories	08	Fig. 26 Individual Investors' Willingness to Consider Sustainable Investment by the Portfolio Size	42
Fig. 4 Number of PRB Signatories	09	Fig. 27 Individual Investors' Willingness to Consider Sustainable Investment by Age	42
Fig. 5 Number of Equator Principles Signatories	09	Fig. 28 ESG Factors that Individual Investors Are Most Concerned about	43
Fig. 6 Stock Exchange Sustainability Activities Experience Strong Growth	10	Fig. 29 Industries' ESG Risks as Perceived by Individual Investors	43
Fig. 7 Linear Fitting Diagram of The Green Policy Strength Score and The Number of Bonds Issued	15	Fig. 30 Industries' ESG Risks as Perceived by Institutional Securities Investors	44
Fig. 8 Release of CSR Reports by A-share Listed Companies (2011-2020)	19	Fig. 31 Industries' ESG Risks as Perceived by Institutional Equity Investors	44
Fig. 9 The Number of Pan-ESG Indices in the A-share Market Shows a Steady Increase	21	Fig. 32 Individual Investors' Sustainable Investment Plan	45
Fig. 10 Comparison of Annualized Yield of A-Share Pan-ESG Indices	22	Fig. 33 Sustainable Investment Plans of Individual Investors Who Have Never Considered Sustainable Investment	45
Fig. 11 Comparison of Annualized Volatility of A-Share Pan-ESG Indices	22	Fig. 34 Individual Investors' Preferred Sources of ESG Information	45
Fig. 12 Performance of ESG50 Index	25	Fig. 35 Factors Hindering Individual Investors from Considering Sustainable Investment	46
Fig. 13 Performance of Shanghai-Shenzhen ESG 100 Select Index	25	Fig. 36 Challenges for Institutional Securities Investors to Consider Sustainable Investment	46
Fig. 14 Number of pan-ESG Mutual Funds Increases Rapidly	28	Fig. 37 Challenges for Institutional Equity Investors to Consider Sustainable Investment	47
Fig. 15 Adjusted NAV Growth Rate of Pan-ESG Index Funds	29		
Fig. 16 Individual Investors' Level of Understanding of Sustainable Investment	39		
Fig. 17 Individual Investors' Willingness to Consider Sustainable Investment	39		
Fig. 18 Individual Investors' Willingness to Consider Sustainable Investment by Their Level of Understanding	39		
Fig. 19 Institutional Securities Investors' Understanding and Practices of ESG/Sustainable Investment	39		
Fig. 20 Institutional Equity Investors' Understanding of and Practice of ESG/Sustainable Investment	39		
Fig. 21 Motivations for Individual Investors to Consider Sustainable Investment	40		
Fig. 22 Motivations for Institutional Securities Investors to Practice ESG/Sustainable Investment	40		
Fig. 23 Motivations for Institutional Equity Investors to Practice ESG/Sustainable Investment	41		

List of Tables

Table 1 Number of PRI Signatories	08
Table 2 Pan-ESG Indices of the A-share Market	23
Table 3 List of Funds Tracking Pan-ESG Indices	27
Table 4 Size of Pan-ESG Funds	29
Table 5 List of Pan-ESG Index Funds	30
Table 6 List of "Select Category" Active Funds	33
Table 7 List of Pan-ESG Wealth Management Products	35

About This Report

Methodology and definitions

Sustainable investment is an investment approach that, based on traditional investment, further incorporates considerations on the environmental, social and governance (ESG) factors of the investment object. For the purposes of this Report, the term “sustainable investment” covers concepts such as low-carbon finance, climate finance, and green finance, and is equivalent to “sustainable finance” defined by the UN Environment Inquiry.

This Report mainly provides the following sustainable investment strategies:

- Positive/best-in-class screening: investment in sectors, companies or projects selected from a defined universe for positive ESG performance relative to industry peers;
- Negative/exclusionary screening: the exclusion from a fund or portfolio of certain sectors, companies or practices based on specific ESG criteria;
- Sustainability themed investing: investment in themes or assets that address specific sustainability issues such as climate change, food, water, renewable energy, clean technology and agriculture;
- Corporate engagement and shareholder action: the use of shareholder power to influence corporate behavior, including through direct corporate engagement, filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.

This Report is consistent with Global Sustainable Investment Alliance (GSIA)¹ in terms of the classification of sustainable investment strategies. According to GSIA, common sustainable investment strategies encompass negative/exclusionary screening, positive/best-in-class screening, norms-based screening, ESG integration, sustainability themed investing, impact/community investing, and corporate engagement and shareholder action.

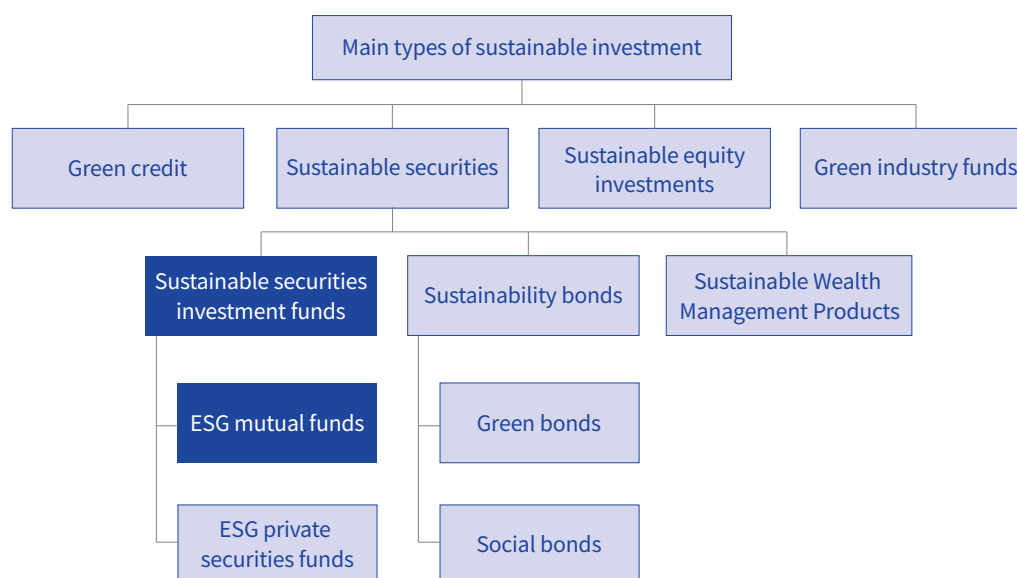
Scope of this Report

In the Chinese market, sustainable investment, which was primarily adopted by the bank credit business at the outset, has gradually penetrated into the practice of the securities industry, equity investment, and industrial funds in the recent years. Meanwhile, sustainable investment products, such as ESG stock indices, green bonds, green funds, and wealth management products, have sprung up in succession (Fig. 1) (Related definitions and size statistics can be found in Appendix 1).

This Report focuses on sustainable securities investment funds, without placing restrictions on the sustainable investment strategies adopted by investors. And when collecting statistics on pan-ESG stock indices, mutual funds and wealth management products, this Report, without placing restrictions on the number of ESG factors considered by investors, covers all products that take into account one or more than one of the three factors of E, S, and G.

¹ Global Sustainable Investment Alliance (GSIA), 2019. 2018 Global Sustainable Investment Review.

Fig. 1 Main Types of Sustainable Investment



Data sources

The main data² sources of this Report are as follows:

- Sustainable investment policies: Relevant data are mainly sourced from the “China Green Financial Policy Database” of SynTao Green Finance.
- Sustainable investment market practice: Available statistics of pan-ESG stock indices, mutual funds and wealth management products are collected and organized by China SIF based on public information.
- The results of a questionnaire survey on the attitude of individual investors, are sourced from the “2020 Survey of Public Attitudes toward Sustainable Investment” jointly initiated by China SIF and Sina Finance in November 2020; this survey was conducted anonymously among individual investors, and gathered 3,019 valid responses.
- The results of a questionnaire survey on the attitude of institutional investors, are sourced from the Survey Report on ESG Investment in China’s Fund Industry (2019): Securities and the Survey Report on ESG Investment in China’s Fund Industry (2019): Equity issued by the Asset Management Association of China (AMAC). AMAC collected 324 and 149 valid questionnaires, respectively, from institutional securities investors and institutional equity investors, mainly including mutual fund management companies, private equity fund firms, securities and futures institutions engaged in private asset management and their asset management subsidiaries, private equity and venture capital fund management firms, and other related securities and futures institutions and their private equity subsidiaries.
- Interviews with institutional investors about their attitude towards sustainable investment: data are sourced from interviews with three fund managers by China SIF in October 2020.

² Unless otherwise specified, the data for China in this Report does not include the data for the Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan Province.

1. Trends and Key Progress in Global Sustainable Investment

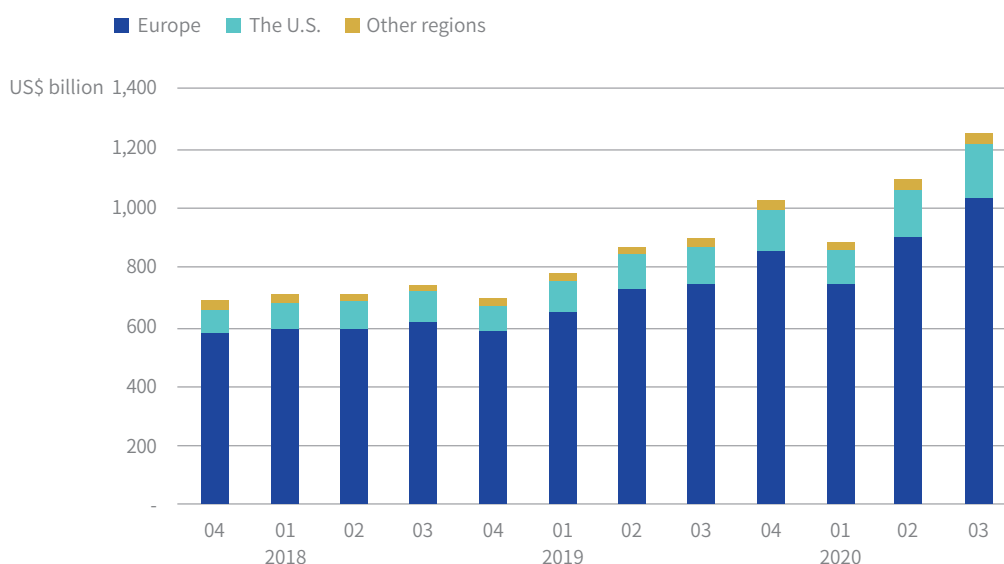
The COVID-19 pandemic throughout the world in 2020 has hit global economy hard. As a result, financial institutions are incorporating pandemics, climate change and other systematic risks into their consideration, and investors are increasing their attention to ESG. Countries have highlighted sustainability and greenness as important considerations in their economic stimulus policies for post-pandemic recovery. In November 2020, for example, EU member states agreed to support the Next Generation EU³ recovery plan, including green transition as one of its core parts. These countries vowed to spend 30% of the €1.8 trillion EU budget on climate change mitigation and to give special consideration to issues like biodiversity and gender. At the 75th Session of the UN General Assembly in September 2020, Chinese President Xi Jinping also stated the need to adopt the green development concept for the world's post-pandemic green recovery.

Global sustainable investment showed faster development

In terms of AUM, Morningstar⁴ data show that the total AUM in global sustainable funds exceeded \$1 trillion for the first time at the end of 2019 (Fig. 2), and climbed to \$1.26 trillion in Q3 2020, 82% of which came from Europe.

Net inflows into global sustainable funds, though declining in Q1 2020 due to the COVID-19 pandemic, rebounded in Q2, driven by a strong demand for sustainable recovery, and rose up to as high as \$80.5 billion in Q3 alone.

Fig. 2 AUM of Global Sustainable Funds



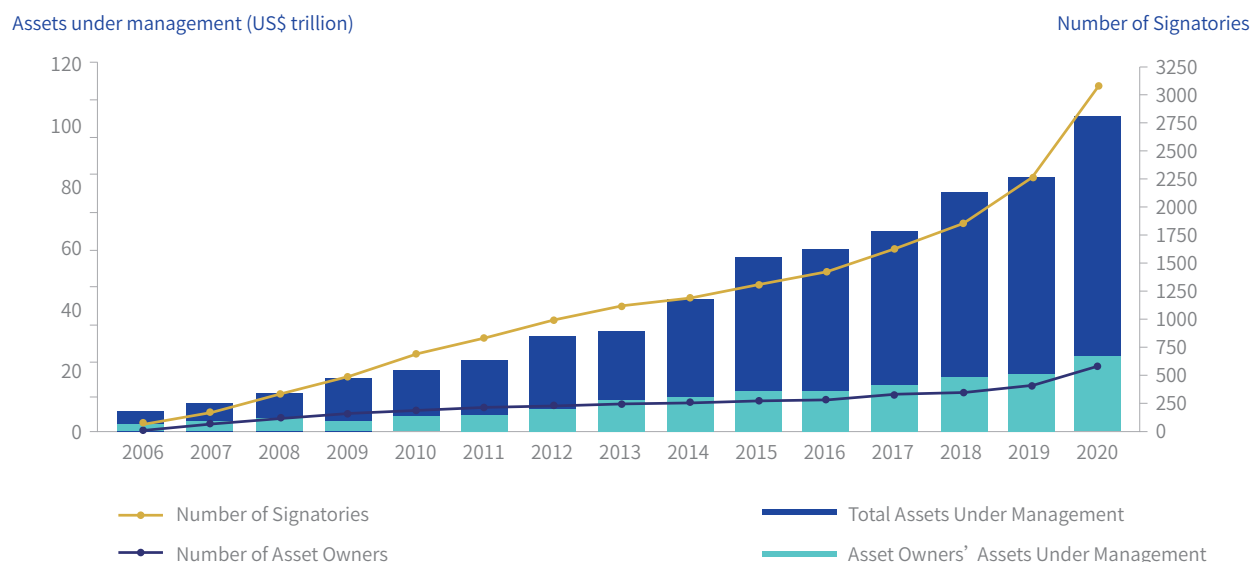
Source: Morningstar, as of Q3 2020

³ European Commission, 2020. Recovery Plan for Europe. https://ec.europa.eu/info/strategy/recovery-plan-europe_en, accessed on November 25, 2020.

⁴ MorningStar, 2020. Global Sustainable Fund Flows: Q3 2020 in Review.

In terms of the number of sustainable investment institutions, there was a rapid increase in the signatories to UN-supported Principles for Responsible Investment (PRI) in 2020. As of November 11, 2020, nearly 3,500 institutions worldwide had signed PRI (including 2,532 investment managers and 575 asset owners⁵), up 787 or nearly 30% over 2019 (Table 1), with a total AUM of more than \$100 trillion (Fig. 3).

Fig. 3 Number & AUM of PRI Signatories



Source: Website of PRI, as of April 2020

Table 1 Number of PRI Signatories

	2019	2020	Increased by	Growth rate
Investment Manager	1927	2532	605	31%
Asset Owner	483	575	92	19%
Service Provider	285	373	88	31%
Total	2694	3480	787	29%

*As of November 11, 2020

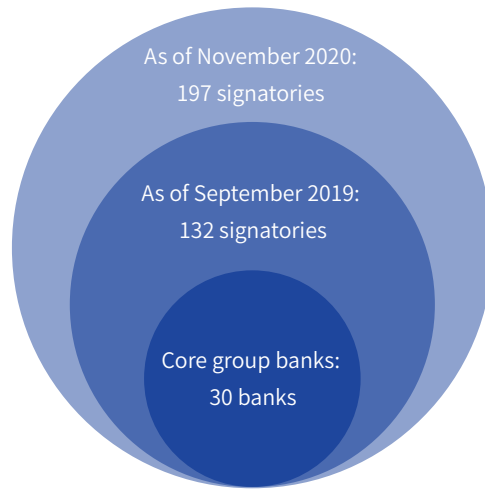
Source: Website of PRI, collected by China SIF

In addition, since the launch of the Principles for Responsible Banking (PRB)⁶ in September 2019, its signatories have grown to nearly 200 banks, who collectively represent around 40% of global banking assets. Led by UNEP FI, the PRB were developed by a core group of 30 banks, including ICBC, Citibank, Barclays, BNP Paribas. The PRB provide banks with a framework to make sustainability at the heart of their business. By signing the PRB, banks commit themselves to align their business strategies and practices with the targets set forth in the SDGs and Paris Agreement. In addition to ICBC, the PRB's Chinese signatories also include Industrial Bank, Huaxia Bank and Bank of Jiujiang.

5 PRI, www.unpri.org, accessed on November 11, 2020. There are three categories of PRI signatories: investment managers, asset owners, and service providers.

6 PRB, <https://www.unepfi.org/banking/bankingprinciples/>

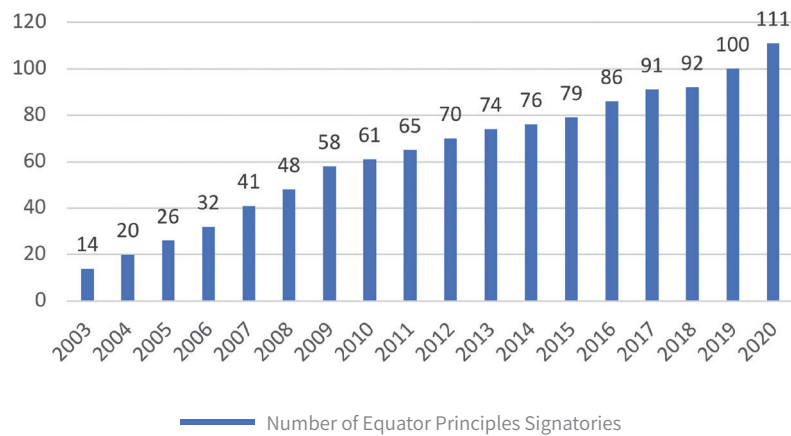
Fig. 4 Number of PRB Signatories



Source: Website of UNEP FI, collected by China SIF. As of November 12, 2020.

Similarly, a growing number of banks have adopted the Equator Principles⁷, which provide a set of sophisticated tools and an industry benchmark for managing environmental and social risks in projects. As of November 2020, 111 financial institutions from 37 countries and regions had signed the Equator Principles, up by 11 new signatories primarily from Asia, or 11% over the previous year. At present, China has 5 Equator Principles signatories, including Industrial Bank, Bank of Jiangsu, Bank of Huzhou, Mianyang City Commercial Bank and Chongqing Rural Commercial Bank, three of which signed the principles in the previous two years.

Fig. 5 Number of Equator Principles Signatories

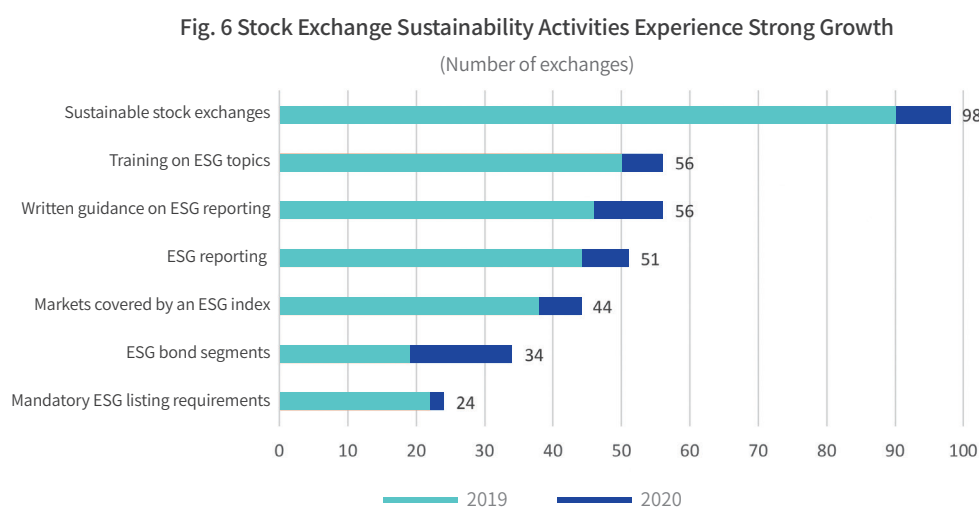


Source: Website of Equator Principles, collected by China SIF

⁷ PRB, <https://www.unepfi.org/banking/bankingprinciples/>

Stock exchanges strived to promote ESG bonds and disclosure

As of November 2020, stock exchanges joining the UN Sustainable Stock Exchange (UN SSEi) Initiative has reached 98, up 9% from last year, supervising 52,000 listed companies with a total market capitalization of \$86.2 trillion. Over the past year, UN SSEi partner exchanges made great efforts to promote ESG bonds. The number of exchanges with ESG bond segments increased from 19 in 2019 to 34, a growth of 79%. ESG disclosure remained also a major part of their tasks as the partner exchanges. Currently, 55 exchanges have provided guidelines for the ESG disclosure of listed companies, an increase of 22% over last year, of which 24 exchanges have announced that ESG disclosure is mandatory. In addition, 44 of the partner exchanges have launched ESG-related indices (Fig. 6)⁸.



Source: UN SSEi, collected by China SIF

Sustainable insurance started to develop

Launched at a conference of the UN General Assembly in 2012, the UNEP FI Principles for Sustainable Insurance (PSI) serve as a framework for global insurers to address environmental, social and governance risks and opportunities. PSI signatories and supporters have exceeded 140, representing more than 25% of world premium volume and \$14 trillion in assets under management. In April 2020, Ping An Insurance became the first Chinese PSI signatory.

Financial risks related to climate change gained more attention

In recent years, potential systematic risks posed by climate change have become a growing concern of the financial industry. Market participants, such as asset managers, asset owners and companies, have taken measures to address financial risks related to climate change. As of October 2020, 700 financial institutions, 644 non-financial institutions, and 168 other organizations around the world had supported the Task Force on Climate-related Financial Disclosures (TCFD)⁹ recommendations, collectively up 85% compared to last year. In

⁸ UN SSEi, <https://sseinitiative.org/>.

⁹ TCFD, <https://www.fsb-tcfid.org/>

2020, the PRI announced mandatory TCFD-based reporting, requiring its signatories to report based on TCFD climate risk indicators¹⁰. In November of the same year, the UK declared that information disclosure consistent with TCFD will be mandatory across the economy by 2025¹¹.

The fourth edition of the Equator Principles, released in July 2020, contains major updates to content related to climate change, including recognizing the responsibility of signatory banks to disclose information related to climate change according to TCFD recommendations and suggesting the incorporation of climate change risks into environmental and social impact assessment. This edition also requires signatory banks with greenhouse gas emissions above a certain quota to publicly report their emissions and adds to environmental and social assessment documents new indicators, such as energy consumption coefficient for output, greenhouse gas emissions intensity, water use and consumption coefficient, and land coverage and use.

In September 2020, the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)¹² released the Overview of Environmental Risk Analysis by Financial Institutions and the Case Studies of Environmental Risk Analysis Methodologies to promote the application of environmental risk (including climate risk) analysis in the financial industry.

In addition, more and more mainstream financial institutions have joined the fossil energy divestment campaign. The National Employment Savings Trust (NEST) has announced its divestment from fossil fuels. At the CBI 2020 Conference, Jin Liqun, President of the Asian Infrastructure Investment Bank (AIIB), also stated that AIIB will not finance any thermal power projects, including road facilities and transmission lines, etc. for coal-fired thermal power stations.

SDG-themed investment became a new trend in sustainable investment

At the United Nations Sustainable Development Summit 2015, the 17 Sustainable Development Goals (SDGs) to be achieved by 2030 were proposed to address economic, social and environmental challenges and to promote global sustainable development. The current global efforts to achieve the SDGs are still heavily underfunded, but the SDGs are highly consistent with the needs of sustainable investors. In such a context, SDG-themed investment strategies and products have gained wide attention and gradually developed. In June 2020, the PRI released the Investing with SDG Outcomes: A Five-Part Framework, providing guidance to investors in assessing whether the impacts of their investees are consistent with the SDGs. UNDP China led the development of the SDG Finance Taxonomy (China) 2020 Edition to respond to market demand for SDG investment and to help achieve the SDGs¹³. In September 2020, Mexico issued the world's first sovereign SDG bond, which was six times oversubscribed. The bond, which takes the SDGs as one of its project admission standards, focuses on supporting the development of education, health, sanitation, and clean energy in extreme poverty areas.

¹⁰ PRI, n.a. Climate Change for Asset Owners.

¹¹ HM Treasury, 2020. A Roadmap towards mandatory climate-related disclosures.

¹² NGFS, <http://www.ngfs.net>

¹³ UNDP, 2020. Technical Report on SDG Finance Taxonomy (China).

2. Sustainable Investment Policies in China

At the General Debate of the 75th Session of the UN General Assembly in September 2020, Chinese President Xi Jinping delivered an important speech, pointing out that China will strive to reach CO₂ emissions peak before 2030 and to achieve carbon neutrality by 2060. To realize these ambitious goals, China needs to change its existing energy and consumption structure in the next decades through a substantial increase of renewable energy and green investment.

