

Responsible Investment Statement of Haitong Securities Co., Ltd.

Haitong Securities Co., Ltd. (hereinafter referred to as Haitong Securities or the Company) upholds the operational philosophy of “pragmatism, development, prudence and excellence”, accurately positions itself as a listed company, financial company and corporate citizen, strives to realize high-quality development, draw a beautiful business blueprint and contribute to the building of a harmonious society, and creates value for shareholders, customers, employees and the society.

With the rise of the ESG investment concept, investors are paying more attention to the impact of ESG factors on the long-term investment in listed companies. The Company has actively conformed to domestic and overseas development trends and taken into account ESG relevant factors in its investment decision-making process. Meanwhile, it has applied responsible investment strategies such as negative screening, ESG integration, sustainability themed investing, etc. and promoted dynamic integration of the responsible investment concept and the Company’s investment business.

I. Organization and Management

To facilitate systematic implementation of ESG management, the Company has established a complete three-level ESG management structure, namely, the Development Strategy and ESG Management Committee of the Board of Directors, the Leading and Working Groups of ESG Development, and the Competent Department of ESG Development, to fully integrate ESG and responsible investment activities.

The Development Strategy and ESG Management Committee of the Board of Directors provides bases for the Board of Directors to formulate the development strategy, business strategy and ESG strategy of the Company and studies the medium and long-term development strategies including ESG and major investment and financing decisions and puts forward suggestions, to promote standard and efficient ESG management.

The Leading and Working Groups of ESG Development are the decision-making departments of ESG work. The Working Group is under the Leading Group. The Working Group comprises heads and relevant staff of functional departments and business departments. The Working Group is responsible for promoting effective integration of the Company’s ESG concept and development strategy, facilitating collaboration between upper and lower units in the development of responsible investment mechanisms, and incorporating the ESG concept into daily operation.

The President Office is the competent department that advances ESG development holistically. It makes overall planning and coordinates relevant work. It is mainly responsible for taking the lead in drafting ESG development and responsible investment objectives, management policies and evaluation plans, preparing annual ESG work plans, and periodically reporting the fulfillment against objectives to the Leading Group of ESG Development.

Besides, asset management related business departments or subsidiaries have set full-time positions to be responsible for ESG research and investment and continuously advance responsible investment practice.

Responsible Investment-related Functions of Departments of Haitong Securities

Name of department/subsidiary	Responsibilities/relevant content
Equity Investment Department	Designates specific researchers to timely follow the dynamics of the new energy industry and the listed companies that contribute to the realization of the strategic goals of “peaking carbon emissions and achieving carbon neutrality”.
Derivatives and Trading Department	The secondary department of the Derivatives and Trading Department - Derivatives Design Department, develops the strategy for the ESG indexes relating to over-the-counter derivatives business and complies indexes, tracks ESG development trends in real time and writes relevant research materials, designs relevant index-linked product structure, and tracks the matters throughout the full release process of ESG indexes.
Fixed Income Department	The secondary department of the Fixed Income Department - Credit Rating and Macro Research Department appoints one specialist to take charge of ESG matters. Initiates ESG training within the department; organizes and participates in ESG related due diligence; analyzes the information of potential investors of ESG industries such as ESG indicators and studies ESG factors including the impact of environmental, social and governance on corporate value; tracks latest ESG research developments in domestic and overseas markets and develops and constantly optimizes ESG research thought and framework.
HFT Fund	Designates 2 employees from the Quantitative Investment Department to concurrently work on ESG strategy research and affairs, and has the Marketing Department arrange for another 2 employees to concurrently assist in ESG-related affairs.
Haifu Industrial	The Board of Directors approved a proposal promising to annually allocate funds of not more than 0.5% of the annual operating income and not more than RMB500,000 for ESG-related investment and governance.

