

Statement of Haitong Securities Co., Ltd. on ESG Risk Management

As the ESG concept is attracting more attention at both home and abroad, ESG has become a comprehensive criterion to measure an enterprise's comprehensive management capability, risk control capability and medium and long-term development potential. Haitong Securities Co., Ltd. (hereinafter referred to "Haitong Securities" or the "Company") attaches great importance to ESG risk management on the business level and has gradually integrated ESG risk into its comprehensive risk management system. The Company has formulated the *ESG Risk Management Measures of Haitong Securities Co., Ltd. (Group) (Trial)* and the *Guidelines of Haitong Securities Co., Ltd. (Group) for Client ESG Due Diligence*, standardizing the ESG risk management mechanisms and procedures for investment transactions, credit businesses, investment banking, customer asset management and other business activities among customers engaged in high ESG risk industries and activities and customers with the records of material negative ESG events and making sure all business activities are operated in an orderly manner within their respective acceptable ESG risk limits.

In 2022, Haitong Securities further refined the ESG risk management system. The Company revised the *Guidelines of Haitong Securities Co., Ltd. (Group) for Client ESG Due Diligence*, and relevant business departments and subsidiaries formulated their own ESG risk management measures and due diligence guidelines based on the overall requirements for the company-wide ESG risk management. In the ESG risk management regulations, Haitong Securities also specified that efforts should be made to prevent credit business customers' ESG risks from converting into its own credit risks and that ESG due diligence and risk assessment should be carried out before the processing of credit businesses such as stock pledged repurchase and standardized debt asset investment.

ESG Risk Management Regulations of Haitong Securities Subsidiaries

Subsidiary Name	Document/File Name
Haifu Industrial	<ul style="list-style-type: none"><i>ESG Risk Management Measures of Haitong-Fortis Private Equity Fund Management Co., Ltd. (Trial)</i><i>Guidelines of Haitong-Fortis Private Equity Fund Management Co., Ltd. for Client ESG Due Diligence</i>
Haitong Capital	<ul style="list-style-type: none"><i>ESG Risk Management Measures of Haitong Capital Co., Ltd. (Trial)</i><i>Guidelines of Haitong Capital Co., Ltd. for Client ESG Due Diligence (Trial)</i>
Haitong Securities Asset Management	<ul style="list-style-type: none"><i>ESG Risk Management Measures of Shanghai Haitong Securities Asset Management Co., Ltd.</i>
HFT Fund Management	<ul style="list-style-type: none"><i>ESG Risk Management Measures of HFT Fund Management Co., Ltd. (Trial)</i>
Haitong Innovation Securities	<ul style="list-style-type: none"><i>ESG Risk Management Measures of Haitong Innovation Securities Investment Co., Ltd. (Trial)</i>

Haitong Unitrust	<ul style="list-style-type: none"> • <i>ESG Risk Management Measures of Haitong Unitrust International Leasing Co., Ltd. (Trial)</i>
Haitong Futures	<ul style="list-style-type: none"> • <i>ESG Risk Management Measures of Haitong Futures Co., Ltd. (Trial)</i>
Haitong International Securities	<ul style="list-style-type: none"> • <i>Group Risk Management Policy, Chapter.12 ESG Risk Management</i>
Haitong Bank	<ul style="list-style-type: none"> • <i>ESG Risk Regulation of Haitong Bank S.A.</i>

I. ESG Risk Management System

To better advance ESG risk management on the business level, the Company has established a four-level ESG risk management structure comprising the Board of Directors, the management, the Risk Management Department, relevant business departments and business management departments, branches and subsidiaries, and defined the specific duties of each level, to provide systematic, standardized management of ESG risks on the business level.

ESG Risk Management Structure and Responsibilities on the Business Level of Haitong Securities