In October 2020, the Proposals of the CPC Central Committee for Formulating the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 were adopted at the Fifth Plenary Session of the 19th CPC Central Committee of the CPC. During the 14th Five-Year Plan period, China will enhance its efforts on climate change mitigation in an all-round manner and develop a mechanism that balances high-quality economic development with high-level ecological environment protection, in a bid to fundamentally transform its economic, industrial, and energy structure. Therefore, sustainable investment in China is expected to continue to grow in big strides.

2.1 Policies Directly Related to Sustainable Investment

Since 2016, China has introduced a string of policies directly related to sustainable investment in the securities market (Appendix 2). In 2016, seven Chinese ministries and commissions, namely the People's Bank of China, the Ministry of Finance, the National Development and Reform Commission (NDRC), the former Ministry of Environmental Protection, the former China Banking Regulatory Commission, China Securities Regulatory Commission (CSRC), and the former China Insurance Regulatory Commission, jointly issued the Guidelines for Establishing the Green Financial System. This policy document makes clear the vital role of the securities market in advancing green investment and requires unifying the definition of green bonds, giving active support to the listing and refinancing of eligible green companies, and backing up the development of green bond indices, green stock indices and related products.

Subsequently in 2018, AMAC promulgated China's first comprehensive and systematic self-regulation standard for the asset management sector on green investment, the Green Investment Guidelines (for Trial Implementation) (the "Guidelines"). The Guidelines aim to encourage fund management firms to focus on environmental sustainability, beef up fund management firms' awareness of environmental risks, define the scope and approaches of green investment, propel green investment of the fund industry, improve the environmental performance of investment activities, and foster green and sustainable economic growth. By clarifying the concepts, goals, principles and basic methods of green investment, the Guidelines intend to guide fund management firms that are engaged in green investment activities to operate the funds in a market-oriented, standardized, and professional manner, encourage long-term value investment, and establish the code of conduct for green investment.

In 2018, CSRC revised the Code of Corporate Governance for Listed Companies. Drawing upon international practices, this revision has added provisions governing the participation of institutional investors in corporate governance, reinforced the positive role of intermediaries in corporate governance and the oversight role of the audit committees of the boards of directors, and established a basic framework for ESG disclosure.

In October 2020, the Ministry of Ecology and Environment (MEE), NDRC, People's Bank of China (PBC), China Banking and Insurance Regulatory Commission (CBIRC), and CSRC jointly issued the Guiding Opinions on Promoting Investment and Financing to Address Climate Change (the "Guiding Opinions"). This is the first ministry-level document on climate change mitigation after President Xi Jinping announced China's 2060

carbon neutrality target at the UN General Assembly in September 2020. Oriented towards achieving the Nationally Determined Contributions (NDC) and low-carbon development goals, the Guiding Opinions aim to direct and mobilize more private capital to climate change mitigation projects with the support of a system of policies and standards. To realize this aim, the Guiding Opinions propose viable solutions, including but not limited to encouraging and guiding private and foreign capital to climate change-related investment and financing and directing and supporting local practices in climate change-related investment and financing.

In addition, according to Ma Jun, Director of the Green Finance Committee of China Society for Finance and Banking, MEE and CSRC are heading the drafting of rules on mandatory environmental disclosure by listed companies and bond issuers, which are expected to be unveiled by the end of 2020 at the earliest¹⁴.

2.2 Local Government's Incentive Policies Supporting Sustainable Investment

According to the China Green Finance Policy Database developed and maintained by SynTao Green Finance⁵, as of October 31, 2020, China's central and local governments have promulgated 98 green finance-related policies in 2020, including 10 special policies on green finance. Compared to the same period of previous years, both the total policies and the special policies have been less. This is partly because that the outbreak of COVID-19 early in the year hampered the release and implementation of green finance policies in the first half of 2020. Another reason is that the green finance policies introduced around the country since 2016 have nearly peaked, and existing policies are being implemented and evaluated, while potential policies for the next period are under design and preparation. Even so, policies involving financial incentives released in this year represented a much higher proportion compared to previous years. In some areas, fiscal subsidies have even covered all green financial products and market participants, with a single subsidy reaching up to RMB 10 million. This indicates that green financial ecology construction in these areas have developed precisely rather than exploratively.

By region, Guangdong Province and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) are the leading issuers, issuing 10 green finance-related policies. Some of these policies continue to support Guangdong Province's efforts to develop green finance and create a self-circulating green finance ecosystem as one of China's first pilot zones for green finance reform and innovation; the other ones aim to leverage Guangdong Province's pilot experience in green finance to quicken the construction of a green finance ecosystem in GBA and bolster the healthy development of the GBA, which means the successful transfer of practical experience from the pilot zone. In addition to Guangdong Province, Zhejiang Province, Jiangxi Province, and Hubei Province have also released some green finance-related policies, seeking to establish and improve a green finance system with characteristics specific to that province. Notably, Lanzhou New Area in Gansu Province was approved as China's ninth green finance pilot zone in December 2019, which marked the third anniversary of establishment of the first pilot zones for green finance reform and innovation in 8 areas/cities in 5 provinces/autonomous regions. In 2020, Gansu Province introduced 4 green finance-related policies. One of them, the Incentive Policy of Lanzhou New Area on Green Finance Development (for Trial Implementation), issued on October 30, plans to set up a RMB 1 billion green finance fund to subsidize green finance-related institutions and products. This demonstrates the determination of the Lanzhou New Area Government to improve the green finance market, to create a green finance system, and to drive the transformation and upgrade of superior industries in Gansu Province.

¹⁴ CDP, July 30, 2020,

https://finance.sina.cn/esg/2020-07-30/detail-iivhuipn5924587.d.html?cre=wappage&mod=r&loc=2&r=0&rfunc=37&tj=wap_news_relate

¹⁵ Database of Policies in China on Green Finance of SynTao Green Finance,

<http://database.syntaogf.com/think/public/index.php/admin/tools/query>. The database includes more than 700 policies

Policy Examples

Policy Measures of Guangzhou Huangpu District/Guangzhou Development District on Promoting the Development of Green Finance

Focusing on “institutions, products, markets, platforms, and innovation”, this policy document proposes 22 specific measures covering 10 areas, including green finance organizations, green loans, green bonds and green asset securitization, green insurance, green funds, listing of green companies, green business of local financial institutions, compensation for green financial risks, green certification fees, and green finance innovation. By offering a single subsidy of up to RMB 3 million, this document seeks to fully mobilize various financial resources and tools to accelerate the establishment of a sound green finance system in the district.

Incentive Policy of Lanzhou New Area on Green Finance Development (for Trial Implementation)

Under this Policy, the Lanzhou New Area Government will earmark RMB 1 billion to create a green finance development fund for encouraging and supporting green finance reform and innovation. The fund will be used to subsidize green financial institutions, private capital contributors to the green industry development fund, green financial intermediaries, as well as successfully issued green financial products, with a single maximum subsidy of RMB 10 million. This Policy will provide strong support for Lanzhou New Area to build itself into a high-quality pilot zone for green finance reform and innovation and to effectively build up a pool of high-caliber financial professionals.

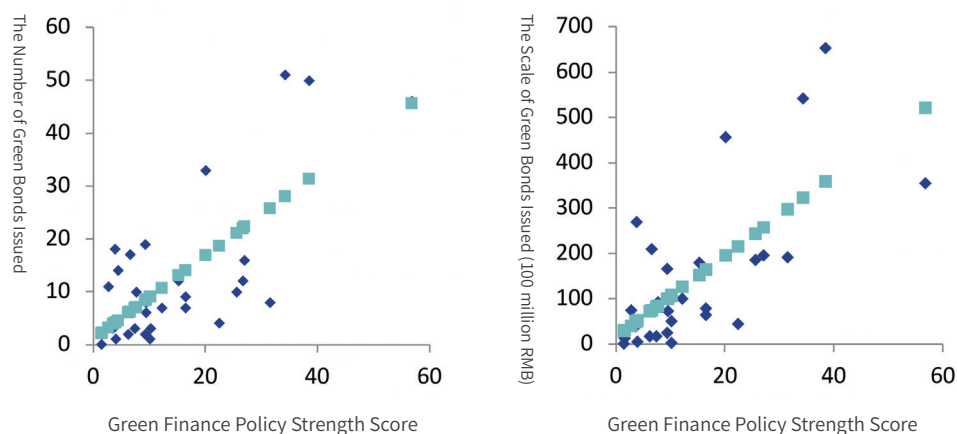
Regulations of Shenzhen Special Economic Zone on Green Finance (Exposure Draft)

The Shenzhen Special Economic Zone is the first in China that has promulgated regulations on green finance. The Regulations (1) specify the environmental disclosure responsibilities of listed financial companies, issuers of green financial bonds, and financial institutions covered by preferential green finance policies, all of which are registered in Shenzhen, and require them to enforce mandatory environmental disclosure from 2022; (2) impose mandatory environmental disclosure requirements on banks with assets of more than RMB 50 billion which have a head office or branch in Shenzhen, mutual fund management firms with an AUM of more than RMB 10 billion, private fund management firms with an AUM of more than RMB 5 billion, and institutional investors with an AUM of more than RMB 10 billion, from 2023; (3) require entities with high environmental risks to maintain compulsory liability insurance against environment pollution; and (4) contain provisions on the environment-related legal liabilities of financial institutions, which prescribe that if any project which has received any loan or equity investment from a financial institution is involved in an ecological and environmental damage incident, and the financial institution has failed to carry out green investment assessment or post-investment management in accordance with law, the financial institution will be subject to a fine of 1% to 10% of the loan or investment.

Correlation between strong policies and scale of green bond issuance

In order to more objectively reflect the efforts of local governments to promote green finance in 2016 to 2019, SynTao Green Finance has scored each green finance policy based on the detail of the implementation guidelines and the scope of policy impact. The scores provide a measure of the strength of green finance policies for each municipality and province. The linear regression analysis of the green policy strength score with the total number of bonds issued and the total scale of bond issuance concluded each release of a green financial policy resulted in at least 0.785 green bonds being issued. On average, every green financial policy will attract at least RMB 890 m in green bond issuance.

Fig. 7 Linear Fitting Diagram of The Green Policy Strength Score and The Number of Bonds Issued



Source: SynTao Green Finance, Analysis of China's Local Green Bond Issuance and Its Relations with Local Green Financial Policy

2.3 Update on Green Bond Taxonomy

One of the most important recent green finance developments in China has been the proposed changes to the Green Bond Endorsed Project Catalogue (2020 Edition). Jointly released by the PBOC, NDRC and CSRC for public consultation in July 2020, it made news headlines as it proposed to exclude the clean utilization of coal. This change takes a crucial step in efforts towards global harmonization of green guidelines and criteria. The 2020 Catalogue also makes an important contribution by harmonizing guidelines domestically. Previously, green financial bonds, green corporate bonds and green debt financing instruments were guided by the 2015 edition of the Catalogue, while enterprise bonds used NDRC guidance. The issuers and intermediaries don't have to benchmark against two standards anymore. Any bond can be recognized as green if it meets the criteria of 2020 Catalogue, no matter in which markets it is issued or what type of bonds it is.

2.4 Progress in Disclosure Policies and Status Quo of Disclosure

2.4.1 Overview of the Progress in ESG Disclosure Policies

In recent years, China's environmental regulators have promulgated a range of policy documents to impose environmental disclosure requirements on listed companies and other entities, including, without limitation, the Measures for the Disclosure of Environmental Information (for Trial Implementation) (2007), the Guiding Opinions on Strengthening Supervision and Administration of Environmental Protection by Listed Companies (2008), and the Measures for the Disclosure of Environmental Information by Enterprises and Public Institutions (2014). In 2015, the Environmental Protection Law as revised came into force. This law clearly states the environmental disclosure obligations of major pollutant dischargers. In December 2017, the former Ministry of Environmental Protection issued the Provisions on the Management of the List of Major Pollutant Dischargers (for Trial Implementation), requiring the classification-based administration of major pollutant dischargers. It should be noted that a major pollutant discharger is not necessarily a listed company, but may be a branch, subsidiary or affiliate of a listed company.

In July 2016, seven Chinese ministries and commissions, including PBC, jointly issued the Guidelines for Establishing the Green Financial System, requiring the establishment of a mandatory environmental disclosure system for listed companies. In their subsequent plan for allocation of responsibilities, they specified a three-step schedule: First, from 2017, making environmental disclosure mandatory for listed companies included on the list of major pollutant dischargers by the former Ministry of Environmental Protection; second, from 2018, making the disclosure partially mandatory—listed companies must give an explanation for their failure to make environmental disclosure; and third, by 2020, making the disclosure mandatory for all listed companies.

In this process, Shanghai Stock Exchange, Shenzhen Stock Exchange, and Hong Kong Exchanges and Clearing Limited have all issued guidance documents on the CSR performance and disclosure of listed companies, and CSRC has also set specific requirements for the disclosure and governance of listed companies.

Stock exchanges issued guidelines for the disclosure of listed companies

■ Shenzhen Stock Exchange (SZSE)

In September 2006, SZSE issued the Guidelines for Social Responsibility of Listed Companies, requiring listed companies to actively fulfill their social responsibilities, to regularly evaluate their social responsibility performance, and to voluntarily disclose a corporate social responsibility report (CSR report). In 2010, the Guidelines were included into the Guidelines for the Standard Operation of Listed Companies to continue to provide guidance and standards on the disclosure of social responsibility information by listed companies.

In March, 2015, SZSE unveiled the Guidelines for the Standard Operation of Listed Companies on the SME Board. According to the Guidelines, a listed company that is involved in a major environmental pollution incident shall promptly disclose the cause of environmental pollution, the impact of such pollution on its performance, the effects of such pollution, and the corrective measures it intends to take.

In September 2020, SZSE revised the Measures on the Appraisal of Information Disclosure of Listed Companies. The Measures as revised have included ESG report as an awarding item, added Article 16 "Disclosure of Social Responsibility Performance" for appraisal of the disclosure of social responsibility performance by listed companies, and mentioned, for the first time, ESG disclosure. Pursuant to the revised Measures, listed companies may be awarded extra points for publishing complete CSR reports and ESG reports with substantial information and for disclosing information such as their active involvement in matters that are in line with China's major strategic policies. SZSE will include the appraisal results of a listed company's disclosure performance into their credit record and report such results to the relevant departments of CSRC and the CSRC regional office at the place where the listed company is located.

■ Shanghai Stock Exchange (SSE)

In May 2008, SSE issued the Notice of Improving Listed Companies' Assumption of Social Responsibilities and Launching "SSE Guideline on Environmental Information Disclosure by Listed Companies". The Notice has required listed companies to take more social responsibilities and to timely disclose their practices and achievements in performing social responsibilities in terms of employee safety, product liability, and environmental protection, and set detailed requirements for environmental disclosure of listed companies.

At the end of 2008, SSE published the Guidelines on the Preparation of CSR Reports, which clearly state that listed companies shall disclose their efforts in promoting environmental and ecological sustainability, such as how to prevent and reduce pollution, how to protect water and energy resources, how to ensure the livability of the regions where they are located, and how to protect and improve the biodiversity of such regions.

Before the launch of the SSE STAR Market (Science and Technology Innovation Board) in March 2019, SSE issued 10 supporting rules and guidelines, including the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange. These rules and guidelines contain clear listing and regulatory requirements for the SSE STAR Market and set mandatory disclosure requirement for ESG-related information. Companies listed on the SSE STAR Market are required to disclose their performance of social responsibilities in, among others, protecting the environment, ensuring product safety, and safeguarding the legitimate rights and interests of employees and other stakeholders.

In September 2020, SSE promulgated the SSE Guidelines No.2 on the Application of Self-Regulation Rules for Listed Companies on SSE STAR Market - Voluntary Information Disclosure, which incorporates the disclosure of ESG information. Article 14 of the Guidelines involving the voluntary disclosure of ESG information provides that in addition to general ESG information required in statutory rules, a company listed on the SSE STAR Market may further disclose ESG information specific to it based on the characteristics of its industry and businesses as well as its governance structure.

■ Hong Kong Exchanges and Clearing Limited (HKEx)

In December 2015, HKEx published an updated ESG Reporting Guide, re-arranging the Guide into two Subject Areas: A. Environmental and B. Social, and addressing corporate governance separately in the Corporate Governance Code. The Guide has required listed companies to disclosure indicators in 3 environmental aspects (emissions, use of resources, and environment and natural resources) and 8 social aspects (employment, health and safety, development and training, labor standards, supply chain management, product liability, anti-corruption, and community investment) within the scope of the two Subject Areas. Listed companies were required to disclose general indicators in the aforesaid 11 aspects in their 2016 annual reports and to further disclose 12 environmental KPIs in addition to the general indicators in the aforesaid 11 aspects in their 2017 annual reports.

In May 2019, HKEx released the Consultation Paper on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules. The Consultation Paper has proposed amendments to the ESG Reporting Guide in 5 aspects. Key proposals include: (1) introducing mandatory disclosure requirements; (2) upgrading the disclosure obligation of all social KPIs from recommended disclosures (i.e., voluntary) to "comply or explain" provisions; (3) aligning the publication timeframe of an ESG report with that of the annual report; and (4) enhancing information disclosure on climate change.

The ESG Reporting Guide amended by HKEx in at the end of December 2019 come into effect on July 1 2020. Key amendments to the Guide include: (1) specifying the responsibilities of the board of directors. In the governance structure, the board of directors is required to issue a statement containing its management approach and process of ESG-related issues and the progress against ESG-related targets; (2) increasing quantitative performance targets and mandatory disclosure of quantitative environmental indicators; (3) upgrading

disclosure obligations, incorporating governance structure and reporting principles and boundary into the scope of mandatory disclosure, and upgrading the disclosure obligations of social KPIs to “comply or explain” provisions; (4) introducing a new aspect on climate change and revising and adding social KPIs.

In July 2020, HKEx announced amendments to the IPO Guidance, requiring additional disclosure of CG (corporate governance) and ESG information by IPO applicants. IPO applicants are required to put in place a mechanism that enables them to meet HKEx’s CG and ESG requirements well in advance so that they are in compliance upon listing. The board of directors of an applicant will be collectively responsible for its management and operations.

CSRC regulated the disclosure and governance of listed companies

In 2016, CSRC revised the guidelines on the content and format of annual reports and semi-annual reports of listed companies, making environmental disclosure mandatory for listed companies and their subsidiaries recognized by environmental regulators as major pollutant dischargers. In December 2017, CSRC issued the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports (2017 Revision). The Standards provides that: (1) listed companies that disclose environmental information in their interim reports during the reporting period shall provide a description of any subsequent progress or changes; (2) listed companies not on the list of major pollutant dischargers may disclose their environmental information with reference to the above requirement and if failing to do so, shall give a reasonable explanation; and (3) listed companies are encouraged to voluntarily disclose information conducive to ecological protection, pollution prevention, and environmental responsibility performance.

In September 2018, CSRC published the revised Code of Corporate Governance for Listed Companies. Article 86 of the Code prescribes that while maintaining sustainable development and maximizing the interests of their shareholders, listed companies shall take their social responsibilities seriously by considering the well-being, environmental protection, public welfare, and other issues of their communities. Article 87 of the Code provides that listed companies shall timely make truthful, accurate, complete disclosure in strict accordance with the provisions of laws, regulations and their articles of association.

2.4.2 Status Quo of ESG Disclosure by Listed Companies

As of September 7, 2020, China had 3,998 listed companies, including 1,718 SSE-listed companies¹⁶ and 2,280 SZSE-listed companies¹⁷. Since 2020 (as of September 7), 1,009 A-share listed companies, or 25% of all listed companies, had issued 1,022 CSR reports¹⁸ for the year 2019. Among them, 606 are listed on SSE, 399 on SZSE, and 4 on NEEQ (National Equities Exchange And Quotations); 116 companies are dual listed on the A share and H share markets.

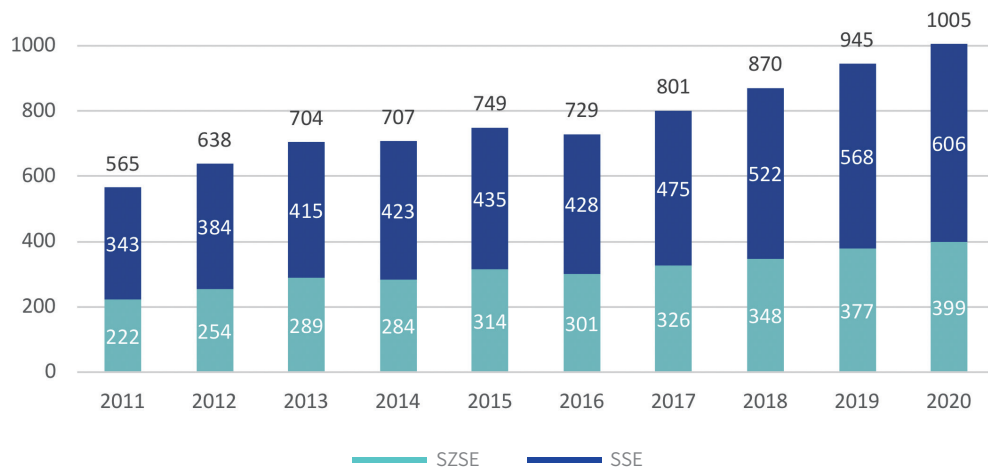
¹⁶ SSE’s stock data overview: <http://www.sse.com.cn/market/stockdata/statistic/>

¹⁷ SZSE’s monthly statistics of SZSE for August 2020

<http://docs.static.szse.cn/www/market/periodical/month/W020200902517946357212.html>

¹⁸ An annual CSR reports refer to any report named as “social responsibility report”, “sustainable development report”, “environmental, social and governance report”, “ESG report” or otherwise, which discloses ESG and other non-financial information. Two reports (i.e., “social responsibility report” and “ESG report”) have been published by each of the 13 listed companies, including Fuyao Glass Industry Group Co., Ltd., Hangzhou Hikvision Digital Technology Co., Ltd., China National Nuclear Power Co., Ltd., Central China Securities Co., Ltd., Zhejiang Dahua Technology Co., Ltd., Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd., Huaneng Power International, Inc., Guangzhou Automobile Group Co., Ltd., Jiangxi Copper Co., Ltd., China Minsheng Banking Corporation Limited., Tianjin Capital Environmental Protection Group Co., Ltd., Shanghai Haohai Biological Technology Co., Ltd., and S.F. Holding Co., Ltd.

Fig. 8 Release of CSR Reports by A-share Listed Companies 2011-2020



Source: Choice Terminal of east money.com, collected by SynTao Green Finance. Data of companies listed on NEEQ are not included.

Despite an exciting growth in the number of A-share listed companies which have published CSR reports, the demand of regulators, the public, and investors for the non-financial information of listed companies has been changed from whether they publish a CSR report to whether they disclose high-quality ESG information. Therefore, A-share listed companies need to further increase the substance of their disclosure and disclose more quantitative information.

However, less than 30% of all listed companies have published a CSR report. According to a spot check on the ESG disclosure of 400 HKEx- listed companies by HKEx at the end of 2019, all the sample companies had published their ESG reports within the required timeframe. It is not hard to see that the level of motivation of a listed company to disclose ESG information is closely associated with the requirements of the stock exchange on which the company is listed. ESG disclosure by A-share listed companies is expected to be further improved as policies on ESG disclosure continue to be tightened, and there is a growing expectation for ESG information in the capital market.

3. Market Practices of Sustainable Investment in China

Driven by sustainable investment policies and changes in market and economic conditions, the Chinese sustainable investment market has grown rapidly since the end of 2019. During this process, ESG and sustainable investment haven been gradually taken in by mainstream investors, and new ESG investment products have sprouted up, resulting in a significant increase in the size of the investment.

3.1 Pan-ESG Stock Indices

The number of pan-ESG stock indices steadily increases

According to data compiled by China SIF, as of the end of October 2020, 52 indices¹⁹ that use environmental (E), social (S), or corporate governance (G) factors to screen constituent A-shares have been released on the SSE and SZSE (collectively pan-ESG indices), mainly consisting of 15 indices of the "ESG Select" category, 6 of the "Corporate Governance Select" category, 2 of the "Green and Low Carbon Select" category, 27 with the theme of Energy Conservation and Environmental Protection, 1 with the theme of Poverty Alleviation and Development, 1 with the theme of Blue Economy. 3 new indices, including CSI 300 Harvest ESG Leaders Index, CSI ESG 120 Strategy Index and CNI Blue 100 Index²⁰ were launched in the recent year. Of the 52 pan-ESG indices, CNI Corporate Governance Index (399322.SZ), which was launched in 2005, is the first pan-ESG index (Fig. 9).