II. Responsible Investment Strategies and Their Application

In its investment decision-making process, the Company has taken into account ESG relevant factors, applied responsible investment strategies such as negative screening, ESG integration, sustainability themed investing, etc. and promoted dynamic integration of the responsible investment concept and the Company’s investment business. In 2022, focusing on the quantification of ESG investment rules and the updates of ESG strategies, the Company tried as much as possible to apply these strategies into the management of larger-scale assets while ensuring they could create excess returns.

1. Negative screening

Applicable products	Equity of listed companies, fixed income, private equity, hedge funds and alternative investments.
Application	<ul style="list-style-type: none"> Based on the <i>ESG Risk Management Measures of Haitong Securities Co., Ltd. (Trial)</i>, the <i>Guidelines of Haitong Securities Co., Ltd. (Group) for Customer ESG Due Diligence</i> and relevant supporting documents, all business departments and subsidiaries conducted prior investigations on their investment targets through ESG due diligence, ESG rating inspections and other means, and controlled investment limits for the targets that might have high ESG risks. The Equity Investment Department of the Company has set strict criteria for the access to the “stock pool” to exclude high-risk stocks in advance. The excluded investment targets include those with too high a proportion of goodwill assets and those whose major shareholders have too many pledged stocks.

2. Positive screening

Applicable products	Equity of listed companies, fixed income, private equity
Application	<ul style="list-style-type: none"> According to the <i>Risk Management Measures of Haitong Securities Co., Ltd. for Self-operated Businesses of Equity Securities and Their Derivatives</i> and the <i>Management Measures of Haitong Securities for Investment Trading Business of Non-equity Securities and Their Derivatives</i>, the Equity Investment Department and the Fixed Income Department of the Company require that the targets in the investment pool must meet the regulations of the <i>ESG Risk Management Measures of Haitong Securities Co., Ltd. (Trial)</i>. In the scoring model for the assets to be admitted to the pool, the subsidiary HFT Fund has set up ESG evaluation entries including but not limited to corporate governance, the stability of the management, environmental protection compliance, and social responsibility performance. In the quantitative and qualitative

	scoring for the admission to the pool, the subsidiary gives bonus points to the entities with good ESG performance to promote the investment in high-quality ESG-related entities.
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3. ESG integration

Applicable products	Equity of listed companies, fixed income
Application	<ul style="list-style-type: none"> • According to the <i>Risk Management Measures of Haitong Securities Co., Ltd. for Self-operated Businesses of Equity Securities and Their Derivatives</i> and the <i>Management Measures of Haitong Securities for Investment Trading Business of Non-equity Securities and Their Derivatives</i>, the Equity Investment Department and the Fixed Income Department of the Company take ESG factors into consideration in the selection of investment targets. Targets with possible high ESG risk must be subject to ESG due diligence when the investment trading or return swap business amounts to a certain scale. • The subsidiary HFT Fund has incorporated third-party ESG public opinions into its multi-factor model. It has taken into account comprehensive ESG scores based on CSI 300 and other benchmarks in the optimizer, making the optimized comprehensive scores of the portfolios better than the benchmarks in the corresponding period. • In the establishment of actively managed investment portfolios, the subsidiary Haitong International has integrated ESG factor analysis, excluded stocks that do not meet ESG standards, and increased the weight of companies with outstanding ESG performance. The scale of relevant funds under management has grown compared with the initial scale and won much praise.

4. Sustainability themed investing

Applicable products	Equity of listed companies, fixed income, hedge funds, alternative investments and private equity
Application	<ul style="list-style-type: none"> • As at the end of 2022, the Fixed Income Department of Haitong Securities invested a total of RMB1.97 billion in green bonds. The revenue from investment in green bonds was about RMB10,741,700, accounting for 0.51% of the total revenue of the department. Besides, the subsidiary HFT Fund invested RMB3.497 billion in green bonds. • To respond to the national strategic goal of “peaking carbon emissions and achieving carbon neutrality” and meet customers’ diversified financial needs, the Equity Investment Department of the Company issued capital-guaranteed snowball coupon notes