Select Category

- ESG Select: A method that screens constituent stocks by using all of the three factors of E, S and G.
- Corporate Governance Select: A method that screens constituent stocks using the corporate governance factor.
- Green and Low Carbon Select: A method that screens constituent stocks using the environmental factor.

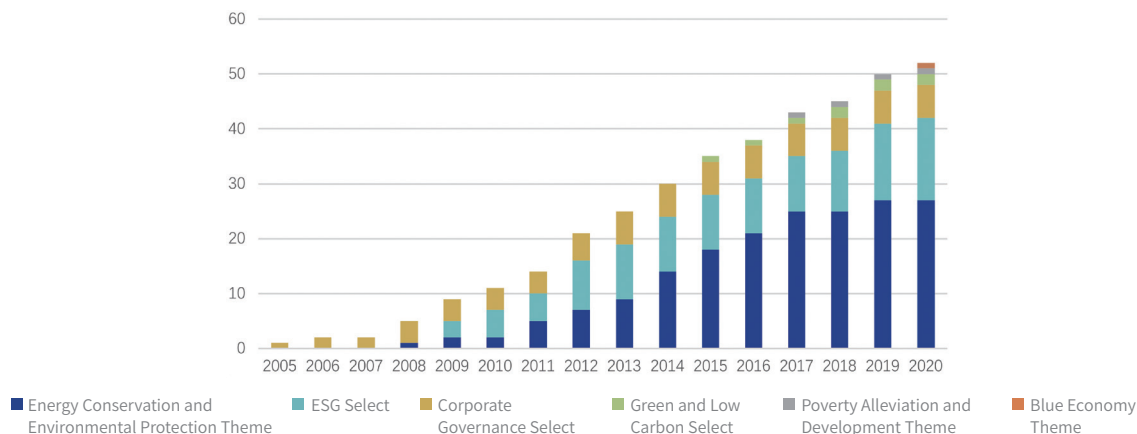
Theme Category

- Energy Conservation and Environmental Protection Theme: All the constituent stocks are those of listed companies engaging in energy conservation and environmental protection-related business.
- Poverty Alleviation and Development Theme: A method that screens constituent stocks with the theme of poverty alleviation and development.
- Blue Economy Theme: The constituent stocks are those of listed companies related to the blue economy.

¹⁹ Compared with last year's report, six A-share pan-ESG stock indices were added (including one launched in 2011, three in 2012, and two in 2019, with their detailed information provided in Table 2).

²⁰ CNI ESG 300 Index (399378.SZ), formerly known as Southern Low-carbon Index, is a strategy index of "Energy Conservation and Environmental Protection Theme". This index, renamed as CNI ESG 300 Index and updating its compilation methodology in 2020, is an "ESG Select" index.

Fig. 9 The Number of Pan-ESG Indices in the A-share Market Shows a Steady Increase



Source: Wind Data Terminal, collected and analyzed by China SIF

The past year saw a considerable leap in the performance of indices of the "theme category"

Of the 52²¹ pan-ESG indices, most indices of the "select category" outperformed their benchmark indices in annualized yield or annualized volatility. In particular, they were far less volatile than those of the "theme category", indicating the good stability of ESG strategy. The performance of indices of the "theme category" (whose main strategy is to screen companies engaged in energy conservation and environmental protection and those located in poverty-stricken areas), however, has improved significantly over the past year. Though the average annualized yields of indices of the "theme category" were on a par with those of indices of the "select category", the top-ranked ones of the "theme category" had a yield much higher than that of indices of the "theme category"(Fig. 10). In the past year, the annualized volatility of the top-ranked indices of the theme category became smaller, but were still bigger than that of the indices of the "select category" (Fig. 11). See Table 2 for the complete information.

Due to the impact of the COVID-19 pandemic and physical risks arising from climate change, the market has started to seek investment with more stable long-term returns to achieve green recovery and to build a more resilient economic system. In the post-pandemic era, industries that help improve systemic response to crises and risks, such as healthcare, public health, and ecological protection, will be bullish.

In the meantime, the key fields covered by "new infrastructure" projects will also include low-carbon transportation and new energy vehicle to support a Chinese infrastructure system which is more intensive, efficient, economical, smart, environmental-friendly, safe, and reliable. This will boost market confidence in the development of the energy conservation and environmental protection industry.

²¹ As CNI Blue 100 Index has HKEx-listed stocks in its universe and is denominated in Hong Kong dollar, no benchmark indices and relative performance have been set.

Fig. 10 Comparison of Annualized Yield of A-Share Pan-ESG Indices

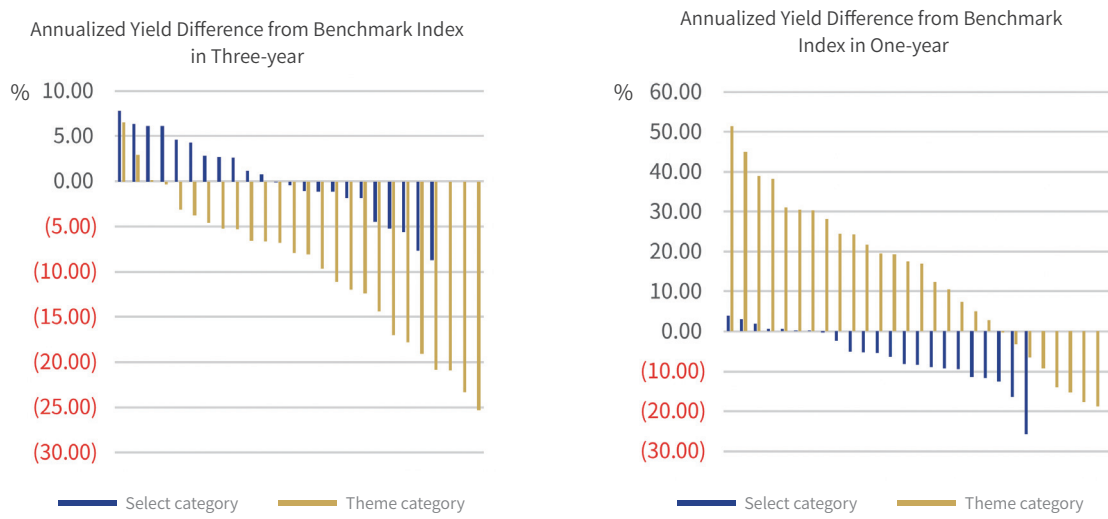


Fig. 11 Comparison of Annualized Volatility of A-Share Pan-ESG Indices

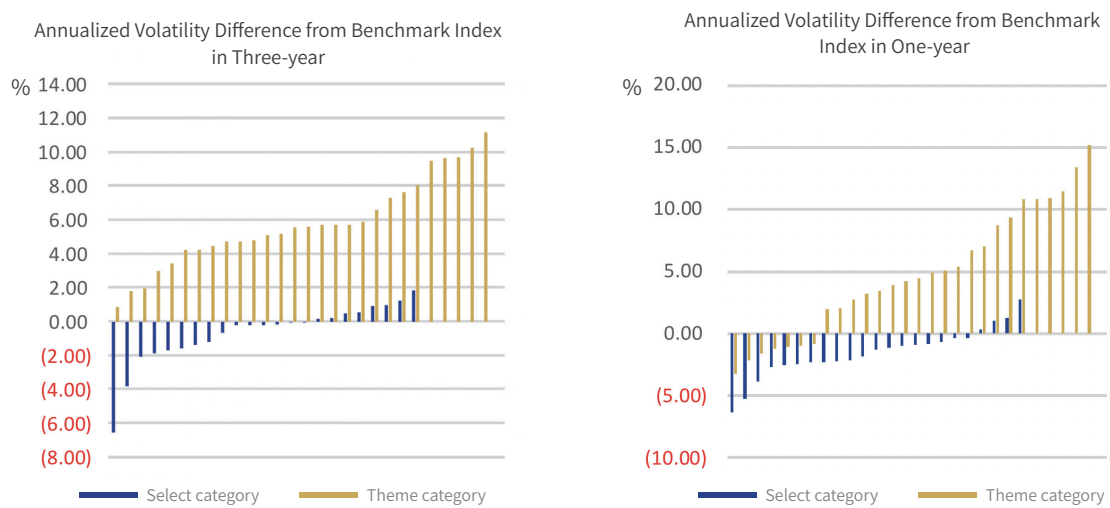


Table 2 Pan-ESG Indices of the A-share Market
(Sorted by strategy type and release time)

Indicators outperforming benchmark indices are shown in red

Ticker	Index name	Benchmark Index	Release Time	3-Year Annualized Yield (Index/Benchmark)		1-Year Annualized Yield (Index/Benchmark)		3-Year Annualized Volatility (Index/Benchmark)		1-Year Annualized Volatility (Index/Benchmark)		Strategy Type
399341.SZ	SZSE CSR	SZSE Component Total Return Index	2009/8/3	12.83	6.70	32.52	37.62	22.97	23.18	23.10	23.76	ESG Select
000048.SH	SSE Social Responsibility Index	SSE Composite Index	2009/8/5	1.34	-1.35	0.44	9.96	17.18	16.72	16.42	16.81	ESG Select
399369.SZ	CHI-CBN-AEGON-Industrial CSR Index	CSI 300 Index	2009/11/4	5.90	6.30	22.54	19.50	18.93	19.01	19.46	19.80	ESG Select
000970.CSI	CSI ECPI ESG China 40 Index	SSE 180 Index	2010/9/17	-3.87	4.81	-0.20	12.32	15.56	17.65	15.08	17.65	ESG Select
399378.SZ	CNI ESG 300 Index	CSI 300 Index	2010/9/20	5.23	6.30	20.07	19.50	19.16	19.01	18.78	19.80	Energy Conservation and Environmental Protection Theme ²²
399550.SZ	CCTV 50 INDEX	CSI 300 Index	2012/6/6	7.11	6.30	17.20	19.50	18.79	19.01	17.11	19.80	ESG Select
399651.SZ	SZSE SME CSR INDEX	SZSE SME INDEX	2012/8/20	7.63	4.80	45.73	43.73	27.14	25.28	28.45	25.70	ESG Select
000846.CSI	CSI ECPI ESG China 100 Index	CSI 300 Index	2012/10/16	1.85	6.30	11.39	19.50	17.39	19.01	17.47	19.80	ESG Select
H00846.CSI	CSI CAITONG ECPI ESG China 100 Index	CSI 300 Index	2012/10/16	4.47	6.30	14.18	19.50	17.63	19.01	18.51	19.80	ESG Select
399555.SZ	CCTV 50 CSR Index	CSI 300 Index	2013/6/6	4.41	6.30	10.53	19.50	17.32	19.01	15.91	19.80	ESG Select
931088.CSI	CSI 180 ESG Index	SSE Composite Index	2018/12/10	5.03	-1.35	13.88	9.96	17.68	16.72	18.10	16.81	ESG Select
931148.CSI	CSI ECPI ESG80 Index	CSI 300 Index	2019/2/27	-1.40	6.30	3.03	19.50	15.16	19.01	14.54	19.80	ESG Select
931168.CSI	CSI CUFE SH-SZ 100 ESG Leading Index	CSI 300 Index	2019/6/27	5.15	6.30	19.78	19.50	19.22	19.01	18.87	19.80	ESG Select
931382.CSI	CSI 300 Harvest ESG Leaders Index	CSI 300 Index	2019-11-25	8.87	6.30	19.65	19.50	19.54	19.01	19.00	19.80	ESG Select
931476.CSI	CSI ESG 120 Strategy Index	CSI 300 Index	2020/4/30	9.36	4.80	17.89	43.73	18.70	25.28	19.29	25.70	ESG Select
399322.SZ	CNI Corporate Governance Index	CSI 300 Index	2005/12/12	10.54	6.30	13.18	19.50	18.78	19.01	17.62	19.80	Corporate Governance Select
399328.SZ	SZSE Corp Governance Index	SZSE Component Total Return Index	2006/1/24	14.49	6.70	25.96	37.62	23.08	23.18	21.30	23.76	Corporate Governance Select
000019.SH	SSE Corporate Governance Index	SSE Composite Index	2008/1/2	-1.38	-1.35	1.55	9.96	16.07	16.72	15.69	16.81	Corporate Governance Select
000021.SH	SSE 180 Corporate Governance Index	SSE 180 Index	2008/9/10	-0.38	4.81	0.82	12.32	16.42	17.65	15.80	17.65	Corporate Governance Select
399650.SZ	SZSE SME Corp Governance Index	SZSE SME INDEX	2012/8/20	10.88	4.80	44.37	43.73	26.19	25.28	26.06	25.70	Corporate Governance Select
399554.SZ	CCTV 50 Corp Governance Index	CSI 300 Index	2013/6/6	7.45	6.30	10.31	19.50	18.79	19.01	17.51	19.80	Corporate Governance Select
950081.CSI	SSE 180 Carbon Efficient Index	SSE 180 Index	2015/10/8	-0.80	4.81	12.22	12.32	18.87	17.65	18.67	17.65	Green and Low Carbon Select
931037.CSI	CSI 300 Green Leading Stock Index	CSI 300 Index	2018/1/4	5.13	6.30	14.08	19.50	17.14	19.01	17.59	19.80	Green and Low Carbon Select
399358.SZ	TEDA EP Index	CSI 300 Index	2008/1/2	-0.50	6.30	39.10	19.50	20.81	19.01	21.81	19.80	Energy Conservation and Environmental Protection Theme
000941.CSI	CSI CN Mainland New Energy Index	CSI 800 Index	2009/10/28	4.20	4.07	58.96	20.66	26.38	19.10	30.61	19.73	Energy Conservation and Environmental Protection Theme
000977.CSI	CSI China Mainland Low Carbon Economy Index	CSI 300 Index	2011/1/21	2.54	6.30	49.93	19.50	22.42	19.01	24.03	19.80	Energy Conservation and Environmental Protection Theme
H00114.SH	SSE Sustainable Development Industry Total Return Index	SSE Composite Index	2011/8/22	5.15	-1.35	31.74	9.96	17.60	16.72	20.29	16.81	Energy Conservation and Environmental Protection Theme

²² Given that CNI ESG 300 Index (399378.SZ), formerly known as Southern Low-carbon Index, has been renamed as such and updated its compilation methodology for less than one year, the comparison is made by the original strategy type.

Ticker	Index name	Benchmark Index	Release Time	3-Year Annualized Yield (Index / Benchmark)		1-Year Annualized Yield (Index / Benchmark)		3-Year Annualized Volatility (Index / Benchmark)		1-Year Annualized Volatility (Index / Benchmark)		Strategy Type
399638.SZ	SZSE Environmental Protection Index	SZSE Component Total Return Index	2011/11/15	-5.68	6.70	45.04	37.62	28.91	23.18	30.48	23.76	Energy Conservation and Environmental Protection Theme
000158.SH	SSE Environmental Protection Industry Index	SSE Composite Index	2012/9/25	-4.47	-1.35	26.94	9.96	20.95	16.72	20.71	16.81	Energy Conservation and Environmental Protection Theme
000827.SH	CSI Environmental Protection Industry Index	CSI 300 Index	2012/9/25	-5.71	6.30	31.91	19.50	23.22	19.01	23.01	19.80	Energy Conservation and Environmental Protection Theme
H30139.CSI	CSI Urbanization Green Cities Index	CSI 300 Index	2013/8/26	-8.04	6.30	29.98	19.50	23.75	19.01	22.57	19.80	Energy Conservation and Environmental Protection Theme
H30141.CSI	CSI Urbanization Intelligent Transport Index	CSI 300 Index	2013/8/26	1.69	6.30	19.24	19.50	28.45	19.01	30.64	19.80	Energy Conservation and Environmental Protection Theme
399412.SZ	CNI New Energy Index	CSI 300 Index	2014/5/16	-0.24	6.30	47.64	19.50	24.70	19.01	25.20	19.80	Energy Conservation and Environmental Protection Theme
399556.SZ	CCTV Ecology Industry Index	CSI 300 Index	2014/6/6	1.05	6.30	44.04	19.50	22.00	19.01	21.88	19.80	Energy Conservation and Environmental Protection Theme
399806.SZ	CSI Environmental Governance Index	CSI All Share	2014/7/21	-19.54	1.26	3.61	22.31	24.50	19.76	18.50	19.75	Energy Conservation and Environmental Protection Theme
399417.SZ	CNI New Energy Vehicles Index	CSI 300 Index	2014/9/24	-4.80	6.30	50.48	19.50	28.65	19.01	28.55	19.80	Energy Conservation and Environmental Protection Theme
399976.SZ	CSI New Energy Vehicles Index	CSI All Share	2014/11/28	0.89	1.26	73.78	22.31	30.91	19.76	34.99	19.75	Energy Conservation and Environmental Protection Theme
399808.SZ	CSI New Energy Index	CSI All Share	2015/2/10	4.20	1.26	61.26	22.31	26.31	19.76	30.72	19.75	Energy Conservation and Environmental Protection Theme
930614.CSI	CSI Environmental Protection Industry 50 Index	CSI 300 Index	2015/4/7	-1.61	6.30	38.88	19.50	23.48	19.01	24.91	19.80	Energy Conservation and Environmental Protection Theme
399817.SZ	CSI AEF Ecology 100 Index	CSI All Share	2015/10/21	-22.07	1.26	4.56	22.31	24.45	19.76	17.62	19.75	Energy Conservation and Environmental Protection Theme
930771.CSI	CSI New Energy Industry Index	CSI 300 Index	2015/12/16	-1.78	6.30	43.76	19.50	24.72	19.01	26.87	19.80	Energy Conservation and Environmental Protection Theme
930835.CSI	CSI Metasequoia Environmental Protection Patents 50 Index	CSI 300 Index	2016/5/18	-10.69	6.30	22.37	19.50	24.10	19.01	18.94	19.80	Energy Conservation and Environmental Protection Theme
930853.CSI	CSI Sponge Cities Index	CSI 300 Index	2016/7/20	-14.63	6.30	24.60	19.50	24.63	19.01	18.83	19.80	Energy Conservation and Environmental Protection Theme
930854.CSI	CSI Water Environment Treatment Index	CSI 300 Index	2016/7/20	-19.01	6.30	10.19	19.50	24.89	19.01	18.16	19.80	Energy Conservation and Environmental Protection Theme
399695.SZ	SZSE Energy Conservation Index (Price Index)	SZSE Component Total Return Index	2017/4/28	-11.08	6.70	22.25	37.62	25.14	23.18	20.48	23.76	Energy Conservation and Environmental Protection Theme
930956.CSI	CSI Green Investing Index	CSI 300 Index	2017/5/26	-0.35	6.30	37.00	19.50	26.59	19.01	29.16	19.80	Energy Conservation and Environmental Protection Theme
930997.CSI	CSI New Energy Vehicles Industry Index	CSI 300 Index	2017/7/19	-3.38	6.30	64.48	19.50	29.22	19.01	31.31	19.80	Energy Conservation and Environmental Protection Theme
931022.CSI	CSI Air Pollution Control Index	CSI 300 Index	2017/10/17	-19.87	6.30	16.35	19.50	28.68	19.01	24.73	19.80	Energy Conservation and Environmental Protection Theme
931149.CSI	CSI Environ-Governance Quality Index	CSI 300 Index	2019/1/31	-19.55	6.30	5.47	19.50	24.54	19.01	18.74	19.80	Energy Conservation and Environmental Protection Theme
931150.CSI	CSI Green Industry Quality Index	CSI 300 Index	2019/1/31	1.12	6.30	50.07	19.50	24.15	19.01	24.30	19.80	Energy Conservation and Environmental Protection Theme
930982.CSI	CSI Poverty Alleviation and Development Index	CSI 300 Index	2017/6/14	-12.78	6.30	13.05	19.50	27.06	19.01	33.20	19.80	Poverty Alleviation and Development Theme
980068.CNI	CNI Blue 100 Index	--	2020/10/14	-1.89	--	12.98	--	18.49	--	18.24	--	Blue Economy Theme

Source: Wind Data Terminal, collected and analyzed by China SIF.

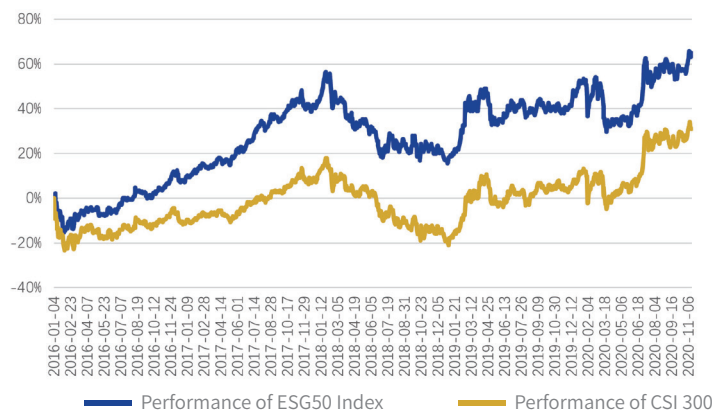
ESG indices developed by professional ESG service providers

Today, there emerged some ESG indices developed by professional ESG service providers, including Shanghai-Shenzhen ESG 100 Select Index, Beautiful China ESG 100 Index, Social Value 99, etc. As currently, there is only a limited number of available “ESG Select” indices. These indices provided by third parties could serve as supplementary references for the market and investors.

SynTao Green Finance, drawing on its experience in China’s ESG market for over a decade, has also independently developed a system to rate the ESG performance of listed companies, with adjustment for A Shares based on China’s characteristics. Through a systematic evaluation of ESG performance of listed companies, SynTao Green Finance launched two indices, the ESG50 Index with CSI 300 constituents as its universe; and the Shanghai-Shenzhen ESG 100 Select Index with CSI 800 constituents as its universe, which was jointly published with Sina Finance.

From January 4, 2016 to November 16, 2020, the performance of ESG50 Index stocks grew by 64.89%, and that of CSI 300 Index stocks by 31.00%, achieving an excess return of 34% (Fig. 12).

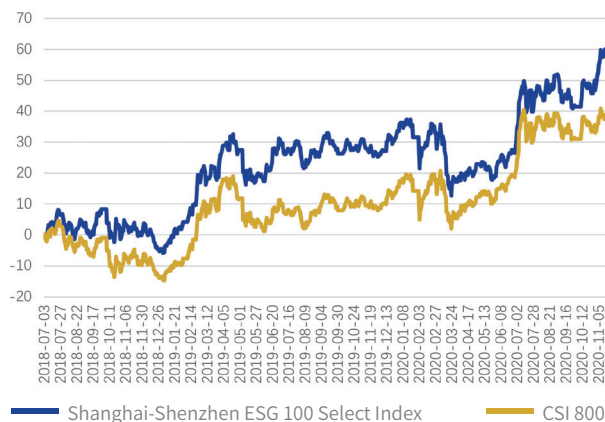
Fig. 12 Performance of ESG50 Index²³



Source: SynTao Green Finance

From July 3, 2018 to November 20, 2020, the annualized excess rate of return of the Shanghai-Shenzhen ESG 100 Select Index hit 7.99%, outperforming CSI 800 Index (Fig. 13).

Fig. 13 Performance of Shanghai-Shenzhen ESG 100 Select Index²⁴



Source: SynTao Green Finance and Sina Finance

²³ The performance of ESG50 Index was back-tested from January 4, 2016 to November 16, 2020.

²⁴ The performance of Shanghai-Shenzhen ESG 100 Select Index was back-tested from July 3, 2018 to November 20, 2020.

Mutual funds tracking pan-ESG indices were on the rise

Of the 52 pan-ESG indices, only 11 are tracked by 39 mutual funds (Table 3). Compared with last year's report, CSI Sustainable Development 100 Index (931268.CSI) was added to the indices tracked by funds²⁵, and six more funds (marked in blue in Table 3) started to track pan-ESG indices, representing a notable growth.

²⁵ HFT CSI China Mainland Low Carbon Economy Index Fund (519034.OF), which tracks CSI China Mainland Low Carbon Economy Index (000977.SH), was renamed as HFT CSI 500 Enhanced Index Fund in 2020, with according adjustments to its tracked indices, investment scope, investment strategy, performance benchmark, income distribution principles, valuation method, and fund costs. It is no longer an energy conservation and environmental protection-themed fund or a pan-ESG fund.

Table 3 List of Funds Tracking Pan-ESG Indices

(Sorted by strategy type and time)

Ticker	Index Name	Release Time	Fund Name	Establishing Time of Fund	Strategy Type
000048.SH	SSE Social Responsibility Index	2009-08-05	CCB Principal Social Responsibility ETF	2010-05-28	ESG Select
			CCB Principal SSE Social Responsibility ETF Feeder Fund	2010-05-28	
000846.CSI	CSI CAITONG ECPI ESG China 100 Index	2012-10-16	CSI Caitong ECPI ESG China 100 Index A Fund	2013-03-22	ESG Select
			CSI Caitong ECPI ESG China 100 Index C Fund	2017-04-14	
931268.CSI	CSI Sustainable Development 100 Index	2019-11-15	Bosera CSI Sustainable Development 100 ETF	2020-01-19	ESG Select
000021.SH	SSE 180 Corporate Governance Index	2008-09-10	BOCOM SSE 180 Corporate Governance Index ETF	2013-03-22	Corporate Governance Select
			BOCOM 180 Corporate Governance ETF Link	2017-04-14	
000827.SH	CSI Environmental Protection Industry Index	2012-09-25	WSW MU CSI Environment Protection Industry Index Classification Fund	2014-05-30	Energy Conservation and Environmental Protection Theme
			WSW MU CSI Environmental Protection Industry Index Fund B	2014-05-30	
			WSW MU CSI Environmental Protection Industry Index Fund A	2014-05-30	
			New China CSI Environmental Protection Industry Index Fund B	2014-09-11	
			New China CSI Environmental Protection Industry Index Fund A	2014-09-11	
			New China CSI Environment Protection Industry Index Classification Fund	2014-09-11	
			GF CSI Environmental Protection Industry Index ETF Initiating Feeder A Fund	2015-03-25	
			Penghua Environmental Protection Industry Index Classification Fund	2015-06-16	
			Penghua CSI Environmental Protection Industry Index Structured Fund B	2015-06-16	
			Penghua CSI Environmental Protection Industry Index Structured Fund A	2015-06-16	
			ICBC CSI Environmental Protection Industry Index Classification Fund	2015-07-09	
			ICBCCS Environmental Protection Industry Index Structured Fund B	2015-07-09	
			ICBCCS Environmental Protection Industry Index Structured Fund A	2015-07-09	
			Tianhong CSI Environmental Protection Industry Index Initiating A Fund	2015-07-16	
			Tianhong CSI Environmental Protection Industry Index Initiating C Fund	2015-07-16	
			GF CSI Environmental Protection Industry Index ETF Initiating Feeder C Fund	2016-07-06	
GF China Security Environmental Protection Industry Index ETF	2017-01-25				
WSW MU CSI Environment Protection Industry Index Securities Investment Fund (LOF)	2020-10-23				
399412.SZ	CNI New Energy Index	2014-05-16	Bocom Schroder CNI New Energy Index Multi-Class Fund	2015-03-26	Energy Conservation and Environmental Protection Theme
399806.SZ	CSI Environmental Governance Index	2014-07-21	BOCOM Schroder CSI Environmental Governance (LOF)	2015-08-13	Energy Conservation and Environmental Protection Theme
			China Universal CSI Environmental Governance Index Fund (LOF) A	2016-12-29	
			China Universal CSI Environmental Governance Index Fund (LOF) C	2016-12-29	
399417.SZ	CNI New Energy Vehicles Index	2014-09-24	Guotai CNI New Energy Vehicles Index Fund (LOF)	2015-08-27	Energy Conservation and Environmental Protection Theme
399976.SZ	CSI New Energy Vehicles Index	2014-11-28	Fullgoal CSI New Energy Vehicles Index Fund	2015-03-30	Energy Conservation and Environmental Protection Theme
			China AMC CSI New Energy Vehicles ETF	2020-02-20	
			Guotai CSI New Energy Vehicles ETF Initiating Feeder Fund	2020-04-03	
			Guotai CSI New Energy Vehicles ETF Initiating Feeder Fund	2020-04-03	
399808.SZ	CSI New Energy Index	2015-02-10	Penghua CSI New Energy Classification Securities Investment Fund	2015-05-29	Energy Conservation and Environmental Protection Theme
			ICBCCS CSI New Energy Index Classification Fund	2015-07-09	
930997.CSI	CSI New Energy Vehicles Industry Index	2017-07-19	China Universal CSI New Energy Vehicles Industry Index Initiating Fund (LOF) A	2018-05-23	Energy Conservation and Environmental Protection Theme
			China Universal CSI New Energy Vehicles Industry Index Initiating Fund (LOF) C	2018-05-23	
			Ping'an CSI New Energy Vehicles Industry ETF	2019-12-31	

Source: Wind Data Terminal, collected and analyzed by China SIF.

3.2 Pan-ESG Mutual Funds

Mutual funds actively adopted Principles of Responsible Investment

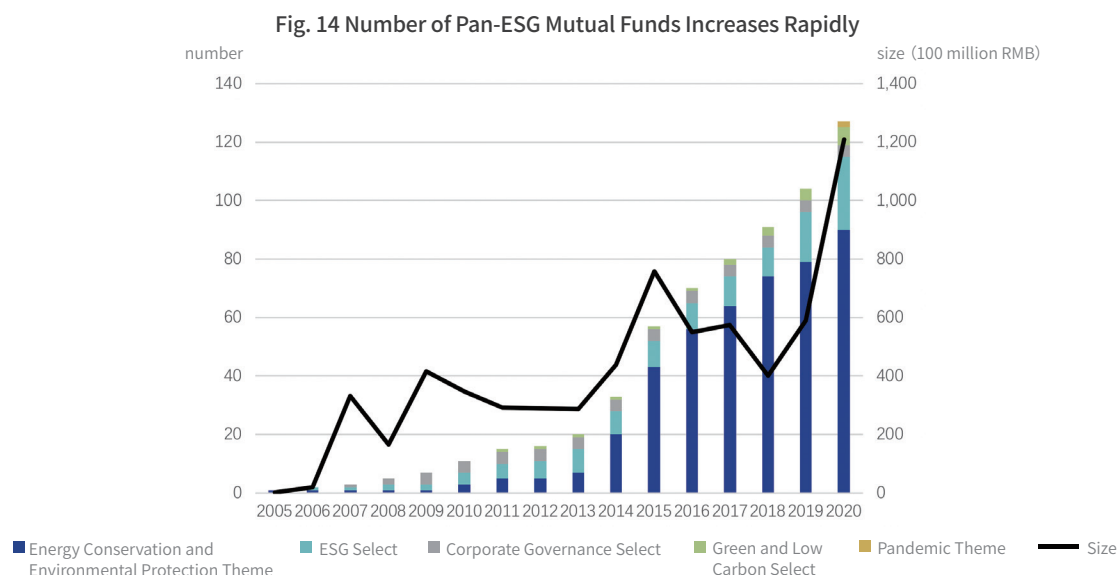
In March 2017, the PRI welcomed the first mutual fund management firm from China's mainland as its signatory. As of October 2020, 13 mutual fund management firms from China had signed the PRI, including Hua Xia Bank Asset Management, E Fund Management, Harvest Fund Management, Penghua Fund Management, Hwabao WP Fund Management, China Southern Asset Management, Bosera Funds, Morgan Stanley Huaxin Fund, Da Cheng Fund Management, China Merchants Fund Management, AEGON-INDUSTIAL Fund Management, China Universal Asset Management, Yinhua Fund Management²⁶. The mutual fund management companies signing the PRI are growing year by year.

The number of pan-ESG mutual funds increased to 127, with their size more than twice that in 2019

The first ESG mutual fund in China was launched in 2005. Since 2015, pan-ESG mutual funds have witnessed drastic growth in number, with the year of 2015 alone seeing 24 of them launched to the market. More than 20 pan-ESG mutual funds were issued in 2020. As the number increased, the size of pan-ESG mutual funds also grew significantly to more than twofold of that in 2019, the fastest growth on record.

As of the end of October 2020, a total of 127 pan-ESG mutual funds (A/B/C/H funds were calculated separately) have been launched by 49 fund management companies, including 5 bond funds, 63 equity funds and 59 hybrid funds (Appendix 3).

These 127 pan-ESG mutual funds include 25 “ESG Select” funds, 4 “Corporate Governance Select” funds, 6 “Green and Low-carbon Select” funds, 90 funds that screen constituents mainly on the basis of their own definitions of energy conservation and environment protection industries, and 2 pandemic-themed bond funds that were launched against the COVID-19 pandemic (Fig. 14).



As of September 30, 2020, there were a total of 118 pan-ESG equity funds and hybrid funds²⁷; according to AMAC on September 30, 2020, the proportion of the pan-ESG mutual funds in all equity funds and hybrid funds rose from 1.83% to 2.16%, up 18% compared to last June 30 (Table 4).

²⁶ Sorted by the time they joined the PRI.

²⁷ There were four pan-ESG equity funds and hybrid funds launched after September 30, 2020.

Table 4 Size of Pan-ESG Funds

Fund Types	2019/6/30		2020/9/30	
	Number	Size (RMB billion)	Number	Size (RMB billion)
Pan-ESG equity fund	43	217.18	61	678.96
Pan-ESG hybrid fund	43	268.76	57	482.86
Total equity funds and hybrid funds	3477	26570.95	4365	53748.35
Proportion of pan-ESG equity funds and hybrid funds in the market	2.47%	1.83%	2.66%	2.16%

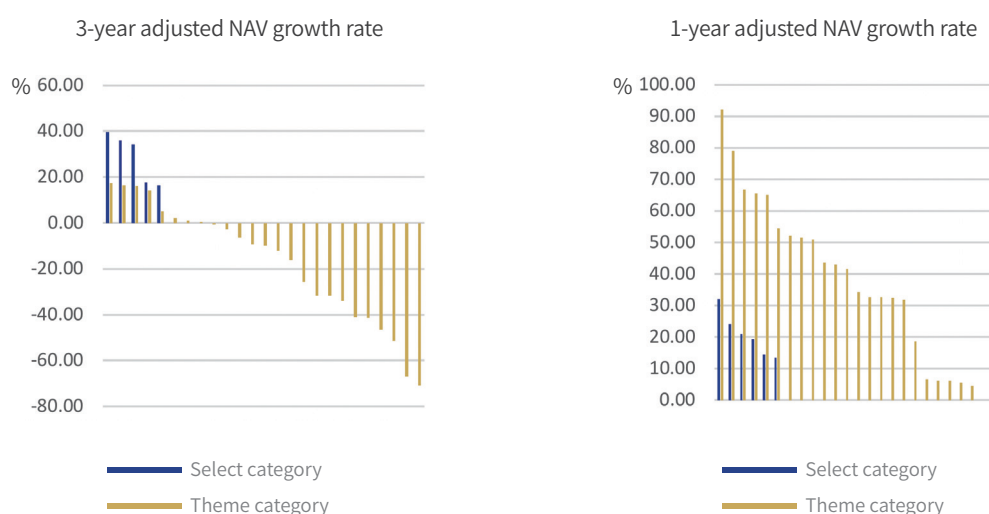
Source: Collected and analyzed by China SIF according to market data of September 30, 2020 released by the Asset Management Association of China (AMAC).

Passive funds of the "theme category" enjoyed a big hike in returns over the past year

There are 41 index funds (Table 5) among a total of 127 pan-ESG funds. Except for Hwabao MSCI China A Inclusion ESG General Index Fund LOF (501086.OF) which tracks MSCI China A Inclusion ESG General Index and the pandemic-themed CCB Principle Chinabond Hubei Province Local Government Bonds Index Initiating Fund (009528.OF) which tracks ChinaBond Hubei Province Local Government Bond Index (CBA10501.CS), all the other 39 funds track the pan-ESG indices referred to in proceeding paragraphs of this Report.

Just like pan-ESG indices, "ESG Select" index funds have outperformed thematic index funds in the past three years, but the latter grew significantly in the past year. Among the second-tier funds²⁸, "ESG Select" Index funds have achieved a faster 3-year adjusted NAV growth rate than thematic index funds, but the latter has outstripped the former in the 1-year adjusted NAV growth rate. Nonetheless, "select category" Index funds have all registered positive growth (Fig. 15, Table 5).

Fig. 15 Adjusted NAV Growth Rate of Pan-ESG Index Funds



²⁸ Second-tier funds consist of hybrid fund, bond fund, equity fund (incl. all index funds), money market fund, guaranteed fund, QDII, and closed-end fund.

Table 5 List of Pan-ESG Index Funds
(Sorted by strategy types and establishing time)

Indicators ranking among top 25% or with positive growth are shown in red

Ticker	Fund Name	Establishing Time	Tracing Index	Percentile Ranking (3-Year Return)	Percentile Ranking (1-Year Return)	3-Year Adjusted NAV Growth Rate	1-Year Adjusted NAV Growth Rate	Strategy Type
510090.OF	CCB Principal SSE Social Responsibility ETF	2010-05-28	SSE Social Responsibility Index	17.54	64.01	39.74	20.97	ESG Select
530010.OF	CCB Principal SSE Social Responsibility Index ETF Feeder Fund	2010-05-28	SSE Social Responsibility Index	24.41	68.54	36.01	19.31	ESG Select
000042.OF	Caitong ECPI ESG Index Enhanced Fund A	2013-03-22	CSI CAITONG ECPI ESG China 100 Index	56.47	91.03	34.16	24.19	ESG Select
003184.OF	Caitong ECPI ESG Index Enhanced Fund C ²⁹	2017-04-14	ECPI ESG China 100 Index	98.82	100.00	-	-	ESG Select
501086.OF	Hwabao WP MSCI China A Inclusion ESG General Index Fund (LOF)*	2019-08-21	MSCI China A Inclusion ESG General Index	-	33.10	-	32.11	ESG Select
515090.SH	Bosera CSI Sustainable Development 100 ETF**	2020-01-19	CSI Sustainable Development 100 Index	-	-	-	-	ESG Select
510010.OF	Bocum Schroders SSE 180 Corporate Governance Index ETF	2009-09-25	SSE 180 Corporate Governance Index	53.55	75.96	17.58	14.53	Corporate Governance Select
519686.OF	Bocum Schroders SSE 180 Corporate Governance Index ETF Feeder Fund	2009-09-29	SSE 180 Corporate Governance Index	55.45	77.20	16.59	13.52	Corporate Governance Select
163114.OF	SWS MU CSI Environmental Protection Industry Index Fund (LOF)	2014-05-30	CSI Environmental Protection Industry Index	79.38	18.27	-0.83	43.11	Energy Conservation and Environmental Protection Theme
150185.OF	SWS MU CSI Environmental Protection Industry Index Fund (LOF) B	2014-05-30	CSI Environmental Protection Industry Index	-	-	-51.43	78.92	Energy Conservation and Environmental Protection Theme
150184.OF	SWS MU CSI Environmental Protection Industry Index Fund (LOF) A	2014-05-30	CSI Environmental Protection Industry Index	-	-	14.09	4.56	Energy Conservation and Environmental Protection Theme
164304.OF	New China CSI Environmental Protection Industry Index Fund	2014-09-11	CSI Environmental Protection Industry Index	93.84	33.65	-16.19	31.85	Energy Conservation and Environmental Protection Theme
150191.OF	New China CSI Environmental Protection Industry Index Fund B	2014-09-11	CSI Environmental Protection Industry Index	96.99	27.11	-66.89	51.48	Energy Conservation and Environmental Protection Theme
150190.OF	New China CSI Environmental Protection Industry Index Fund A	2014-09-11	CSI Environmental Protection Industry Index	30.12	57.83	17.37	5.56	Energy Conservation and Environmental Protection Theme
001064.OF	GF CSI Environmental Protection Industry Index ETF Initiating Feeder Fund A	2015-03-25	CSI Environmental Protection Industry Index	90.28	32.14	-9.26	32.60	Energy Conservation and Environmental Protection Theme
164905.OF	Bocum Schroders CNI NEW ENERGY INDEX Fund (LOF)	2015-03-26	CNI New Energy Index	83.18	17.72	-2.81	43.60	Energy Conservation and Environmental Protection Theme
161028.OF	Fullgoal New Energy Vehicles Index Structured Fund	2015-03-30	CSI New Energy Vehicles Index	73.93	2.47	5.04	66.82	Energy Conservation and Environmental Protection Theme
160640.OF	Penghua CSI New Energy Index Structured Fund	2015-05-29	CSI New Energy Index	-	-	2.24	41.57	Energy Conservation and Environmental Protection Theme
160634.OF	Penghua CSI Environmental Protection Industry Index Structured Fund	2015-06-16	CSI Environmental Protection Industry Index	92.65	32.28	-12.20	32.55	Energy Conservation and Environmental Protection Theme
150238.OF	Penghua CSI Environmental Protection Industry Index Structured Fund B	2015-06-16	CSI Environmental Protection Industry Index	77.71	10.84	-33.90	92.08	Energy Conservation and Environmental Protection Theme
150237.OF	Penghua CSI Environmental Protection Industry Index Structured Fund A	2015-06-16	CSI Environmental Protection Industry Index	31.33	46.99	16.06	6.28	Energy Conservation and Environmental Protection Theme
164821.OF	ICBCCS CSI New Energy Index Structured Fund	2015-07-09	CSI New Energy Index	-	-	1.06	50.89	Energy Conservation and Environmental Protection Theme
164819.OF	ICBCCS CSI Environmental Protection Industry Index Structured Fund	2015-07-09	CSI Environmental Protection Industry Index	-	-	-25.56	18.66	Energy Conservation and Environmental Protection Theme

²⁹ The fund unit of CSI Caitong ECPI ESG China 100 Index C Fund is zero for the time being.

Ticker	Fund Name	Establishing Time	Tracing Index	Percentile Ranking (3-Year Return)	Percentile Ranking (1-Year Return)	3-Year Adjusted NAV Growth Rate	1-Year Adjusted NAV Growth Rate	Strategy Type
150324.OF	ICBCCS CSI Environmental Protection Industry Index Structured Fund B	2015-07-09	CSI Environmental Protection Industry Index	-	-	-70.83	52.20	Energy Conservation and Environmental Protection Theme
150323.OF	ICBCCS CSI Environmental Protection Industry Index Structured Fund A	2015-07-09	CSI Environmental Protection Industry Index	-	-	16.38	4.56	Energy Conservation and Environmental Protection Theme
001590.OF	Tianhong CSI Environmental Protection Industry Index Initiating Fund A	2015-07-16	CSI Environmental Protection Industry Index	-	-	-31.59	-	Energy Conservation and Environmental Protection Theme
001591.OF	Tianhong CSI Environmental Protection Industry Index Initiating Fund C	2015-07-16	CSI Environmental Protection Industry Index	-	-	-31.73	-	Energy Conservation and Environmental Protection Theme
160225.OF	Guotai CNI NEW ENERGYVEH INDEX Fund (LOF)	2016-07-01	CNI New Energy Vehicles Index	78.44	9.07	0.17	54.41	Energy Conservation and Environmental Protection Theme
002984.OF	GF CSI Environmental Protection Industry Index ETF Initiating Feeder Fund C	2016-07-06	CSI Environmental Protection Industry Index	90.76	32.69	-9.86	32.34	Energy Conservation and Environmental Protection Theme
164908.OF	Bocom Schroders CSI Comprehensive Ecological Improvement Index Fund (LOF)	2016-07-19	CSI Environmental Governance Index	100.00	88.87	-46.57	3.52	Energy Conservation and Environmental Protection Theme
501030.OF	China Universal CSI Environmental Governance Index Fund (LOF) A*	2016-12-29	CSI Environmental Governance Index	99.29	84.07	-41.04	6.60	Energy Conservation and Environmental Protection Theme
501031.OF	China Universal CSI Environmental Governance Index Fund (LOF) C*	2016-12-29	CSI Environmental Governance Index	99.53	84.34	-41.39	6.20	Energy Conservation and Environmental Protection Theme
512580.OF	GF China Security Environmental Protection Industry Index ETF	2017-01-25	CSI Environmental Protection Industry Index	86.97	29.26	-6.44	34.40	Energy Conservation and Environmental Protection Theme
501057.OF	China Universal CSI New Energy Vehicles Industry Index Initiating Fund (LOF) A*	2018-05-23	CSI New Energy Vehicles Industry Index	-	3.02	-	65.55	Energy Conservation and Environmental Protection Theme
501058.OF	China Universal CSI New Energy Vehicles Industry Index Initiating Fund (LOF) C*	2018-05-23	CSI New Energy Vehicles Industry Index	-	3.16	-	65.13	Energy Conservation and Environmental Protection Theme
515700.OF	Ping An CSI New Energy Vehicles Industry ETF**	2019-12-31	CSI New Energy Vehicles Industry Index	-	-	-	-	Energy Conservation and Environmental Protection Theme
515030.SH	Hua Xia CSI New Energy Vehicles ETF**	2020-02-20	New Energy Vehicles Index	-	-	-	-	Energy Conservation and Environmental Protection Theme
009067.OF	Guotai CSI New Energy Vehicles ETF Initiating Feeder Fund**	2020-04-03	New Energy Vehicles Index	-	-	-	-	Energy Conservation and Environmental Protection Theme
009068.OF	Guotai CSI New Energy Vehicles ETF Initiating Feeder Fund**	2020-04-03	New Energy Vehicles Index	-	-	-	-	Energy Conservation and Environmental Protection Theme
010419.OF	SWS MU CSI Environmental Protection Industry Index Fund (LOF)**	2020-10-23	CSI Environmental Protection Industry Index	-	-	-	-	Energy Conservation and Environmental Protection Theme
009528.OF	CCB Principal Chinabond Hubei Province Local Government Bonds Index Initiating Fund**	2020-06-15	ChinaBond Hubei Province Local Government Bond Index	-	-	-	-	Pandemic Theme

Source: Wind Data Terminal, collected and analyzed by China SIF.

* indicates the fund was established less than three years ago.

** indicates the fund was established less than one year ago.

"Select category" active funds developed rapidly, and more than 40% were launched within a year with their performances to be evaluated.

Of the 86 active pan-ESG mutual funds, a majority (59) screen constituent stocks mainly based on their definitions of energy conservation and environment protection industries. The rest 27 funds adopt "select category" strategies, 31% of which were only launched in less than a year. Despite relatively small size, ESG-based investment in China has entered a period of rapid development, and active funds that adopt "select category" strategies have soared.

Of nine "select category" active funds with traceable performance, Caitong Securities' Sustainability Hybrid Fund (000017.OF) ranks among top 25% in terms of 3-year rate of return among the second-tier funds. Huaan Low Carbon Life Hybrid Fund (006122.OF), Wanjia Social Responsibility 18 Months Regular Open Hybrid Fund (LOF) A (161912.OF), Wanjia Social Responsibility 18 Months Regular Open Hybrid Fund (LOF) C (161913.OF), and Penghua Fund's Quality Governance Hybrid Fund (LOF) (160611.OF) rank among top 25% in terms of 1-year rate of return among the second-tier funds (Table 6).

Table 6 List of “Select Category” Active Funds

(Sorted by strategy type and establishing time)

Indicators ranking among top 25% are shown in red

Ticker	Fund Name	Establishing Time	Fund Type	Percentile Ranking (3-Year Return)	Percentile Ranking (1-Year Return)	3-Year Adjusted NAV Growth Rate	1-Year Adjusted NAV Growth Rate	Strategy Type
163803.OF	BOC Sustainable Growth Hybrid Fund A	2006-03-17	Partial-Equity Hybrid Fund	57.92	48.42	51.44	50.45	ESG Select
340007.OF	Aegon-Industrial Social Responsibility Hybrid Fund	2008-04-30	Partial-Equity Hybrid Fund	62.11	52.46	46.63	48.09	ESG Select
470028.OF	China Universal Social Responsibility Hybrid Fund	2011-03-29	Partial-Equity Hybrid Fund	94.72	68.42	11.14	40.89	ESG Select
530019.OF	CCB Principal Social Responsibility Hybrid Fund	2012-08-14	Partial-Equity Hybrid Fund	75.05	68.63	33.95	40.48	ESG Select
000017.OF	Caitong Sustainable Development Theme Hybrid Fund	2013-03-27	Partial-Equity Hybrid Fund	17.49	28.74	91.09	60.26	ESG Select
960011.OF	BOC Sustainable Growth Hybrid Fund H	2015-09-24	Partial-Equity Hybrid Fund	55.92	48.20	52.66	50.59	ESG Select
006122.OF	Huaan Low Carbon Life Hybrid Fund*	2019-03-12	Partial-Equity Hybrid Fund	-	7.21	-	76.46	ESG Select
161912.OF	Wanjia Social Responsibility 18 Months Regular Open Hybrid Fund (LOF) A	2019-03-21	Partial-Equity Hybrid Fund	-	20.55	-	63.96	ESG Select
161913.OF	Wanjia Social Responsibility 18 Months Regular Open Hybrid Fund (LOF) C	2019-03-21	Partial-Equity Hybrid Fund	-	21.86	-	63.15	ESG Select
007548.OF	E Fund ESG Responsibility Investment Equity Initiating Fund*	2019-09-02	Equity Fund	-	55.78	-	48.62	ESG Select
008264.OF	China Southern ESG Equity Fund A*	2019-12-19	Equity Fund	-	-	-	-	ESG Select
008265.OF	China Southern ESG Equity Fund C*	2019-12-19	Equity Fund	-	-	-	-	ESG Select
007066.OF	Axa Spdb Advanced Manufacturing Hybrid Fund A	2020-01-14	Partial-Equity Hybrid Fund					ESG Select
007067.OF	Axa Spdb Advanced Manufacturing Hybrid Fund C	2020-01-14	Partial-Equity Hybrid Fund					ESG Select
009246.OF	Morgan Stanley Huaxin ESG Quantitative Antecedence Hybrid Fund	2020-07-16	Partial-Equity Hybrid Fund	-	-	-	-	ESG Select
009872.OF	Lombarda China Responsibility Investment Hybrid Fund	2020-09-10	Partial-Equity Hybrid Fund	-	-	-	-	ESG Select
009873.OF	Lombarda China Responsibility Investment Hybrid Fund	2020-09-10	Partial-Equity Hybrid Fund	-	-	-	-	ESG Select
010071.OF	Founder Fubon ESG Hybrid Fund C	-	Partial-Equity Hybrid Fund	-	-	-	-	ESG Select
010070.OF	Founder Fubon ESG Hybrid Fund A	-	Partial-Equity Hybrid Fund	-	-	-	-	ESG Select
160611.OF	Penghua Corporate Governance Hybrid Fund (LOF)	2007-04-25	Partial-Equity Hybrid Fund	25.14	20.00	82.00	64.46	Corporate Governance Select
260111.OF	Invesco Great Wall Corporate Governance Hybrid Fund	2008-10-22	Partial-Equity Hybrid Fund	51.55	71.15	55.93	39.63	Corporate Governance Select
163409.OF	Aegon-Industrial Green Investment Hybrid Fund (LOF)	2011-05-06	Partial-Equity Hybrid Fund	39.34	47.21	67.95	50.92	Green and Low Carbon Select
004229.OF	Penghua New Energy Industry Dynamic Allocation Hybrid Fund	2017-04-10	Partial-Equity Hybrid Fund	-	-	-	-	Green and Low Carbon Select
005728.OF	Fortune SG Green Theme Hybrid Fund*	2018-09-04	Partial-Equity Hybrid Fund	-	82.51	-	31.70	Green and Low Carbon Select
007590.OF	Hwabao Green Leading Equity Fund	2019-09-18	Equity Fund	-	87.92	-	26.52	Green and Low Carbon Select
009237.OF	CIB Green Pure Bond One-Year Regular Open Bond Fund A*	2020-07-17	Bond Fund	-	-	-	-	Green and Low Carbon Select
009238.OF	CIB Green Pure Bond One-Year Regular Open Bond Fund C*	2020-07-17	Bond Fund	-	-	-	-	Green and Low Carbon Select

* indicates the fund was established less than one year ago.