	<p>linked to carbon-neutral ETFs to further guide investors' attention to green financial products. As at the end of 2022, 164 tranches of the notes were issued, with the nominal principal totaling RMB59.62 million. Among them, 61 tranches were knocked out and completed in advance, bringing investors better investment experiences.</p> <ul style="list-style-type: none"> • In March 2023, the Company, together with China Securities Index Co., Ltd., officially launched "CSI HAITONG ESG Equity and Bond Coordinated Index (Index Code: 931227)". Guided by the carbon peak and carbon neutrality policy and the high-quality development philosophy and leveraging its rich Haitong indexes and corresponding product system, the index aims to provide sound investment instruments for ESG practice. As at the end of April 2023, the scale of duration capital-guaranteed bullish coupon notes linked to the CSI HAITONG ESG Equity and Bond Coordinated Index was RMB350 million, accounting for 32.3% of the scale of duration capital-guaranteed floating coupon notes of the Company. • The Subsidiary HFT Fund has launched multiple carbon neutral themed funds. For instance, the HFT Carbon Neutral Themed Fund, established in 2021, had a total scale of RMB941 million as at the end of 2022. • The subsidiary Haitong International issued the first ESG-themed A-share ETF in the Hong Kong stock market and the world's first Asia (ex-Japan) HY Corp USD Bond ESG ETF, covering stocks, bonds and other assets in different regions. The subsidiary tracked indices and integrated ESG factors to drive investors and listed companies to focus more on corporate governance, environmental and social responsibilities.
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5. Impact investing

Applicable products	Fixed income
Application	<ul style="list-style-type: none"> • As at the end of 2022, Haitong Securities invested a total of RMB1.7 billion in rural revitalization bonds, poverty alleviation bonds, etc. • On December 15, 2022, the ChinaBond Haitong Securities Shaanxi-Sichuan-Chongqing Region State-owned Enterprise Credit Enhancement Bond Select Index co-prepared by Haitong Securities and ChinaBond Pricing Center Co., Ltd. was officially released, providing high-quality and convenient investment tools for regional state-owned enterprise credit markets. This index product reduced the financing costs of local state-owned enterprises and supported the high-quality economic development of Shaanxi, Sichuan and Chongqing.

6. Positive shareholding

Applicable products	Equity of listed companies, private equity
Application	<ul style="list-style-type: none">The Company actively exercises its rights as a shareholder. It proactively and regularly communicates with the share-controlled enterprises on ESG topics. By dialoguing with their management, submitting proposals at the stockholders' meetings, and voting by proxy, the Company guides these companies to positively impact the environment and society and helps improve their ESG performance.

III. Exercise of Voting Rights Externally

1. Decision-making and exercise process of voting externally

The project team corresponding to the investment target of the Company's subsidiary Haitong Capital puts forward the initial proposal regarding the voting scheme, submits the approval process via the comprehensive management system for PE business, and exercises voting according to approval opinions after obtaining the approval of the Compliance and Risk Control Department and the management. If onsite voting is required, it's necessary to fill in the written authorization letter to the voter according to approval opinions. The authorization letter shall describe the limits of authority, definite voting opinions, voting reasons and period of authority. The voter shall vote on the spot according to the contents in the written authorization letter.

The subsidiary Haitong Innovation Securities invests externally with its own funds. According to project needs, Haitong Innovation Securities dispatches director and supervisor representatives to participate on behalf of the Company in the Boards of Directors and Boards of Supervisors of invested enterprises. The expatriate directors and supervisors shall submit relevant proposals and materials to the voting meeting in advance. According to the opinions of the meeting, they shall participate in and cast votes at the Board of Directors or Board of Supervisors meetings of the invested enterprise. If the shareholders' representative participates on behalf of the Company in the shareholders' meeting of the invested enterprise, in principle, relevant meeting materials and proposals shall be submitted to the voting meeting in advance. And the shareholders' representative shall participate in and vote at the shareholders' meeting of the invested enterprise according to the opinions of the voting meeting.