Source: Wind Data Terminal, collected and analyzed by China SIF.

3.3 Commercial Banks' Pan-ESG Wealth Management Products

As ESG-based sustainable investment is widely accepted and practiced, commercial banks have turned their eyes to ESG and made attempts at launching ESG-themed wealth management products. Since Hua Xia Bank rolled out the first ESG-themed wealth management product in April 2019, 10 commercial banks and wealth management companies had issued 47 pan-ESG wealth management products as of the end of November 2020, including 38 with “ESG” in their names, 4 with “green” in their names, and 1 with other keywords in its name (Table 7). Emergence of pan-ESG wealth management products demonstrates that the sustainable investment concept has been gradually recognized by individual investors. More than 60% of these products were launched in 2020, which indicates that ESG-based investment is rapidly gaining popularity among individual investors.

Now, most of the pan-ESG wealth management products have stated that they will focus their investment on green projects or industries, or projects related to people's livelihood, agriculture, rural areas and rural people, rural revitalization, and financial inclusiveness, etc. Green bonds, green asset-backed securities, and other green-labelled assets are favored by pan-ESG wealth management products. Some of them have declared that they will invest in the debt assets of the companies that perform well in environmental protection, social responsibilities, and corporate governance. However, none of the pan-ESG wealth management products has publicly disclosed the processes or procedures for screening their ESG-compliant investees.

The commercial banks have not publicly disclosed the size of each of their ESG wealth management products. According to the publicly available data, the average size of the bank wealth management products was RMB495 million³⁰ at the end of 2019. If based on such data, the size of ESG-themed wealth management products from the banks was estimated at more than RMB23 billion as of the end of November 2020.

³⁰ Report on Wealth Management Development in China's Banking Industry for 2020, China Banking Association.

Table 7 List of Pan-ESG Wealth Management Products

(Sorted by the start date of offering period)

Name	Issuer	Operating Mode	Maturity	Nature of Investment	Start Date of Offering Period	End Date of Offering Period
IB "WLB-Green Finance" Open-End RMB Wealth Management Product (84D) No. 1	Industrial Bank Co. Ltd.	Open-End Non-NAV Type	1-3 Months (inclusive)	/	2016/9/5	2016/9/13
IB "WLB-Green Finance" Green Bond Index Wealth Management Product	Industrial Bank Co. Ltd.	Open-End NAV Type	3-6 Months (inclusive)	/	2017/6/20	2017/6/26
PSBC Fortune – Luck 1-Year Regular Open-End No. 2 (Green Finance) Wealth Management Product	Postal Savings Bank of China Co., Ltd.	Open-end NAV Type	T+0	/	2019/3/9	2019/3/21
Longying Fixed-Income ESG-Themed Wealth Management Product No. 1	Hua Xia Bank Co., Ltd.	Open-End NAV Type	Over 1 Year	/	2019/4/15	2019/4/22
Longying Fixed-Income ESG-Themed Wealth Management Product No. 2	Hua Xia Bank Co., Ltd.	Open-End NAV Type	Over 1 Year	/	2019/5/13	2019/5/20
Longying ESG Fixed-Income Series G No. 2 1-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2019/6/17	2019/6/24
Longying ESG Fixed-Income Series G No. 1 734-Day Close-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2019/6/25	2019/7/1
Longying ESG Fixed-Income Series G No. 3 3-Year Close-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Close-End NAV type	3 Years and longer	Fixed Income	2019/7/8	2019/7/15
Longying ESG Fixed-Income Series G No. 4 1-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2019/7/15	2019/7/22
Longying ESG Fixed-Income Series G No. 5 1-Year Regular Open-End Enhanced Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2019/8/20	2019/8/27
Longying ESG Fixed-Income Series G No. 6 742-Day Close-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2019/8/27	2019/9/2
Longying ESG Fixed-Income Series G No. 7 1-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2019/9/10	2019/9/17
Longying ESG Fixed-Income Series G No. 8 756-Day Close-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2019/9/17	2019/10/8
BOC Wealth Management – WF (Close-End) 2019 No.4 Wealth Management Product	Bank of China Wealth Management Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2019/10/17	2019/10/21
Longying ESG Fixed-Income Series G No. 11 1045-Day Close-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2019/11/4	2019/11/11
ABC Wealth Management "An Xin – Yearly Open-End" (ESG-Themed) No. 1 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2019/12/18	2019/12/26
BOC Wealth Management – Zhifu China ESG Strategy Index Flexible Allocation Wealth Management Product (Open-End)	Bank of China Wealth Management Co., Ltd.	Open-End NAV Type	7 Days-1 Month (inclusive)	Hybrid	2019/12/18	2019/12/26
ABC Wealth Management "An Xin – Yearly Open-End" (ESG-Themed) No.2 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2020/1/9	2020/1/16
ABC Wealth Management "An Xin – Yearly Open-End" (ESG-Themed) No.3 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2020/3/5	2020/3/12
ABC Wealth Management "An Xin – Yearly Open-End" (ESG-Themed) No.4 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2020/3/31	2020/4/8

³⁰ Report on Wealth Management Development in China's Banking Industry for 2020, China Banking Association.

Name	Issuer	Operating Mode	Maturity	Nature of Investment	Start Date of Offering Period	End Date of Offering Period
ABC Wealth Management "An Xin – Yearly Open-End" (ESG-Themed) No.5 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2020/6/24	2020/7/6
ABC Wealth Management "An Xin – 1.5-Year Open-end" (ESG-Themed) No. 1 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Fixed Income	2020/7/29	2020/8/6
CCB Wealth Management "Rui Xin" (ESG-Themed) Close-End Wealth Management Product 2020 No. 1	CCB Wealth Management Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2020/8/4	2020/8/10
Longying ESG Hybrid Series G No. 1 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/8/4	2020/8/10
ABC Wealth Management "An Xin – 1.5-Year Open-end" (ESG-Themed) No. 2 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Fixed Income	2020/8/14	2020/8/24
Longying ESG Hybrid Series G No. 2 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/8/24	2020/8/31
Longying ESG Hybrid Series G No. 3 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/9/8	2020/9/14
IB Wealth Management "CZRS" ESG No. 1 NAV Wealth Management Product	CIB Wealth Management Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Fixed Income	2020/9/16	2020/9/23
Longying ESG Hybrid Series G No. 4 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/9/18	2020/9/24
ABC Wealth Management "Tong Xin" ESG-Themed No. 1 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Hybrid	2020/9/22	2020/9/28
Sunshine Red ESG Industry Select Wealth Management Product	China Everbright Wealth Management Co., Ltd.	Open-End NAV Type	T+0	Equity	2020/9/25	2020/10/14
Longying ESG Hybrid Series G No. 5 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/9/29	2020/10/10
"Koi Fish Clear Waters and Green Mountains" ESG-Themed Weekly Open-End NAV RMB Wealth Management Product	Jiangsu Suzhou Rural Commercial Bank Co., Ltd.	Open-End NAV Type	Within 7 Days (inclusive)	Fixed Income	2020/9/30	2020/10/13
Longying ESG Hybrid Series G No. 6 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/10/13	2020/10/19
Longying ESG Fixed-Income No. 1 1-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2020/10/15	2020/10/21
Longying ESG Fixed-Income No. 2 1-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2020/10/22	2020/10/28
Longying ESG Hybrid Series G No. 7 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/10/23	2020/10/29
ABC Wealth Management "An Xin – Ling Long" 2020 No. 20 Public NAV RMB Wealth Management Product (ESG-Themed)	Agricultural Bank of China Wealth Management Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2020/10/28	2020/11/4
ABC Wealth Management "Tong Xin" ESG-Themed No. 2 RMB Wealth Management Product	Agricultural Bank of China Wealth Management Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Hybrid	2020/10/30	2020/11/5
Longying ESG Hybrid Series G No. 8 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/10/30	2020/11/5
Longying ESG Fixed-Income No. 3 1-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2020/11/3	2020/11/9

Name	Issuer	Operating Mode	Maturity	Nature of Investment	Start Date of Offering Period	End Date of Offering Period
Longying ESG Fixed-Income No. 4 1-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	6-12 Months (inclusive)	Fixed Income	2020/11/11	2020/11/17
ABC Wealth Management "An Xin - Ling Long" 2020 No.21 Public NAV RMB Wealth Management Product (ESG-Themed)	Agricultural Bank of China Wealth Management Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2020/11/11	2020/11/18
Longying ESG Hybrid Series G No. 9 2-Year Regular Open-End Wealth Management Product	Hua Xia Bank Co., Ltd.	Open-End NAV Type	1-3 Years (inclusive)	Hybrid	2020/11/12	2020/11/18
Zhejiang Anji Rural Commercial Bank "Fu Run - An Ji" 2020 No. Green Wealth Management Product Phase 45	Zhejiang Anji Rural Commercial Bank Co., Ltd.	Close-End Non-NAV Type	3-6 Months (inclusive)	Fixed Income	2020/11/24	2020/11/29
CCB Wealth Management "Rui Xin" ESG-Themed Fixed-Income Close-End Wealth Management Product 2020 No. 3	CCB Wealth Management Co., Ltd.	Close-End NAV type	1-3 Years (inclusive)	Fixed Income	2020/11/24	2020/12/1
"Koi Fish Clear Waters and Green Mountains" (Garbage Sorting-Themed) Wealth Management Product	Jiangsu Suzhou Rural Commercial Bank Co., Ltd.	Open-End NAV Type	1-3 Months (inclusive)	Fixed Income	2020/11/25	2020/12/1

Source: www.chinawealth.com.cn, collected and analyzed by China SIF.

4. Surveys on Individual and Institutional Attitudes Towards Sustainable Investment in China

Basing on the Survey of Public Attitudes towards Sustainable Investment conducted by China SIF and Sina Finance in October 2020, this Report analyzed practices of and attitudes towards sustainable investment of 3,019 individual investors.

Moreover, relying on the Survey Report on ESG Investment in China's Fund Industry (2019): Securities and the Survey Report on ESG Investment in China's Fund Industry (2019): Equity issued by AMAC in 2020, this Report also explained the attitudes and practices of institutional investors towards sustainable investment. In the Survey on ESG and Green Investment in China's Fund Industry conducted by AMAC, 324 and 149 valid questionnaires were collected, respectively, from institutional securities investors and institutional equity investors, mainly including mutual fund management companies, private equity fund firms, securities and futures institutions engaged in private asset management and their asset management subsidiaries, private equity and venture capital fund firms, and other related securities and futures institutions and their private

4.1 Understanding and Practices of Sustainable Investment

Despite their limited understanding of sustainable investment, more than 80% of the individual investors would like to consider related factors in the investment. The level of understanding generally affects the investors' willingness to incorporate ESG factors into their investment decisions.

Individual investors have limited understanding of sustainable investment. 89% of the respondents have no understanding of sustainable investment, and 42% have never heard of the terms such as “green finance”, “sustainable investment” or “ESG” (Fig. 16).

In terms of investment behaviors, a majority of individual investors who have never heard of or have no understanding of sustainable investment will continue to consider, in their investment, factors which in fact fall under the scope of sustainable/ESG investment, such as “environment”, “labor”, “health”, and “business ethics”. 86% of the respondents express that they will consider sustainable investment factors. Among them, 22% will always consider ESG factors, while 64% will sometimes do so (Fig. 17). This shows that, though many investors remain strangers to “sustainable investment” or “ESG”, they have subconsciously recognized the importance of ESG factors in their investment.

Fig. 16 Individual Investors' Level of Understanding of Sustainable Investment

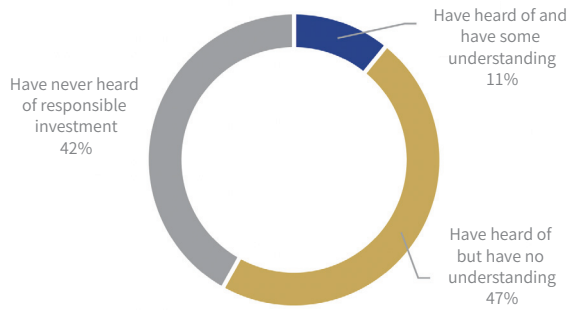
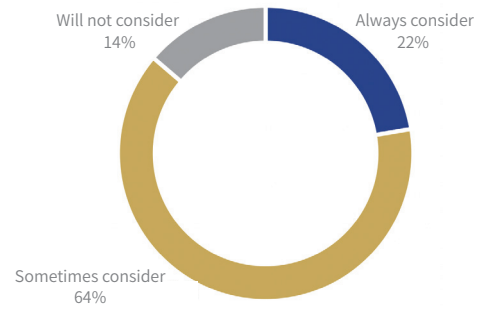
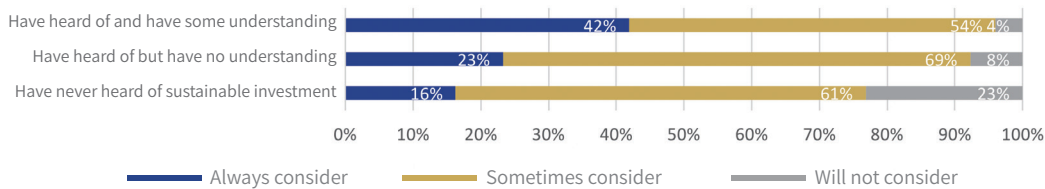


Fig. 17 Investors' Willingness to Consider Sustainable Investment



From the survey, we have also noticed the effect of investors' perception on their behaviors as elaborated in the theories of behavior economics: the more investors understand sustainable investment, the higher the proportion of their sustainable investment will be. While 42% of the respondents who have heard of and have some understanding of sustainable investment will always consider ESF factors when investing, this figure is merely 23% for those who have heard of but have no understanding of sustainable investment and 16% for those who have never heard of sustainable investment (Fig. 18).

Fig. 18 Individual Investors' Willingness to Consider Sustainable Investment by Their Level of Understanding



90% of the institutional investors have turned their eyes on ESG/sustainable investment and some of them have practiced sustainable investment

According to the survey conducted by AMAC, 87% of the institutional securities investors have looked at ESG investment. Among them, 16% have considered seriously and practiced ESG investment. Most of the respondents (71%) have considered ESG investment but still adopt a wait-and-see attitude. 42 respondents (13%) have no understanding of ESG investment (Fig. 19).

Of the institutional equity investors, 88% have considered ESG investment. Among them, 11% have considered seriously and practiced ESG investment. 11 respondents have conducted research on ESG. Most respondents (77%) have considered but not practiced ESG investment. 12% of the respondents have no understanding of ESG investment (Fig. 20).

Fig. 19 Institutional Securities Investors' Understanding and Practices of ESG/Sustainable Investment

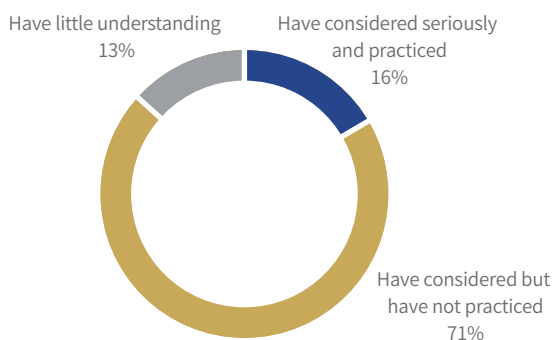
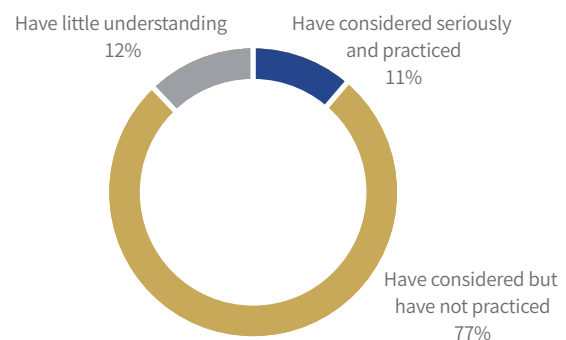


Fig. 20 Institutional Equity Investors' Understanding of and Practice of ESG/Sustainable Investment

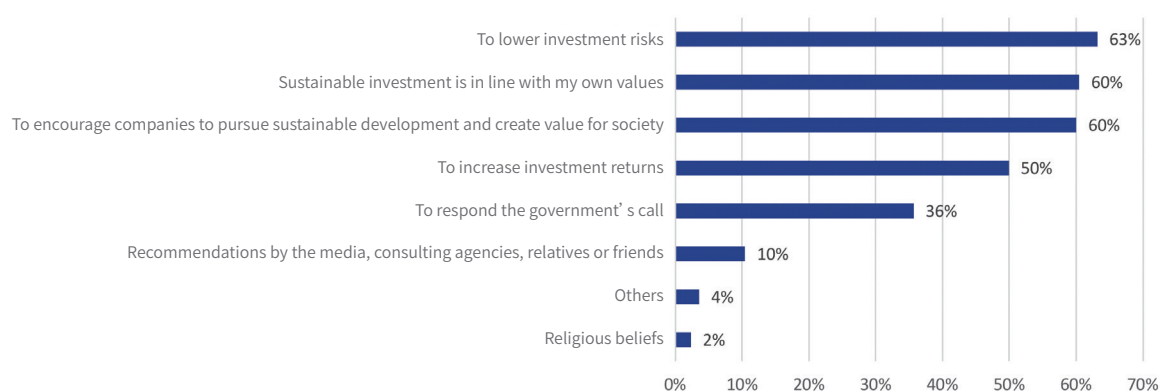


4.2 Motivations for Investors to Consider Sustainable Investment

To lower risks is the primary motivation for both individual and institutional investors to consider sustainable investment

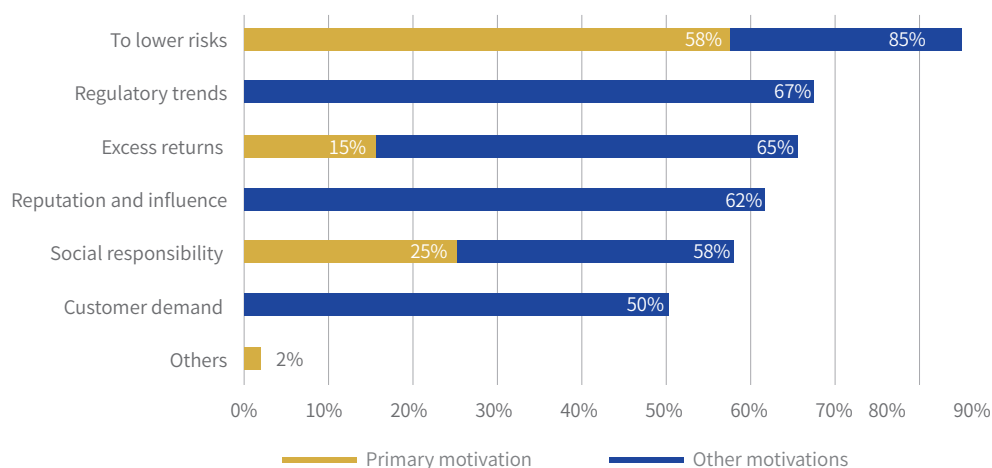
To lower investment risks is the primary motivation (63%) for individual investors to consider sustainable investment. Of all respondents, 60.5% of the individual investors believe that sustainable investment is in line with their own values, 60.0% of the individual investors hope that, through sustainable investment, they could encourage enterprises to pursue sustainable development and create value for society (Fig. 21). To increase investment returns is not the primary motivation for individual investors to consider sustainable investment.

Fig 21 Motivations for Individual Investors to Consider Sustainable Investment



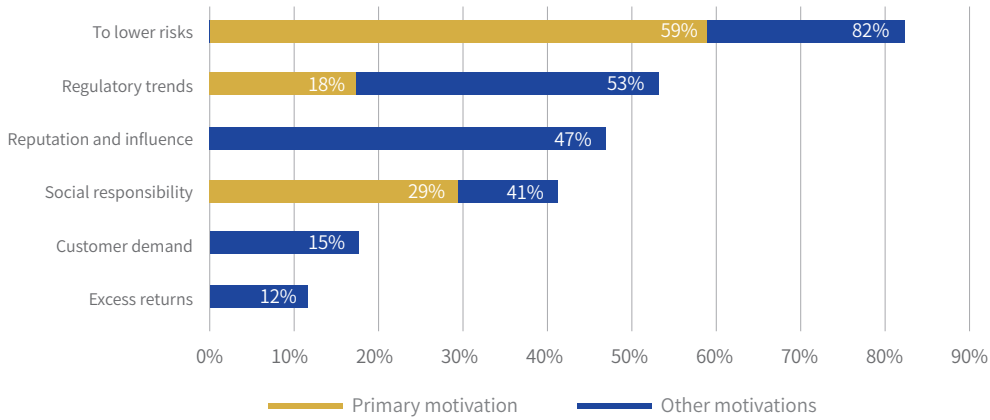
For institutional securities investors who have practiced ESG investment, lowering investment risks is also the primary motivation to practice ESG investment. 85% of the institutional securities investors believe that ESG investment can effectively reduce individual stock and portfolio risks. Among them, 58% regard lowering risks as the primary motivation to practice ESG investment. For 67% and 65% of the institutional securities investors, the motivations to do so are to comply with regulatory trends and to enhance reputation and influence (Fig. 22).

Fig. 22 Motivations for Institutional Securities Investors to Practice ESG/Sustainable Investment



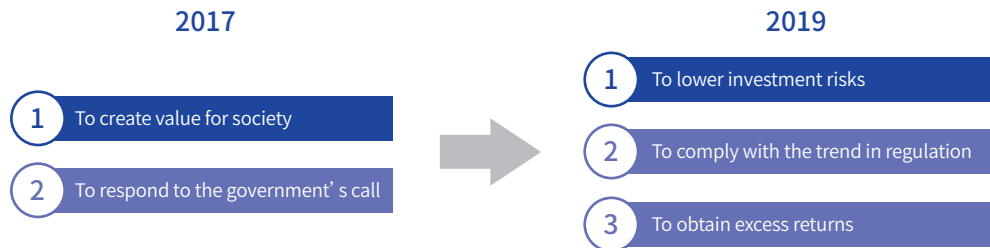
Of the institutional equity investors who have practiced sustainable investment, 82% recognize that ESG, as a new investment concept, can effectively reduce individual stock and portfolio risks. Among them, 59% regard this as the primary motivation to practice sustainable investment. To comply with regulatory trends (53%), enhance brand reputation and influence (47%), and perform social responsibility (41%) are also the major motivations for the institutional equity investors to practice ESG investment. In contrast, only 12% of the them consider obtaining excess returns as their motivation to practice ESG investment (Fig. 23).

Fig. 23 Motivations for Institutional Equity Investors to Practice ESG/Sustainable Investment



Compared with the 2017 survey, the motivations for institutional investors to consider ESG/sustainable investment has shifted from creating value for society and responding to the government’s call to considering the substantial impact of ESG issues on return of investment (Fig. 24).

Fig. 24 Changes in the Motivations for Institutional Investors to Consider ESG/Sustainable Investment

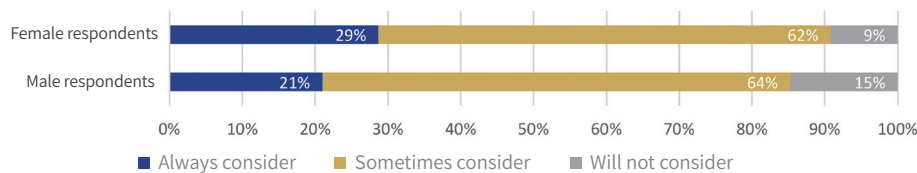


4.3 Demographic Features of Respondents Who Are Willing to Consider Sustainable Investment

Women demonstrate a more positive attitude

More female respondents consider ESG factors in investment decision-making than male respondents. 29% of the female respondents and 21% of the male respondents “always” consider ESG factors in their investment (Fig. 25).

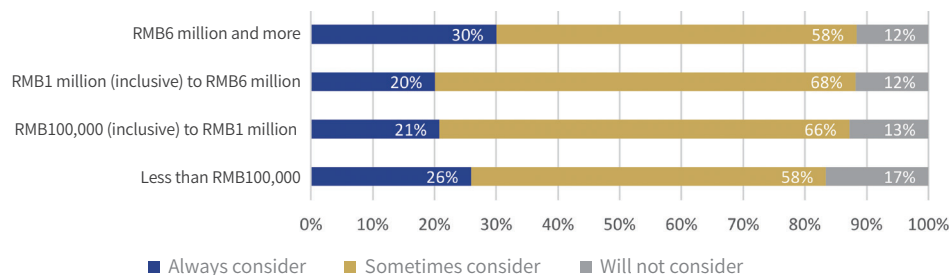
Fig. 25 Individual Investors' Willingness to Consider Sustainable Investment by Gender



High-net-worth individuals (HNWIs) tend to always consider ESG factors in their investment

Of the individual investors, those whose funds available for investment exceed RMB 6 million represent the highest proportion (30%) (Fig. 26). Compared with last year's survey, the gap between the proportion of those of HNWIs who always consider and that of other net-worth groups is narrowing.

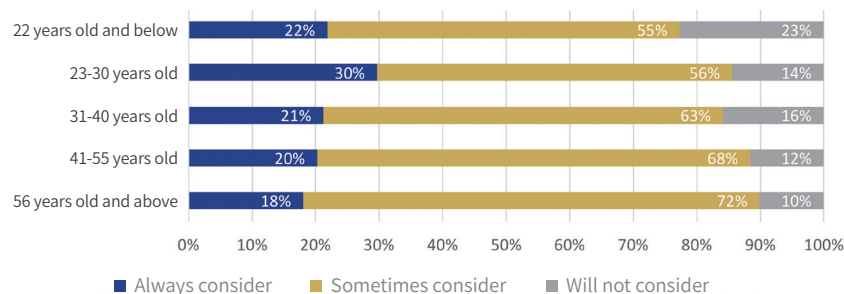
Fig. 26 Individual Investors' Willingness to Consider Sustainable Investment by the Portfolio Size



Young investors tend to always consider ESG factors in their investment. Personal values are the primary motivation for them to consider sustainable investment.

The 23-30 age bracket accounts for the highest proportion of the investors who always consider ESG factors in investment—30%, far ahead of other age brackets and even higher than the last year's leading age bracket—the age bracket of 22 and below (Fig. 27).

Fig. 27 Individual Investors' Willingness to Consider Sustainable Investment by Age

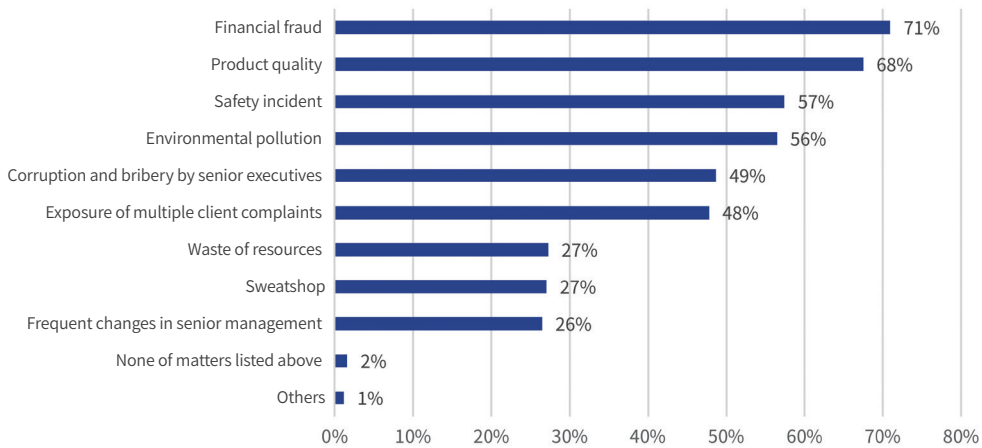


4.4 Focus and Strategies of Sustainable Investment

“Financial fraud” is of most concern to individual investors among the ESG investment-related issues

In responding to the question “What factors may make you unwilling to invest in the company or withdraw your investment, though the investment is expected to generate returns (one choice at least and five at most)”, two matters are found to be of most concern for individual investors: financial fraud (71%) and product quality (68%). In addition, more than half of the respondents believe that safety incident (57%) and environmental pollution (56%) will influence their willingness to invest (Fig. 28). Compared with the 2019 survey, financial fraud has taken the place of product quality, becoming the issue of most concern to individual investors.

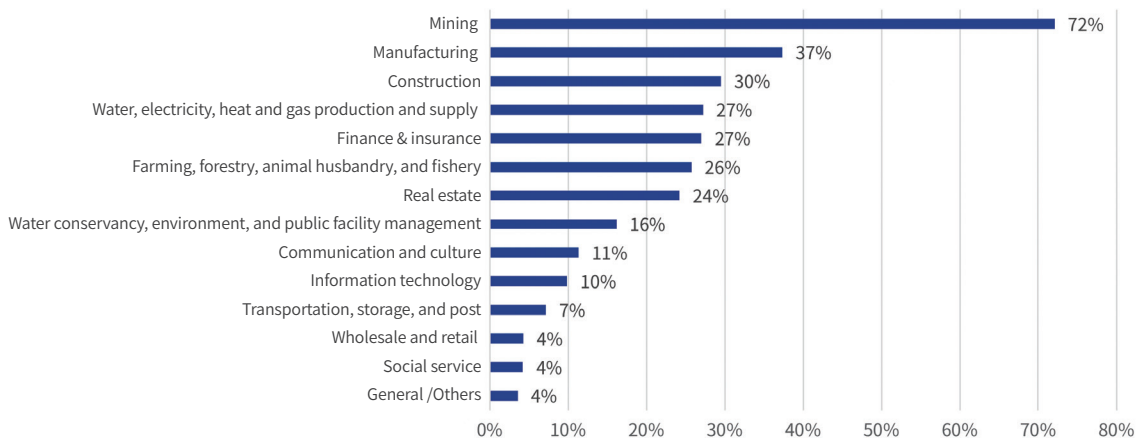
Fig. 28 Level of Concern about ESG Factors by Individual Investors



Mining industry is believed to be subject to the highest ESG risks, according to individual investors

When asked to select three industries that might see the highest ESG risks, 72% of the individual investors selected mining, which is followed by manufacturing (37%), construction (30%), water, electricity, heat and gas production and supply (27%), finance and insurance (27%) and farming, forestry, animal husbandry and fishery (26%) (Fig. 29).

Fig. 29 Industries' ESG Risks as Perceived by Individual Investors



Institutional securities investors and institutional equity investors see the highest ESG risks in different three industries

The institutional securities investors who have practiced ESG investment believe that mining, manufacturing, and finance and insurance are subject to the highest ESG risks. They also consider mining has the highest environmental risks (Fig. 30). In contrast, according to the institutional equity investors who have practiced ESG investment, water, electricity, heat and gas production and supply, water conservancy, environment and public facility management, and farming, forestry, animal husbandry and fishery industries, and mining are exposed to the highest ESG risks (Fig. 31).

Fig. 30 Industries' ESG Risks as Perceived by Institutional Securities Investors

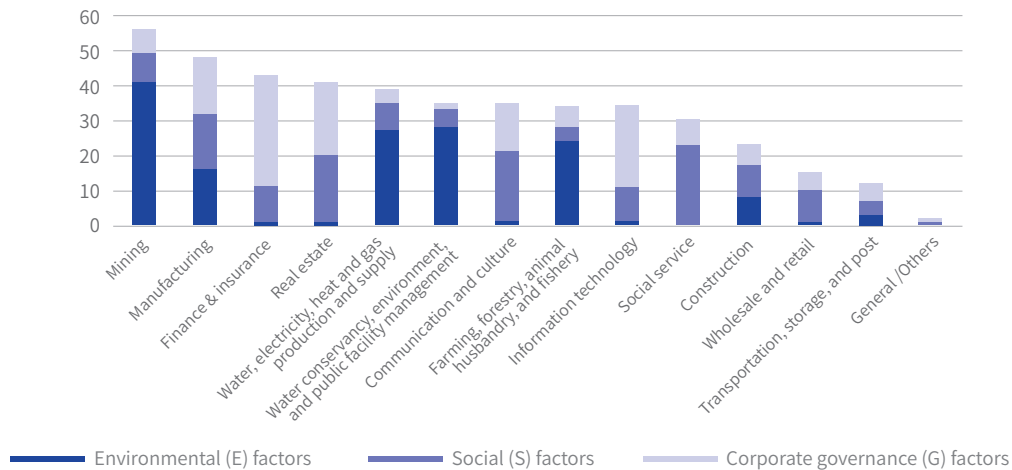
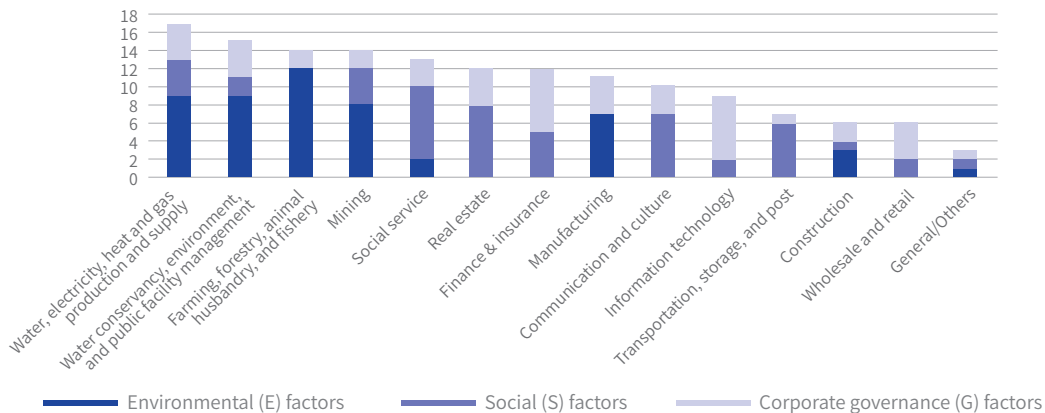


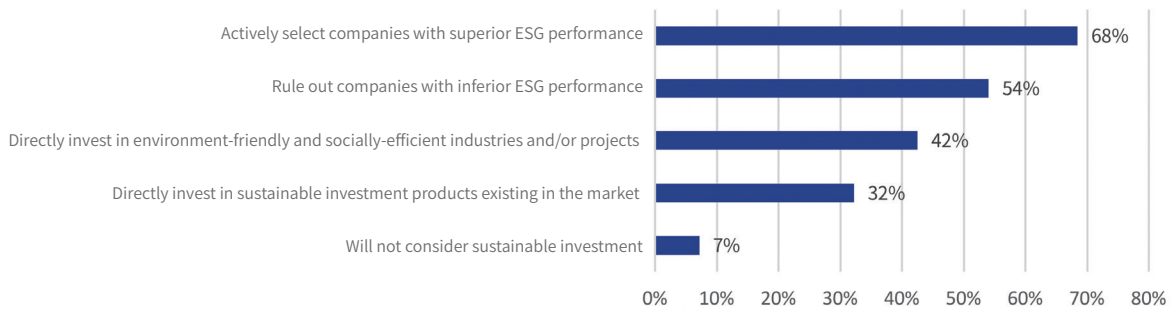
Fig. 31 Industries' ESG Risks as Perceived by Institutional Equity Investors



Individual investors tend to adopt the positive screening strategy when considering future ESG investment, and a vast number of individual investors who have never considered ESG factors in investment are apt to try the ESG investment strategy

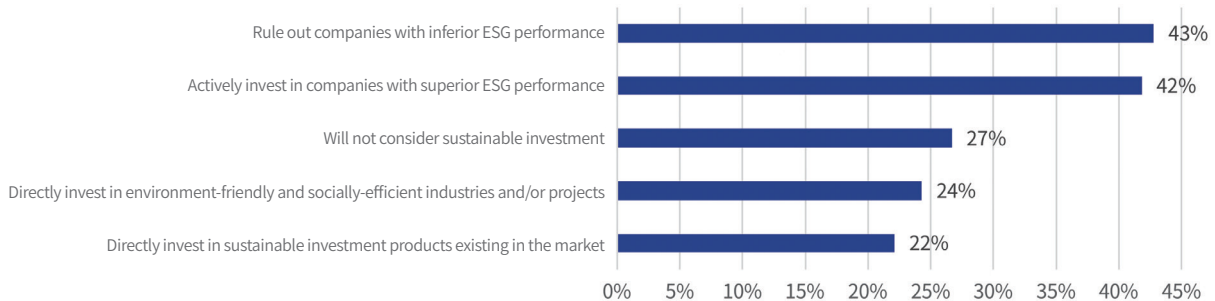
When asked “Will you consider using the following methods in the next year’s investment”, 68% of the individual investors selected the positive screening strategy, expressing a willingness to actively invest in companies with superior ESG performance (Fig. 32).

Fig. 32 Individual Investors' Sustainable Investment Plans



In the meantime, when it comes to the individual investors who have never considered ESG factors, only 27% of them “will not consider sustainable investment”, that is, 73% of them are willing to try ESG investment in the coming year (because selecting “Will not consider sustainable investment” and any other options simultaneously is not allowed). For the individual investors who are willing to try ESG investment, the first choice (43%) is to rule out companies with inferior ESG performance, which is consistent with the application and development of the ESG investment strategy (Fig. 33).

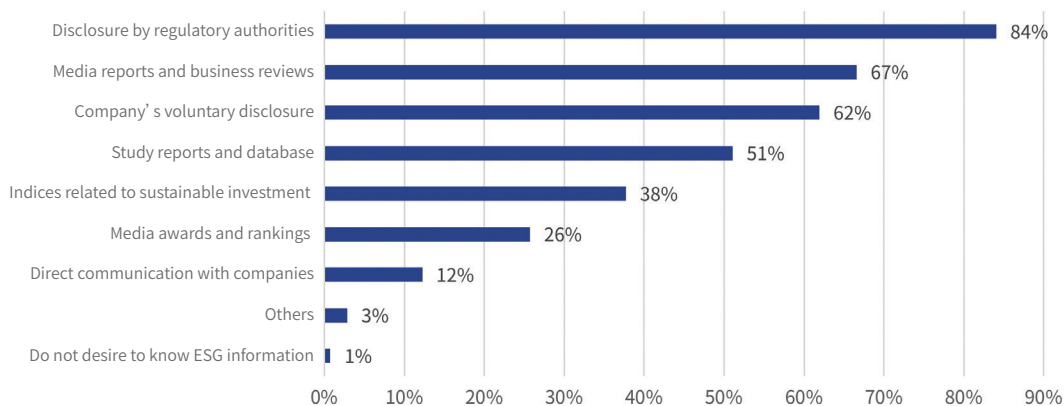
Fig. 33 Sustainable Investment Plans of Individual Investors Who Have Never Considered Sustainable Investment



Regulatory authorities are the most trusted information source, according to individual investors

The source of information most preferred by individual investors is the disclosure by regulatory authorities. 84% of the investors prefer to learn about a company's ESG performance through this channel, followed by media report (67%) and a company's voluntary disclosure (62%) (Fig. 34).

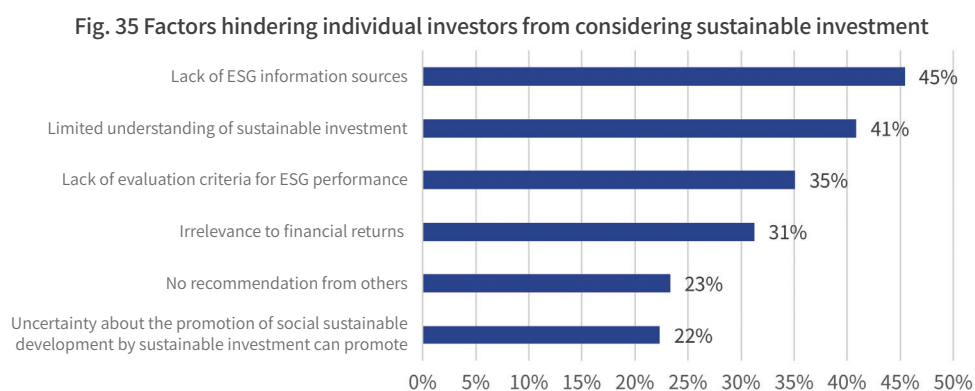
Fig. 34 Individual Investors' Preferred Sources of ESG Information



4.5 Challenges for Sustainable Investment

Lacking of ESG information sources represents the biggest challenges for individual investors to consider sustainable investment

When asked “What are the possible reasons for you to not consider a company’s ESG performance when investing”, individual investors consider “lack of ESG information sources” (45%), “limited understanding of sustainable investment” (41%), and “lack of evaluation criteria for ESG performance” (35%) as the top three obstacles (Fig. 35). In the 2019 survey, “lack of evaluation criteria for ESG performance” was the biggest challenge for them to consider sustainable investment. It fell down to the third place this year, indicating that individual investors have a better understanding of sustainable investment.



Limited understanding represents the biggest challenge for institutional investors to consider sustainable investment.

According to AMAC’s survey, limited understanding poses the biggest challenge to both institutional securities investors (70%) and institutional equity investors (77%) in considering sustainable investment, followed by “lack of reliable and comparable ESG data” (65% and 66%) and “lack of evaluation methods and tools” (60% and 58%) (Fig. 36 and Fig. 37).

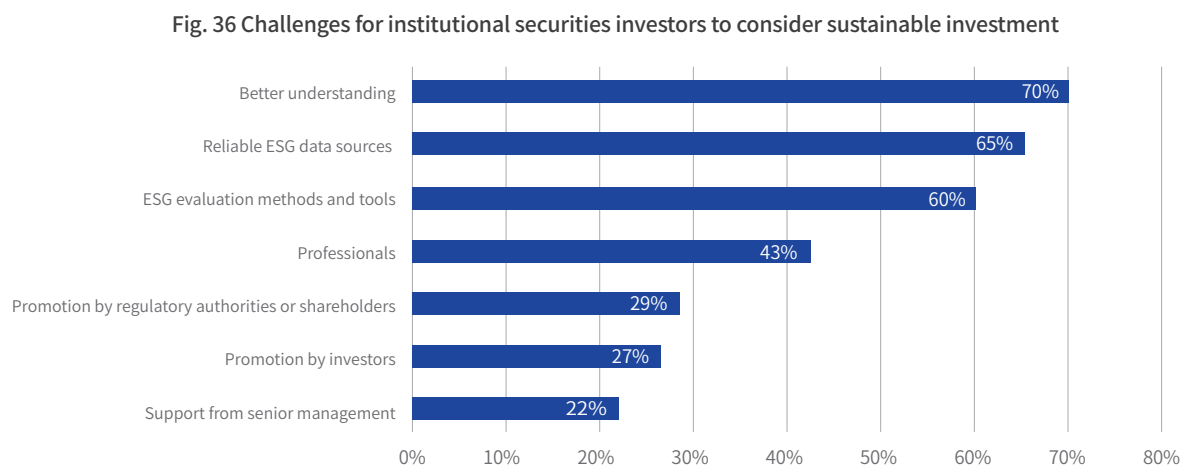
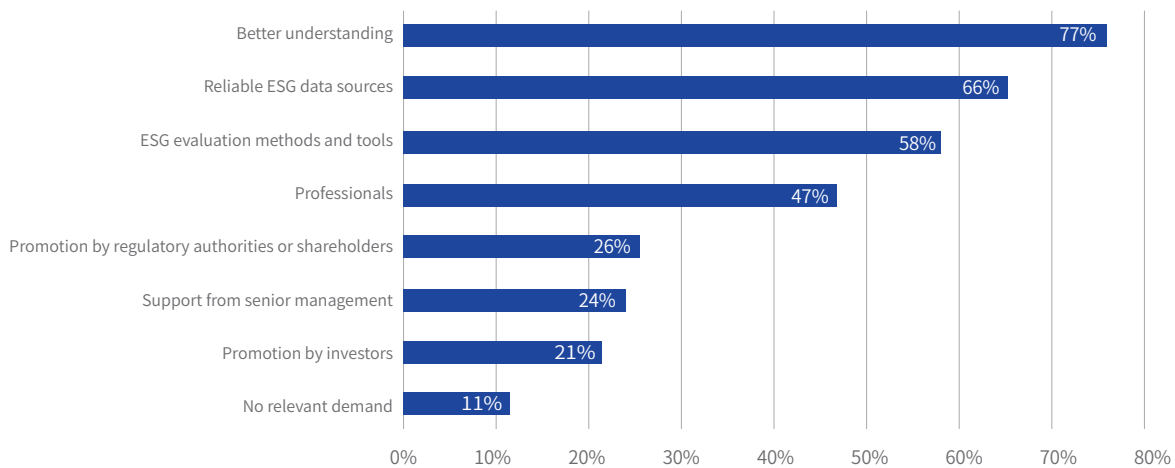


Fig. 37 Challenges for Institutional Equity Investors to Consider Sustainable Investment



Interviews with Fund Managers³¹

The surge in the number and size of pan-ESG mutual funds reflects the growing acceptance and recognition of ESG investment by the market. China SIF asked fund managers 5 questions that are most closely related to investment decision-making and current market conditions, in a hope to know their understanding of and changes in their practices of sustainable investment through their answers to these targeted questions, thereby providing references to stakeholders that are concerned about China's sustainable investment market.

Yang Yuebin, Associate Director of Equity Investment and Fund Manager at AXA SPDB Investment Managers Co., Ltd.

1. What is the investment philosophy of the fund you manage? What are its specific investment strategies?

Our primary investment strategy is to select stocks through a value investment-based methodology and apply ESG to negative screening. We also adopt the ESG integration and ESG engagement strategies. ESG investment focuses on the social value of sustainable development of mankind, while value investment stresses the commercial value of enterprises. Innovatively, we combine ESG investment and value investment to seek the greatest in both commercial value and social value at the same time.

At the operational level, we select 15 to 20 stocks by the value investment approach, which is in line with the value investment principle of "relative concentration of individual stocks". We build a portfolio in a way which may minimize correlation between individual stocks in order to reduce the volatility of the portfolio as a whole and to improve the holding experience of investors. Following the principle of "appropriate industry diversification", we generally ensure that the concentration ratio of

³¹ Risk Warning: Investors are advised to exercise caution when investing in funds as doing so carries risks. The opinions and comments contained in the interviews are for reference only and do not constitute any operation suggestions or recommendations for the securities in question. Those who invest or act in reliance on the relevant information in this document should bear all the consequences arising therefrom. An undertaking made by a fund management firm makes to manage the assets of its fund with care and diligence and in a good faith and prudent manner, does not guarantee the profitability or minimum return of the fund, nor represent an indicator or forecast of future performance of the fund. Investors are advised to carefully read the fund's legal documents such as the Fund Contract and Prospectus before investing in the fund.

a single industry in the portfolio does not exceed 20%.