2. Paying attention to ESG matters when exercising voting rights externally

The subsidiary Haitong Capital actively pays attention to the possible financial impact of the ESG management capability of investment targets. If the voting scheme includes ESG related matters, the corresponding project team actively follows up on subsequent matters and support or help the investment target to improve its ESG governance capability. The subsidiary Haitong International actively exercises management powers and participates in voting by proxy in investment decision-making and maintains communication with investment targets to promote sustainable development of investment targets.

IV. Responsible Investment Communication and Cooperation

1. ESG research and communication

The launch of the goals of carbon peak and carbon neutrality has accelerated the vigorous development of ESG investment in the Chinese capital market. The research team of Haitong Securities has concentrated on ESG research with a focus on green research such as carbon neutrality and continuously conducted follow-up study of frontier and key ESG issues. Through ESG practices such as writing research reports, carrying out research projects and providing consulting services, the research team has promoted the development of the ESG ecosystem, provided an information disclosure basis for enterprises and regulators and investment reference to institutional and individual investors, contributing its bit to the high-quality economic development of China. In 2022, Haitong Securities served a total of 420 medium and large customers by providing ESG research and consulting services.

Research and consulting services of Haitong Securities

Research reports or services	<ul style="list-style-type: none"> • <i>What Else Can We Expect From Carbon Neutrality?</i> • <i>The Green Energy Revolution in Progress</i> • <i>Insights into Carbon Neutral Investment (Part 1)</i> • <i>Insights into Carbon Neutral Investment (Part 2)</i> • ESG Monthly Report (11 released) • Research on How to Design ESG-related Products?
Research projects	<ul style="list-style-type: none"> • <i>Building Shanghai into An Internationally Influential Carbon Pricing and Financial Center</i> for the decision-making and consulting research program of the Shanghai government • <i>Developing Carbon Finance and Improving Risk Management of the Carbon Trading Market</i> for the policy research project of the Shanghai Headquarters of the central bank in the second half of 2022
Research institute	<ul style="list-style-type: none"> • ESG Research Institute co-established by the subsidiary Fullgoal Fund and Shanghai University of Finance and Economics

The Company has actively communicated and cooperated with relevant enterprises, research institutes and international organizations, continuously advanced industrial cooperation, strategy discussions, exchange activities, etc. under the goals of carbon peak and carbon neutrality, and expanded the technological strength and influence of the financial services for carbon neutrality. In 2022, the Company actively participated in carbon neutrality and green finance meetings, had roundtable discussions with experts in ESG fields, and gave professional interpretation on China's carbon emission reduction policies. Besides, the macro strategy, financial project and fixed income teams of the research institute and relevant industry analysts

interpreted and analyzed hot topics of ESG investment and relevant products. The subsidiary HFT Investment Management, as a provincial-level investor education unit licensed as “Shanghai Securities and Futures Investor Education Base”, has carried out a series of ESG-themed investor education activities of on relevant financial services and financial products via a number of influential online and offline platforms.

In April 2023, the Derivatives and Trading Department of the Company attended the ESG themed series seminars held by China Securities Index Co., Ltd. The training, titled “Support China’s High-quality Development with Green - CSI ESG-themed Series Seminars”, aimed to serve national strategies and promote China’s high-quality development with CSI’s ESG rating system and index system. The attendees briefed the main contents of the seminars at the department morning meeting and discussed how to effectively practice the ESG concept and strengthen ESG capability building.

2. ESG cooperation

The Company has actively participated in ESG investment communication and exchange activities, practiced the ESG investment idea, and established a responsible investment image. At the 2021 annual conference of the Green Finance Committee of the China Finance Society, the subsidiary HFT Investment Management signed the *Beijing ESG Investment (Fund) Ecosystem Initiative* with a number of scholars and institutions to actively participate in the study and preparation of ESG investment related standards, policies and regulations. In September 2021, the subsidiary HFT Investment Management joined the United Nations Principles for Responsible Investment (UNPRI), undertook to explore investment opportunities that have long-term positive impact on the environment and society under the guidance of its six principles for responsible investment, and expressed the Company’s determination to practice ESG investment strategies.