We have used ESG databases from well-known third-parties such as MSCI ESG and SynTao Green Finance to conduct Negative Screening of individual stocks in the portfolio. In the meantime, our research team will keep an eye on ESG risks during their research on listed companies, and our risk control team will monitor in real time public sentiments on the listed companies in the portfolio. Through these efforts, we can basically achieve ESG integration. Upon the occurrence of a negative event or a ESG rating downgrade to the portfolio's individual stock, we will conduct an in-depth qualitative and quantitative analysis of the stock to determine whether the value of the stock has been impaired by the negative ESG event. If possible, we will actively practice shareholder engagement by holding a dialogue with the executives of the listed company to warn them of the possible ESG risks. When necessary, we will consider using the proxy to protect the legitimate rights and interests of its

2. What ESG factors will have a substantial impact on investment? Is such impact short-term or medium- and long-term?

The environment (E), social (S) and corporate governance (G) factors will all exert a substantial impact on investment, especially in the medium and long term. A company's damage to the environment will undoubtedly have a negative impact on its commercial value. Governments of all countries are voluntarily adopting more stringent measures to reduce or prevent the negative impact of development of industries and companies on the living environment of mankind, which is bound to affect the commercial value of some companies.

Value investment involves buying into great companies at a fair price, which often pay much attention to the performance of social responsibility and protection of interests of stakeholders in order to create a win-win situation for all parties. This practice is aligned with the ultimate goal of sustainable development of mankind as advocated in ESG investment.

Corporate governance is also an important consideration in value investment. Time is the friend of the wonderful company, the enemy of the mediocre. Instead of creating value, poor corporate governance will destroy value. The management of a company that used to continuously make wrong decisions will often continue to make more wrong business decisions. This can be explained by what Warren Buffett has called "Institutional Imperative". Most corporate governance issues are corporate culture issues in nature. The leaders of a company, however, often set the tone for its corporate culture from the very beginning of its establishment.

In the past, many domestically listed companies ignored corporate governance to some extent, which was usually accompanied by lack of authenticity and validity in their financial information and eventually led to a sharp decline in its performance and stock price. Partly thanks to our adherence to the investment philosophy of combining value investment and ESG negative screening, we rarely run into similar risks in our past portfolios. As the regulators put more efforts on regulating the governance of listed companies and stress the exit mechanism, the strategy of combining ESG investment and value investment is expected to usher in a better investing environment.

3. What impact has the COVID-19 pandemic had on your investment philosophy and strategies?

The sudden outbreak of the pandemic was unexpected for the world, yet it is a good opportunity to test value investment when looking at it from the other side of the coin. At the beginning of the pandemic, the panic in the market cast down the stock price of both well-performing and poorly-performing companies, which created an opportunity for value investors to buy into fallen

angels at a low price. It was nothing but the philosophy of combining ESG investment and value investment that had enabled us to correctly judge the long-term commercial value of companies, so that we were able to, amid the market panic, boldly seize some fleeting investment opportunities. The Axa Spdb Advanced Manufacturing Hybrid Fund, which I manage based on the ESG investment and value investment philosophy, also yielded good returns during this period.

4. China recently set the goal of achieving carbon neutrality by 2060. Will this goal have any impact on your investment strategies?

The 2060 carbon neutrality goal is intended to alleviate the negative greenhouse effect of carbon dioxide emissions. It demonstrates the Chinese government's determination to promote environmental protection policies and further efforts to align its environmental protection policies with international ones. Going forward, China will issue a host of influential policies on renewable energy. Accordingly, we will adjust our judgment on the development prospects and cash flow changes of related industries. The commercial value of renewable energy, new energy vehicles and other industries that conform to the concept of sustainable development will become more highlighted. At the same time, demands in industries that are contrary to the concept of sustainable development, such as electricity, coal, and steel, will be suppressed, detrimental to their investment

5. What are the challenges to you in ESG investment?

We adopt a qualitative analysis-based methodology supplemented by quantitative analysis when combining value investment and ESG investment. Qualitative analysis, the most important method in value investment, is needed to make judgement on corporate governance, business models, and economic goodwill. Qualitative analysis is also required to apply ESG to negative screening: Investment managers need to make comprehensive judgment on the commercial value of target companies as per their past experience and the updated industry developments, which demands a high level of professionalism from them. Given the constant iteration and evolution of the real economy and capital market as complex adaptive systems, industries that had commercial value in the past are likely to no longer have any moats and commercial value due to technological and social changes. For this reason, investment managers, adhering to the ultimate goal of sustainable development of mankind, need to keep learning, to keep pace with the times, to accurately judge the opportunities created by the times, and to timely discard the backward productivity. Considering the massive qualitative judgments that we need to make, we hope that ESG infrastructures can be further improved in the future. More data from ESG databases will help us make better informed investment judgments.

Moreover, in the process of ESG localization, it is necessary to make appropriate adjustments, in addition to following the concept of sustainable development of mankind, in order to better meet the needs of the current domestic economy and capital market at a specific stage of development. After all, China's pursuit of high-quality development will be accompanied with problems unique to China, which cannot be resolved by completely replicating foreign practices.

Furthermore, we often consider the medium- and long-term investment value of companies when combining value investment with ESG investment. Being effective in the long run, value investment does not guarantee outperformance over the market at all time. In practice, the short-term performance pressure has posed a great challenge to the operation of mutual funds. In this regard, there is a pressing demand for all parties to develop a unified understanding of and provide more support to medium- and long-term value investment.

The valuation of a company is based on the discounted free cash flows generated throughout its life

cycle. ESG investment promotes the sustainable development of mankind. If a company damages the social value of sustainable development of mankind when going after commercial value, it is inevitable that the company's future cash flows and commercial value will be adversely affected.

The ESG investment philosophy is consistent with part of the teachings in China's classical wisdom book "Tao Te Ching". Some sayings in the book, such as "The Tao of Heaven blesses, but does not harm" and "For I am abstracted from the world, the world from nature, nature from the way, and the way from what is beneath abstraction", support the harmonious coexistence of human and nature, which highly coincide with the sustainable development as desired in ESG investment.

Value investment emphasizes on buying into a great company at a fair price. In addition to profit growth, great companies often have greater pursuits. As the book "Build to Last" says, "Profitability is a necessary condition for existence and a means to more important ends, but it is not the end in itself for many of the visionary companies." Great companies' greater pursuits in addition to profit are also

Guo Jie, Fund Manager at E Fund Management Co., Ltd. (E Fund)

1. What is the investment philosophy of the fund you manage? What are its specific investment strategies?

E Fund is committed to become a long-term reliable world-class asset manager. We believe in long-range and sustainable investment, and make and keep long-term commitments to our customers, shareholders and employees and the general public. Sustainable investment enables us to effectively identify ESG-related risks and high-quality investees, so as to create long-term sustainable returns for customers. Also, through proxy and investee engagement, we can help listed companies and bond issuers improve their ESG performance, promote sustainable social development, and create social value.

Measures taken by us:

- (1) We have developed our sustainable investment and active ownership statements to guide the practices of sustainable investment across assets classes;
- (2) We have created an ESG team, composed of members from the business development and investment research teams, which covers all major assets classes and is responsible for, among others, developing sustainable investment policies, supervising enforcement of such policies, and making external reporting;
- (3) We have independently developed and built an ESG data and evaluation system, which covers all A-share listed companies and 99% of the non-government bond issuers, establishing our technological superiority by virtue of big data and AI technology;
- (4) We have joined a global network of organizations on sustainable investment cooperation, such as the UN PRI, UK-China Climate and Environmental Information Disclosure Pilot, Climate Action 100+, and TCFD supporters, to promote the implementation of ESG standards in the industry.

ESG investment in China is still in its early stage. As the largest mutual fund management company and one of the Chinese forerunners in ESG investment, E Fund will, based on its strengths in investment research and technology, continue to explore the possibility of launching sustainable investment-related products at home and abroad and to further practice sustainable investment by including publicizing ESG, conducting in-depth research on ESG, and promoting ESG-related disclosure. We will be devoted to implement international standards according to China's particular reality and strive to create long-term sustainable returns for customers through ESG/green investment.

For our ESG fund, our investment philosophy includes:

- Buying into high-quality companies at a reasonable price for long-term holding;
- Measuring high-quality companies based on shareholder value and social value;
- Actively engaging in the investee companies to improve their ESG performance, thus promoting sustainable social development.

2. What ESG factors will have a substantial impact on investment? Is such impact short-term or medium- and long-term?

ESG factors will exert a substantial impact on investment, particularly in the medium and long term, at the environmental, social, and governance levels. They are effective metrics to measure the risks of companies, but are ignored by most investors. Among the ESG factors, governance has the biggest impact on the medium- and long-term value and risks of companies — in many respects, it achieves the same results as does the intrinsic value as advocated by us in investment. In the short run, the impact of the ESG factors on the value and investment performance of companies is minor.

3. What impact has the COVID-19 pandemic had on your investment philosophy and strategies?

The pandemic has had no impact on my investment philosophy and strategies. For companies, the pandemic is like a stress test for their competitive edge, during which a more evident Matthew effect on industry leaders has been exhibited. This is largely consistent with our stock selection practice. For investors, the pandemic has enabled them to have a clearer picture of the close relationships among society, companies, and individuals, and have a better understanding of the importance of sustainable and stable social development to companies and individuals. As a result, when investing, investors will consider more the social value of investees and sustainable social development. The pandemic has made more investors consider and value ESG.

4. China recently set the goal of achieving carbon neutrality by 2060. Will this goal have any impact on your investment strategies?

This ambitious but formidable goal displays the resolution of China to reduce carbon emissions and at the same time, involves heavy investment in this regard. Pleased to see China's commitment to the long-term sustainable development goal, we will continue to contribute to the implementation of this goal by expanding ESG to more companies and investors. In addition to that, we will, in our investment, consider companies with leading superiority in carbon emissions reduction to obtain stable returns.

5. What are the challenges to you in ESG investment?

- ESG investment is still a new concept that has not been widely accepted in the Chinese capital market. We need to make more and more investors understand and support ESG investment. This will be a long, hard process.
- An evaluation system for ESG investment needs to be tailored to the conditions of the Chinese market in terms of indicator system and data acquisition and consider its accessibility and effectiveness, so that it can better applied. Also, in ESG investment, a better integration of social responsibility and shareholder value is needed to ensure the maximum interest of investees while making the investees create social value.

Zhang Hui, Fund Manager at China Southern Asset Management Co., Ltd. (CSAM)

1. What is the investment philosophy of the fund you manage? What are its specific investment strategies?

Sustainable investment is a priority for CSAM. CSAM comprehensively and effectively promotes ESG investment in areas from investment research framework, risk control procedures, and product development to investor education. Measures taken by CSAM include:

(1) Management structure, procedures and system: ESG involves not only investment, but also investment research, risk control, product development, brand promotion etc., and is an important task at the company level. CSAM has built an ESG leading group headed by its general manager and four ESG working groups led by four senior executives. In addition, CSAM has developed sound systems and procedures for the smooth implementation of ESG investment across business segments.

(2) Product development: In December 2019, CSAM established an ESG-themed equity fund that adopts the ESG integration strategy, that is, the fund incorporates the ESG performance factors of listed companies into the existing stock selection criteria to screen competitive companies that can sustainably create value in promising industries, and then buys into such companies at a reasonable price for long-term excess returns. The development of other related ESG funds is under way.

(3) ESG integration: CSAM has created an ESG database, and an internal ESG rating system which has so far covered 7,442 potential investees, including 3,963 listed companies and 3,479 non-government bond issuers. Also, CSAM has established a data sharing platform for researchers and fund managers to promote the full integration of ESG factors into decision making by fund managers.

(4) Active ownership strategy: CSAM has actively engaged with the management of listed companies to encourage and cause the companies to pay more attention to ESG issues in their day-to-day operation and management.

(5) ESG publicity, guidance and investor education: For a long time, CSAM has been an active participant in activities organized by media organizations and relevant associations, promoting ESG implementation across the industry.

2. What ESG factors will have a substantial impact on investment? Is such impact short-term or medium- and long-term?

ESG investment is a medium- and long-term investment, not suitable for short-term speculation. In the medium and long run, governance is the most important one of the ESG factors and serves as the red line in selecting stocks — the stocks of companies with poor governance performance should be directly excluded from the investible universe. Employee stock ownership has been another important criterion for us to select stocks, because it provides a quantitative indicator of a company's revenue growth, and more importantly, because it shows the willingness of the company to share profits with its employees and investors, and we believe that only those with such willingness can create long-term excess returns.

3. What impact has the COVID-19 pandemic had on your investment philosophy and strategies?

The pandemic has given a hard hit to demand in many sectors. Socially responsible companies responded faster to the pandemic and were able to quick resume production, even expanded their market share. They have passed the big test imposed by the pandemic. We believe that they will be more likely to maintain their leading edge in the future competition.

4. China recently set the goal of achieving carbon neutrality by 2060. Will this goal have any impact on your investment strategies?

It will be arduous for China, a big economy, to achieve carbon neutrality by 2060. It will involve tremendous investment in energy and infrastructure. This goal provides us with a more specific guidance and basis for growth potential and rate of industries, such as photovoltaics and electric vehicles, making the certainty of investment in related sectors stronger.

5. What are the challenges to you in ESG investment?

Disclosure by listed companies and data from third-party databases can be further improved.

5. Conclusions and The Road Ahead

The COVID-19 pandemic in 2020 has dealt a heavy blow to the world, stalling economies and unprecedentedly restricting social activities and travel. As of November 25, 2020, the coronavirus had infected nearly 60 million people and claimed more than 1.4 million lives. Countless measures have taken to save and protect lives. Nevertheless, there is an even bigger challenge to deal with, that is, how to restart economy and life as normal in the post-pandemic age. In addition to the correlation between the environment and the general public's health, policymakers have clearly realized that the negative impact of mankind's production and life on biodiversity, air quality, and climate change will in return impair their own well-being. Therefore, we believe that pursuing green and sustainable development will be an unshakable commitment during the economic recovery and even for a longer period in the future. The consideration of ESG issues will have more weight in the formulation of both macro policies and specific development strategies in the finance and investment sectors.

Thanks to China's anti-epidemic actions such as forced lockdown during the initial outbreak of Covid-19, its economy and life are returning to normal. This allows us to make review and reflection with some ease. During this process, we have found that the COVID-19 pandemic has not slowed down China's efforts on sustainable finance, whether in policies (e.g., it updated and unified the definition of green bonds), market practices (e.g., it reported a rapid growth in the size of sustainable equity products in the open market), or international commitments (e.g., it announced the carbon neutrality goal). As of November 25, 2020, 16 more Chinese institutions had signed the PRI, accounting for over 30% of the total new signatories for the year. This figure partly indicates that Chinese financial institutions are fast turning into practice their acceptance of sustainable investment. In particular, several commercial banks have engaged in the design and issuance of ESG products, which have massive AUM and are open to a wider range of investors. In addition, the National Social Security Fund (NSSF), China's largest asset owner, have also made a move. On August 21, 2020, it released the Announcement of National Council for Social Security Fund on Selecting and Appointing Overseas Investment Managers. The Announcement makes actively-managed global responsible investment equity products as NSSF's first type of managed products, which causes domestic investment managers to actively think about and practice how to integrate ESG factors into the products they will invest in. These efforts represent consideration of responsible investment.

In preparing this Report, we have found:

- Sustainable investment in China as a whole, though small in size, has been growing rapidly with clear support from policies;
- The further opening-up of China's capital market has made domestic and overseas financial institutions to pay more attention to ESG risks in the Chinese market than ever before;
- Green credits from banks have remained superior by scale in sustainable investment in China;
- Sustainable equity investment has seen rapid growth, and sustainable fixed-income investment products, represented by wealth management products from banks, have been launched to the market;
- In most cases, impact investment has been made in the form of poverty alleviation projects (e.g., poverty alleviation bonds);
- The strategies for incorporating ESG factors into products have still been mixed, resulting in the lack of a basis for classification;
- Leading institutional investors have significantly improved their ESG investment research capacity and allocation;

- Sustainable investment practices have been driven not only by regulators and overseas customers, but also by peer pressure;
- Despite remaining controversial, the performance of ESG investment has been recognized as positive by an increasing number of academic and market studies;
- Improvement on the quality of ESG disclosure is still urgently needed;
- The release of the ESG disclosure guidelines under development have lagged behind the market expectation, but during the development of the guidelines, more and more listed companies have started their preparations for this purpose; and
- In terms of infrastructure, multiple third-party ESG evaluation institutions have quickly emerged in the market.

In view of the above, we have reason to believe that sustainable finance and investment in China will remain in the fast growth lane.

Appendix 1: Type and Size of Sustainable Investment in China

Type of Sustainable Investment	Definition		Size (RMB)	Development Status
Green credit	Green credit requires banking institutions to promote green economy, low-carbon economy, and recycled economy through credit business, enhance the environmental and social risk management in their credit business, and improve their own environmental and social performance. (according to the Green Credit Guidelines issued by former CBRC in 2012)		11.55 trillion	<ul style="list-style-type: none"> · 5 banks have signed the Equator Principles (EPs) · 4 banks have signed the UN Principles for Responsible Banking · 5 banks have joined the UNEP FI as members · 29 banks have signed the Joint Commitment to Green Credit by the Chinese Banking Industry · By the end of Q3 2020, the outstanding green loans in domestic and foreign currencies reached RMB 11.55 trillion (according to the statistics of PBC)
Sustainable securities/ Wealth management product	Green/sustainable (securities) investment fund/asset management program	Green (securities) investment refers to investment, aiming to promote companies' environmental performance, develop green industries and reduce environmental risks, in companies and projects which could deliver environmental benefits, reduce environmental costs and risks through systematic green investment strategies. (AMAC, 2018, the Green Investment Guidelines (for Trial Implementation))	· ESG mutual funds 120.97 billion	<ul style="list-style-type: none"> · 13 mutual fund management firms have signed the PRI · As of the end of September 2020, 47 fund companies launched 123 pan-ESG funds · In September 2020, the size of pan-ESG funds reached RMB 120.97 billion (according to market data from AMAC)
			· ESG private securities funds (no available statistics yet)	<ul style="list-style-type: none"> · 11 private fund management firms have signed the PRI
	Sustainable Wealth Management Products	No definition yet	· ESG wealth management product Around 23 billion	<ul style="list-style-type: none"> · 10 commercial banks or wealth management companies issued 47 pan-ESG wealth management products (an estimate based on the total number of bank wealth management products released by the China Banking Association in 2019)
	Sustainability bonds	<ul style="list-style-type: none"> · Green bonds refer to the securities issued by financial institutions in accordance with law, with a purpose of supporting green industries and with principal redemption and interest payment effected as agreed between the parties concerned. (according to the PBC's Announcement No. 39 [2015] on Green Financial Bonds) · Social bonds refer to use of proceeds bonds that raise funds for new and existing projects with positive social outcomes. (ICMA, 2018, Social Bond Principles) 	<ul style="list-style-type: none"> · Issuance volume of 2016 amounted RMB 238.0 billion · Issuance volume of 2017 amounted RMB 248.6 billion · Issuance volume of 2018 amounted RMB 282.6 billion · Issuance volume of 2019 amounted RMB 386.2 billion (statistics from the Climate Bonds Initiative) 	
Sustainable equity investment	· Green equity investment (please refer to the concept of "green (securities) investment")		(no available statistics yet)	<ul style="list-style-type: none"> · 17 PE have signed the PRI
Green industry fund	Green industry fund refers to special investment funds that the government establishes to support energy conservation and emission reduction, promote low-carbon economic development, and improve environment. (according to the Case Studies of Green Finance in China)		97.66 billion	<ul style="list-style-type: none"> · As of the end of 2018, there were 16 green government-backed industry funds to which the governments have contributed RMB 9.16 billion (data are from the credit registration system of national government-backed industry funds and are calculated by the Research Bureau of the PBC) · In July 2020, National Green Development Fund Co., Ltd. (NGDF) was established, with capital contribution from the Ministry of Finance, 11 provinces and cities along the Yangtze River Economic Belt, some financial institutions, and companies in the related industries. NGDF ultimately raised RMB 88.5 billion, of which RMB 10 billion was from the central government.

Appendix 2: Sustainable Investment Policies in China

Time	Issued By	Policy Documents	Main Contents
Sustainable investment policies (securities investment)			
2016	The PBC, the Ministry of Finance, NDRC, the Ministry of Environment Protection, CBRC, CSRC, and CIRC	Guidelines for Establishing the Green Financial System	It specifies the important role of securities market in supporting green investment, and requires the industry to standardize the definition of green bonds, actively support the listing and refinance of eligible green companies, support the development of green bond index, green stock index and other related products, and gradually establish and improve a mandatory disclosure system for listed companies and bond issuers to disclose environmental information.
2018	AMAC	Green Investment Guidelines (for Trial Implementation)	It defines green investment and specifies the objectives, principles and basic methods of green investment.
2020	MEE, NDRC, PBC, CBIRC, and CSRC	Guiding Opinions on Promoting Investment and Financing to Address Climate Change	Guided by the Nationally Determined Contributions (NDC) and low-carbon development goal and supported by the system of policies and standards, it aims to promote the investment and financing in response to climate change through model innovation and local practice.
Supporting policies			
2019	NDRC, the Ministry of Industry and Information Technology, the Ministry of Natural Resources, the Ministry of Ecology and Environment, the MOHURD, the PBC, and the National Energy Administration	2019 Guiding Catalogue for the Green Industry	It specifies the classification and categorization of green industries and green projects.
2020	PBC, NDRC, and CSRC	Green Bond Endorsed Project Catalogue (Exposure Draft)	It unifies the domestic market standards for green bonds and defines the scope of green bond-supported projects
ESG information disclosure			
2006	Shenzhen Stock Exchange	Instructions on Social Responsibility of Listed Companies	It requires listed companies to actively undertake social responsibilities, regularly evaluate their performance of social responsibilities and voluntarily release social responsibility report. The Instructions was incorporated into the Guidance for Standardized Operations of Listed Companies in 2010 and continues to provide guidance and standards for listed companies in disclosing social responsibility performance.
2008	Shanghai Stock Exchange	Guidelines on Environmental Information Disclosure of Listed Companies	It requires listed companies to step up efforts to undertake social responsibilities, disclose their practices and performance in guaranteeing safety of employees, shouldering products responsibilities and protecting environment. It also specifies requirements for listed companies in disclosing environmental information.
2008	Shanghai Stock Exchange	Guidelines on the Preparation of Company Social Responsibility Report	It specifies the efforts that listed companies shall disclose in promoting environmental and ecological sustainable development, such as practices in preventing and reducing pollution, protecting water resources and energies, guaranteeing habitability of relevant areas, and protecting and enhancing biodiversity of relevant areas.

Time	Issued By	Policy Documents	Main Contents
2013	Shenzhen Stock Exchange	<p>Guidance on Standardized Operations of Companies Listed on the Main Board of Shenzhen Stock Exchange</p> <p>Guidance on Standardized Operations of Companies Listed on the SME Board of Shenzhen Stock Exchange</p> <p>Guidance on Standardized Operations of Companies Listed on the ChiNext Market of Shenzhen Stock Exchange</p>	They require listed companies to, upon the occurrence of major environmental incidents, timely disclose the causes of the incidents, impacts on the company's business performance, impacts of such incidents, and the company's proposed remedy measures.
2019	Shanghai Stock Exchange	Rules on the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange	It stipulates mandatory disclosure of ESG related information, and requires companies listed on the Science and Technology Innovation Board to disclose their performance of social responsibilities such as protecting the environment, ensuring product safety, and upholding legitimate rights and interests of employees and other interested parties.
2020	Shenzhen Stock Exchange	Measures on the Appraisal of Information Disclosure of Listed Companies	It evaluates the disclosure of social responsibility performance by listed companies and mentions ESG disclosure for the first time.
2020	Shanghai Stock Exchange	Guidelines No.2 on the Application of Self-Regulation Rules for Listed Companies on SSE STAR Market - Voluntary Information Disclosure	In addition to general ESG information required in statutory rules, a company listed on the SSE STAR Market may further disclose ESG information specific to it based on the characteristics of its industry and businesses as well as its governance structure.

Appendix 3: Pan-ESG Mutual Funds

(Sorted by strategy type and establishing time)

Ticker	Fund Name	Establishing Time	Fund Type	Strategy Type
163803.OF	BOC Sustainable Growth Hybrid Fund	2006/3/17	Hybrid Fund	ESG Select
340007.OF	Aegon-Industrial Social Responsibility Hybrid Fund	2008/4/30	Hybrid Fund	ESG Select
510090.OF	CCB Principal SSE Social Responsibility ETF	2010/5/28	Equity Fund	ESG Select
530010.OF	CCB Principal SSE Social Responsibility Index ETF Feeder Fund	2010/5/28	Equity Fund	ESG Select
470028.OF	China Universal Social Responsibility Hybrid Fund	2011/3/29	Hybrid Fund	ESG Select
530019.OF	CCB Principal Social Responsibility Hybrid Fund	2012/8/14	Hybrid Fund	ESG Select
000042.OF	Caitong ECPI ESG Index Enhanced Fund	2013/3/22	Equity Fund	ESG Select
000017.OF	Caitong Sustainable Development Theme Hybrid Fund	2013/3/27	Hybrid Fund	ESG Select
960011.OF	BOC Sustainable Growth Hybrid Fund	2015/9/24	Hybrid Fund	ESG Select
003184.OF	Caitong ECPI ESG Index Enhanced Fund	2017/4/14	Equity Fund	ESG Select
006122.OF	Huaan Low Carbon Life Hybrid Fund	2019/3/12	Hybrid Fund	ESG Select
161912.OF	Wanjia Social Responsibility 18 Months Regular Open Hybrid Fund (LOF)	2019/3/21	Hybrid Fund	ESG Select
161913.OF	Wanjia Social Responsibility 18 Months Regular Open Hybrid Fund (LOF)	2019/3/21	Hybrid Fund	ESG Select
501086.OF	Hwabao WP MSCI China A Inclusion ESG General Index Fund (LOF)	2019/8/21	Equity Fund	ESG Select
007548.OF	E Fund ESG Responsibility Investment Equity Initiating Fund	2019/9/2	Equity Fund	ESG Select
008264.OF	China Southern ESG Equity Fund	2019/12/19	Equity Fund	ESG Select
008265.OF	China Southern ESG Equity Fund	2019/12/19	Equity Fund	ESG Select
007066.OF	Axa Spdb Advanced Manufacturing Hybrid Fund	2020/1/14	Hybrid Fund	ESG Select
007067.OF	Axa Spdb Advanced Manufacturing Hybrid Fund	2020/1/14	Hybrid Fund	ESG Select
515090.SH	Bosera CSI Sustainable Development 100 ETF	2020/1/19	Equity Fund	ESG Select
009246.OF	Morgan Stanley Huaxin ESG Quantitative Antecedence Hybrid Fund	2020/7/16	Hybrid Fund	ESG Select
009872.OF	Lombarda China Responsibility Investment Hybrid Fund	2020/9/10	Hybrid Fund	ESG Select
009873.OF	Lombarda China Responsibility Investment Hybrid Fund	2020/9/10	Hybrid Fund	ESG Select
010071.OF	Founder Fubon ESG Hybrid Fund	-	Hybrid Fund	ESG Select
010070.OF	Founder Fubon ESG Hybrid Fund	-	Hybrid Fund	ESG Select
160611.OF	Penghua Corporate Governance Hybrid Fund (LOF)	2007/4/25	Hybrid Fund	Corporate Governance Select
260111.OF	Invesco Great Wall Corporate Governance Hybrid Fund	2008/10/22	Hybrid Fund	Corporate Governance Select
510010.OF	Bocom Schroders SSE 180 Corporate Governance Index ETF	2009/9/25	Equity Fund	Corporate Governance Select
519686.OF	Bocom Schroders SSE 180 Corporate Governance Index ETF Feeder Fund	2009/9/29	Equity Fund	Corporate Governance Select
163409.OF	Aegon-Industrial Green Investment Hybrid Fund (LOF)	2011/5/6	Hybrid Fund	Green and Low Carbon Select
004229.OF	Penghua New Energy Industry Dynamic Allocation Hybrid Fund	2017/4/10	Hybrid Fund	Green and Low Carbon Select
005728.OF	Fortune SG Green Theme Hybrid Fund	2018/9/4	Hybrid Fund	Green and Low Carbon Select
007590.OF	Hwabao Green Leading Equity Fund	2019/9/18	Equity Fund	Green and Low Carbon Select
009237.OF	CIB Green Pure Bond One-Year Regular Open Bond Fund	2020/7/17	Bond Fund	Green and Low Carbon Select
009238.OF	CIB Green Pure Bond One-Year Regular Open Bond Fund	2020/7/17	Bond Fund	Green and Low Carbon Select
350002.OF	China Nature Low-Carbon Economy Dynamic Allocation Hybrid Fund	2005/1/12	Hybrid Fund	Energy Conservation and Environmental Protection Theme
540008.OF	HSBC Jintrust Low-Carbon Pioneer Equity Fund	2010/6/8	Equity Fund	Energy Conservation and Environmental Protection Theme

Ticker	Fund Name	Establishing Time	Fund Type	Strategy Type
398051.OF	Zhonghai Environmental Protection & New Energy Theme Dynamic Allocation Hybrid Fund	2010/12/9	Hybrid Fund	Energy Conservation and Environmental Protection Theme
100056.OF	Fullgoal Low Carbon Environmental Protection Hybrid Fund	2011/8/10	Hybrid Fund	Energy Conservation and Environmental Protection Theme
400015.OF	Orient New Energy Automobile Theme Hybrid Fund	2011/12/28	Hybrid Fund	Energy Conservation and Environmental Protection Theme
000120.OF	BOC Beautiful China Hybrid Fund	2013/6/7	Hybrid Fund	Energy Conservation and Environmental Protection Theme
000294.OF	Huaan Ecology Preference Hybrid Fund	2013/11/28	Hybrid Fund	Energy Conservation and Environmental Protection Theme
000409.OF	Penghua Environmental Protection Industry Equity Fund	2014/3/7	Equity Fund	Energy Conservation and Environmental Protection Theme
000591.OF	BOC Healthy Life Hybrid Fund	2014/5/20	Hybrid Fund	Energy Conservation and Environmental Protection Theme
163114.OF	SWS MU CSI Environmental Protection Industry Index Fund (LOF)	2014/5/30	Equity Fund	Energy Conservation and Environmental Protection Theme
150185.OF	SWS MU CSI Environmental Protection Industry Index Fund (LOF)	2014/5/30	Equity Fund	Energy Conservation and Environmental Protection Theme
150184.OF	SWS MU CSI Environmental Protection Industry Index Fund (LOF)	2014/5/30	Equity Fund	Energy Conservation and Environmental Protection Theme
000612.OF	Hwabao WP Ecological China Hybrid Fund	2014/6/13	Hybrid Fund	Energy Conservation and Environmental Protection Theme
000663.OF	UBS SDIC Beautiful China Dynamic Allocation Hybrid Fund	2014/6/24	Hybrid Fund	Energy Conservation and Environmental Protection Theme
000598.OF	Changsheng Ecology and Environment Theme Dynamic Allocation Hybrid Fund	2014/9/10	Hybrid Fund	Energy Conservation and Environmental Protection Theme
164304.OF	New China CSI Environmental Protection Industry Index Fund	2014/9/11	Equity Fund	Energy Conservation and Environmental Protection Theme
150191.OF	New China CSI Environmental Protection Industry Index Fund	2014/9/11	Equity Fund	Energy Conservation and Environmental Protection Theme
150190.OF	New China CSI Environmental Protection Industry Index Fund	2014/9/11	Equity Fund	Energy Conservation and Environmental Protection Theme
000696.OF	China Universal Environmental Protection Industry Equity Fund	2014/9/16	Equity Fund	Energy Conservation and Environmental Protection Theme
000822.OF	Donghai Beautiful China Dynamic Allocation Hybrid Fund	2014/11/14	Hybrid Fund	Energy Conservation and Environmental Protection Theme
001064.OF	GF CSI Environmental Protection Industry Index ETF Initiating Feeder Fund	2015/3/25	Equity Fund	Energy Conservation and Environmental Protection Theme
164905.OF	Bocom Schroders CNI NEW ENERGY INDEX Fund (LOF)	2015/3/26	Equity Fund	Energy Conservation and Environmental Protection
161028.OF	Fullgoal New Energy Vehicles Index Structured Fund	2015/3/30	Equity Fund	Theme Energy Conservation and Environmental Protection Theme
000977.OF	Great Wall Environmental Protection Theme Dynamic Allocation Hybrid Fund	2015/4/8	Hybrid Fund	Energy Conservation and Environmental Protection Theme
001166.OF	CCB Principal Environmental Protection Industry Equity Fund	2015/4/22	Equity Fund	Energy Conservation and Environmental Protection Theme
001156.OF	SWS MU New Energy Automobile Theme Dynamic Allocation Hybrid Fund	2015/5/7	Hybrid Fund	Energy Conservation and Environmental Protection Theme
001208.OF	Lion Low-Carbon Economy Equity Fund	2015/5/12	Equity Fund	Energy Conservation and Environmental Protection Theme
160640.OF	Penghua CSI New Energy Index Structured Fund	2015/5/29	Equity Fund	Energy Conservation and Environmental Protection Theme
001245.OF	ICBCCS Ecological Environment Industry Equity Fund	2015/6/2	Equity Fund	Energy Conservation and Environmental Protection Theme
160634.OF	Penghua CSI Environmental Protection Industry Index Structured Fund	2015/6/16	Equity Fund	Energy Conservation and Environmental Protection Theme
001278.OF	First Seafont Clean Energy Theme Selected Dynamic Allocation Hybrid Fund	2015/6/16	Hybrid Fund	Energy Conservation and Environmental Protection Theme
150238.OF	Penghua CSI Environmental Protection Industry Index Structured Fund	2015/6/16	Equity Fund	Energy Conservation and Environmental Protection Theme
150237.OF	Penghua CSI Environmental Protection Industry Index Structured Fund	2015/6/16	Equity Fund	Energy Conservation and Environmental Protection Theme
001471.OF	Rongtong New Energy Dynamic Allocation Hybrid Fund	2015/6/29	Hybrid Fund	Energy Conservation and Environmental Protection Theme
164821.OF	ICBCCS CSI New Energy Index Structured Fund	2015/7/9	Equity Fund	Energy Conservation and Environmental Protection Theme
164819.OF	ICBCCS CSI Environmental Protection Industry Index Structured Fund	2015/7/9	Equity Fund	Energy Conservation and Environmental Protection Theme
150324.OF	ICBCCS CSI Environmental Protection Industry Index Structured Fund	2015/7/9	Equity Fund	Energy Conservation and Environmental Protection Theme
150323.OF	ICBCCS CSI Environmental Protection Industry Index Structured Fund	2015/7/9	Equity Fund	Energy Conservation and Environmental Protection Theme
001590.OF	Tianhong CSI Environmental Protection Industry Index Initiating Fund	2015/7/16	Equity Fund	Energy Conservation and Environmental Protection Theme
001591.OF	Tianhong CSI Environmental Protection Industry Index Initiating Fund	2015/7/16	Equity Fund	Energy Conservation and Environmental Protection Theme
001410.OF	First State Cinda New Energy Industry Equity Fund	2015/7/31	Equity Fund	Energy Conservation and Environmental Protection Theme

Ticker	Fund Name	Establishing Time	Fund Type	Strategy Type
001985.OF	Fullgoal Low-Carbon New Economy Hybrid Fund	2015/12/18	Hybrid Fund	Energy Conservation and Environmental Protection Theme
001616.OF	Harvest Environmental Protection Low Carbon Equity Fund	2015/12/30	Equity Fund	Energy Conservation and Environmental Protection Theme
002360.OF	First Seafront Clean Energy Theme Selected Dynamic Allocation Hybrid Fund	2016/1/18	Hybrid Fund	Energy Conservation and Environmental Protection Theme
002259.OF	Penghua Health and Environmental Protection Dynamic Allocation Hybrid Fund	2016/1/20	Hybrid Fund	Energy Conservation and Environmental Protection Theme
001954.OF	Yinhua Environmental Protection Theme Dynamic Allocation Hybrid Fund	2016/3/4	Hybrid Fund	Energy Conservation and Environmental Protection Theme
002244.OF	Invesco Great Wall Low Carbon Science And Technology Theme Dynamic Allocation Hybrid Fund	2016/3/11	Hybrid Fund	Energy Conservation and Environmental Protection Theme
001975.OF	Invesco Great Wall Environmental Protection Advantage Equity Fund	2016/3/15	Equity Fund	Energy Conservation and Environmental Protection Theme
002190.OF	ABC-CA New Energy Theme Dynamic Allocation Hybrid Fund	2016/3/29	Hybrid Fund	Energy Conservation and Environmental Protection Theme
001983.OF	China Post Low-Carbon Economy Dynamic Allocation Hybrid Fund	2016/4/28	Hybrid Fund	Energy Conservation and Environmental Protection Theme
002593.OF	Fullgoal Beautiful China Hybrid Fund	2016/5/19	Hybrid Fund	Energy Conservation and Environmental Protection Theme
160225.OF	Guotai CNI NEW ENERGY VEH INDEX Fund (LOF)	2016/7/1	Equity Fund	Energy Conservation and Environmental Protection Theme
002984.OF	GF CSI Environmental Protection Industry Index ETF Initiating Feeder Fund	2016/7/6	Equity Fund	Energy Conservation and Environmental Protection Theme
164908.OF	Bocom Schroders CSI Comprehensive Ecological Improvement Index Fund (LOF)	2016/7/19	Equity Fund	Energy Conservation and Environmental Protection Theme
501030.OF	China Universal CSI Environmental Governance Index Fund (LOF)	2016/12/29	Equity Fund	Energy Conservation and Environmental Protection Theme
501031.OF	China Universal CSI Environmental Governance Index Fund (LOF)	2016/12/29	Equity Fund	Energy Conservation and Environmental Protection Theme
512580.OF	GF China Security Environmental Protection Industry Index ETF	2017/1/25	Equity Fund	Energy Conservation and Environmental Protection Theme
001856.OF	E Fund Environmental Protection Theme Dynamic Allocation Hybrid Fund	2017/6/2	Hybrid Fund	Energy Conservation and Environmental Protection Theme
003834.OF	ChinaAMC Energy Innovation Equity Fund	2017/6/7	Equity Fund	Energy Conservation and Environmental Protection Theme
001790.OF	Guotai Intelligent Automobile Equity Fund	2017/8/1	Equity Fund	Energy Conservation and Environmental Protection Theme
004640.OF	ChinaAMC Energy-Saving Environmental Protection Equity Fund	2017/8/11	Equity Fund	Energy Conservation and Environmental Protection
005037.OF	Yinhua New Energy And New Materials Quantitative Select Equity Initiating Fund	2017/9/15	Equity Fund	ThemeEnergy Conservation and Environmental Protection Theme
005038.OF	Yinhua New Energy And New Materials Quantitative Select Equity Initiating Fund	2017/9/15	Equity Fund	Energy Conservation and Environmental Protection Theme
004925.OF	Changxin Low-Carbon Environmental Protection Industry Quantitative Equity Fund	2017/11/9	Equity Fund	Energy Conservation and Environmental Protection Theme
005383.OF	Fullgoal Green Pure Bond One-Year Regular Open Bond Fund	2018/1/26	Bond Fund	Energy Conservation and Environmental Protection Theme
005927.OF	Truvalue New Energy Automobile Theme Equity Initiating Fund	2018/5/8	Equity Fund	Energy Conservation and Environmental Protection Theme
005928.OF	Truvalue New Energy Automobile Theme Equity Initiating Fund	2018/5/8	Equity Fund	Energy Conservation and Environmental Protection Theme
501057.OF	China Universal CSI New Energy Vehicles Industry Index Initiating Fund (LOF)	2018/5/23	Equity Fund	Energy Conservation and Environmental Protection Theme
501058.OF	China Universal CSI New Energy Vehicles Industry Index Initiating Fund (LOF)	2018/5/23	Equity Fund	Energy Conservation and Environmental Protection Theme
005668.OF	Rongtong New Energy Automobile Theme Selected Dynamic Allocation Hybrid Fund	2018/6/15	Hybrid Fund	Energy Conservation and Environmental Protection Theme
005571.OF	BOC Securities New Energy Dynamic Allocation Hybrid Fund	2018/8/2	Hybrid Fund	Energy Conservation and Environmental Protection Theme
005572.OF	BOC Securities New Energy Dynamic Allocation Hybrid Fund	2018/8/2	Hybrid Fund	Energy Conservation and Environmental Protection Theme
005939.OF	ICBCCS Green Car Theme Hybrid Fund	2018/11/14	Hybrid Fund	Energy Conservation and Environmental Protection Theme
005940.OF	ICBCCS Green Car Theme Hybrid Fund	2018/11/14	Hybrid Fund	Energy Conservation and Environmental Protection Theme
007163.OF	AXA SPDB Environmental Protection & New Energy Hybrid Fund	2019/7/9	Hybrid Fund	Energy Conservation and Environmental Protection Theme
007164.OF	AXA SPDB Environmental Protection & New Energy Hybrid Fund	2019/7/9	Hybrid Fund	Energy Conservation and Environmental Protection Theme
007689.OF	UBS SDIC New Energy Hybrid Fund	2019/11/18	Hybrid Fund	Energy Conservation and Environmental Protection Theme
007690.OF	UBS SDIC New Energy Hybrid Fund	2019/11/18	Hybrid Fund	Energy Conservation and Environmental Protection Theme
515700.OF	Ping An CSI New Energy Vehicles Industry ETF	2019/12/31	Equity Fund	Energy Conservation and Environmental Protection Theme
515030.SH	Hua Xia CSI New Energy Vehicles ETF	2020/2/20	Equity Fund	Energy Conservation and Environmental Protection Theme

Ticker	Fund Name	Establishing Time	Fund Type	Strategy Type
005368.OF	Fullgoal Clean Energy Industry Dynamic Allocation Hybrid Fund	2020/3/6	Hybrid Fund	Energy Conservation and Environmental Protection Theme
009067.OF	Guotai CSI New Energy Vehicles ETF Initiating Feeder Fund	2020/4/3	Equity Fund	Energy Conservation and Environmental Protection Theme
009068.OF	Guotai CSI New Energy Vehicles ETF Initiating Feeder Fund	2020/4/3	Equity Fund	Energy Conservation and Environmental Protection Theme
009147.OF	CCB New Energy Industry Equity Fund	2020/6/17	Equity Fund	Energy Conservation and Environmental Protection Theme
009092.OF	Fullgoal New Material And New Energy Hybrid Fund	2020/6/24	Hybrid Fund	Energy Conservation and Environmental Protection Theme
009835.OF	Rongtong New Energy Automobile Theme Selected Dynamic Allocation Hybrid Fund	2020/7/29	Hybrid Fund	Energy Conservation and Environmental Protection Theme
009878.OF	Ping An Low-Carbon Economy Hybrid Fund	2020/8/10	Hybrid Fund	Energy Conservation and Environmental Protection Theme
009879.OF	Ping An Low-Carbon Economy Hybrid Fund	2020/8/10	Hybrid Fund	Energy Conservation and Environmental Protection Theme
010419.OF	SWS MU CSI Environmental Protection Industry Index Fund (LOF)	2020/10/23	Equity Fund	Energy Conservation and Environmental Protection Theme
010349.OF	Lion Low-Carbon Economy Equity Fund	2020/10/28	Equity Fund	Energy Conservation and Environmental Protection Theme
009173.OF	China Merchants Hubei Province Theme Bond Initiating Fund	2020/3/30	Bond Fund	Pandemic Theme
009528.OF	CCB Principal Chinabond Hubei Province Local Government Bonds Index Initiating Fund	2020/6/15	Bond Fund	Pandemic Theme

Source: Wind Data Terminal, collected by China SIF

Appendix 4: Public Survey Questions and Responses

No.	Questions	Answer Choices	Times Selected	Proportion
1	What types of investments do you have? (multiple selections permitted)	Stocks	2449	81%
		Bonds	1002	33%
		Mutual funds	1678	56%
		Private funds	247	8%
		Others	865	29%
2	What is your current portfolio size?	Less than RMB 100,000	880	29%
		RMB 100,000 (incl.) to RMB 1 million	1665	55%
		RMB 1 million (incl.) to RMB 6 million	414	14%
		More than RMB 6 million (incl.)	60	2%
3	For how long a term do you often plan for your investment returns?	1 year or less	853	28%
		1 to 5 years (incl.)	1703	56%
		5 to 10 years (incl.)	287	10%
		More than 10 years	176	6%
4	Have you heard of “green finance”, “sustainable investment” or “ESG”?	Yes and have some understanding	327	11%
		Yes but have no understanding	1427	47%
		Have never heard of	1265	42%
5	Do you consider a target company or asset’s performance in environmental protection, labors’ rights and interest, health and safety, and business ethics before investing?	Always	675	22%
		Sometimes	1928	64%
		No	416	14%
6	What is your reason for considering a business’s ESG performance when investing? (multiple selections permitted) <i>[the calculation of proportion excluded those who selected “no” in question No. 5]</i>	It is in line with my own values	1574	52%
		To increase investment returns	1299	43%
		To lower investment risks	1645	54%
		To encourage companies to pursue sustainable development and create value for society	1563	52%
		To respond the government’s call	928	31%
		Recommendations by the media, consulting agencies, relatives or friends	271	9%
		Religious beliefs	60	2%
		Others	93	3%
Question skipped (for those who selected “no” in question No. 5)	416	-		
7	What are the possible reasons for you to not consider a business’s ESG performance when investing? (multiple selections permitted) <i>[the calculation of proportion excluded those who selected “always” in question No. 5]</i>	Irrelevant to financial returns	404	13%
		Lack of evaluation criteria for ESG performance	1044	35%
		Lack of ESG information sources	1079	36%
		Not sure whether sustainable investment would promote sustainable development of the society	660	22%
		Have limited understanding of sustainable investment	868	29%
		No one recommended that to me	326	11%
		Question skipped (for those who selected “always” in question No. 5)	675	-

No.	Questions	Answer Choices	Times Selected	Proportion
8	What factors may make you unwilling to invest in the company or withdraw your investment, though the investment is expected to generate returns?	Environmental pollution	1705	56%
		Waste of resources	823	27%
		Safety incident	1734	57%
		Exposure of multiple client complaints	1443	48%
		Product quality issues	2038	68%
		Sweatshop	817	27%
		Financial fraud	2142	71%
		Corruption and bribery by senior executives	1470	49%
		Frequent changes in senior management	799	26%
		Others	35	1%
		None of matters listed above	47	2%
9	Please select the three industries that you believe are subject to the highest ESG risks.	Farming, forestry, animal husbandry and fishery	777	26%
		Mining	2178	72%
		Manufacturing	1129	37%
		Construction	893	30%
		Production and supply of water, electricity, heat and gas	822	27%
		Transportation, logistics, warehousing and postal services	217	7%
		Information technology	298	10%
		Wholesale and retail	130	4%
		Finance and insurance	816	27%
		Real estate	731	24%
		Water conservancy, environment and public facility management	488	16%
		Social services	128	4%
		Communication and culture	342	11%
		Others	108	4%
10	Which of the following sources of information would you like to use for understanding a company's ESG performance? (multiple selections permitted)	Disclosure by regulatory authorities	2539	84%
		Voluntary disclosure by the company	1871	62%
		News report and business commentaries	2010	67%
		Media awards and rankings	777	26%
		Sustainable investment-related indices	1139	38%
		Research reports and database	1544	51%
		Direct communication with the company	370	12%
		Others	87	3%
		No interest in such information	23	1%
11	Will you consider using the following methods in the next year's investment?	Exclude companies with poor ESG performance	1631	54%
		Actively invest in companies with superior ESG performance	2067	68%
		Directly invest in industries and/or projects that are environmentally friendly and have social benefits	1284	43%
		Directly invest in sustainable investment products that are available in the market	973	32%
		Will not consider sustainable investment	215	7%

Acknowledgement

Our gratitude goes to Sina Finance for the generous support in the preparation of this Report, and we heartily thank the Asset Management Association of China for its great help.

This Report is only possible with all the efforts and help extended by them; however, responsibilities for any mistake in this Report shall remain with the research team.

Written by



SynTao Green Finance is a leading consultancy in China that is dedicated to professional services in green finance and sustainable investment. It is committed to providing professional services ranging from ESG data and rating, green bond assurance, to the consulting and researching services in the sustainable investment and green finance areas. SynTao Green Finance is the initiator of China Social Investment Forum (China SIF), a signatory of the UN Principles for Responsible Investment (PRI), and a founding member of the Green Finance Committee (GFC) of China Society of Finance and Banking. It advocates for the establishment of a responsible capital market in China and supports the country in policy researches and practices to establish a green finance system.

www.syntaogf.com

contact@syntaogf.com



China Social Investment Forum (China SIF), initiated in 2012 in Beijing and formally registered in Shenzhen in 2016, is a non-government organization (Shenzhen Jifeng Green Finance Promotion Center) that is dedicated to providing an internationalized platform for discussing responsible investment and sustainable development topics. It aims to enhance investors' understanding of ESG, promote green finance and push forward sustainable development of China's capital market.

www.chinasif.org

contact@chinasif.org

Authors: Valentina WU, LIU Yujun, JIA Fan, GUO Peiyuan, ZHANG Rui, Grace GUAN, ZHANG Ru,

RONG Chuchu, HU Yixin, Arthur LONG

Written by: China SIF, SynTao Green Finance

Supported by: Sina Finance

Acknowledgement to: Asset Management Association of China

Disclaimer

Unless otherwise specified, the data used in this Report are collected through public channels. The research institutions of this Report disclaim any responsibility for any decisions made or actions taken by relying on the information provided herein or for any losses arising from such decisions or actions.

Nothing in this Report shall be construed as legal, tax, accounting or specific investment advice, nor does this Report contain or constitute any offer or invitation to sell or buy.