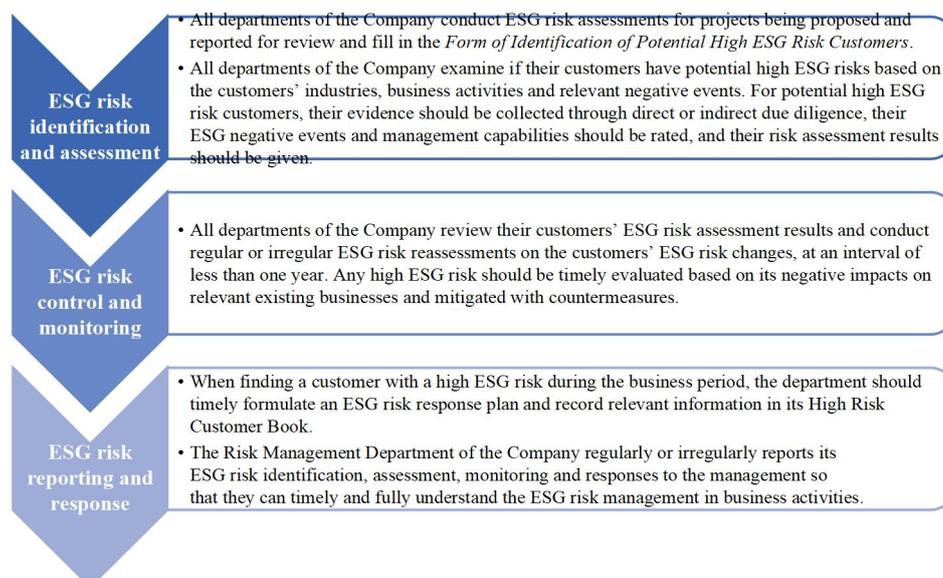
Management level	Main responsibilities
Board of Directors	<ul style="list-style-type: none"> • Participates in deliberation and decision-making of major ESG issues, oversees the Company's ESG work and takes overall responsibility.
Management	<ul style="list-style-type: none"> • Makes overall planning for the implementation of ESG risk management policies and regulations and ESG risk management responsibilities which include periodically reviewing ESG risk management regulations and supporting documents, organizing ESG risk identification and assessment, deliberating on and handling major ESG risk events of the Company, etc.
Risk Management Department	<ul style="list-style-type: none"> • Drafts ESG risk management policies, rules and regulations of the Company; • Establishes the ESG risk assessment system of the Company; • Organizes supervision and inspection of implementation of ESG risk management regulations for each business line; • Comprehensively assesses and reports overall ESG risk level and its management regularly or irregularly; • Reports major hidden ESG risk or major ESG risk events in a timely manner and oversees relevant unit's response to ESG risk; • Other matters authorized or required by the management of the Company.
Relevant business departments and business	<ul style="list-style-type: none"> • Implement the ESG risk management policies and regulations of the Company and establish and improve corresponding unit's ESG risk management regulations and procedures; • Incorporate ESG risk management into corresponding unit's

Management level	Main responsibilities
management departments, branches and subsidiaries	business operations and organize relevant ESG risk management.

To improve the ESG risk management capability of its units and promote the implementation of the ESG Risk Management Measures, the Company has held various ESG risk management training sessions, including training of regulations and practice of ESG risk management, ESG due diligence and ESG rating. From 2021 to 2023, the Company held several ESG risk management training sessions and guided implementation of the ESG Risk Management Measures. The training targets mainly included principals and core business personnel of 17 business departments and business management departments including risk management and investment banking. The training objectives were to further strengthen the ESG risk management awareness and capability of relevant institutions and enhance ESG risk management capability building of business personnel.

In terms of ESG risk management on the business level, the Company has established a complete ESG risk management process covering three aspects: ESG risk identification and assessment, ESG risk control and monitoring, and ESG risk reporting and response. Under this process, the Company carries out accurate identification, careful review, dynamic monitoring, timely response and overall management for ESG risk in business activities to ensure that all business lines operate in an orderly manner within their acceptable ESG risk limits and promote their sustainable and healthy development.

ESG Risk Management Process of Haitong Securities



II. Customer ESG Due Diligence System

To fully understand customers' ESG risk exposure levels, ESG management capabilities, ESG compliance and other information, Haitong Securities has formulated the *Guidelines of Haitong Securities Co., Ltd. for Customer ESG Due*

Diligence to identify and evaluate relevant ESG risks. In addition, the Company has required all business departments, business management departments, branches and subsidiaries to formulate ESG due diligence systems and processes matching the risk characteristics of specific businesses.

In 2022, the business departments and subsidiaries of Haitong Securities conducted ESG due diligence mainly on existing projects. Specifically, the Investment Banking Department conducted an ESG risk assessment on (roughly 150) existing projects, and no high ESG risk customers were found. The Fixed Income Department conducted ESG risk due diligence of seven projects which covered coal, manufacturing-metal smelting and power industries. All the evaluation results were higher than access scores. As at the end of 2022, the total investments in the seven projects accounted for 0.89% of the investments made by the Fixed Income Department and the overall ESG risk was controllable. Haitong Capital conducted ESG due diligence of two projects which involved new energy and paper product sales industries. The results were up to standard. For typical cases of ESG due diligence, please refer to [CSR Report 2022 of Haitong Securities Co., Ltd.](#)

Main Content of Customer ESG Due Diligence by Haitong Securities

<p>ESG risk assessment dimensions</p>	<p>The ESG due diligence system has two dimensions, evaluation of negative events and assessment of management capability. The assessment of management capability involves 11 topics in Environmental, Social and Governance and 34 primary indicators. The ESG topics covered by the system include:</p> <ul style="list-style-type: none"> • Environmental: environmental management, response to climate change, etc.; • Social: employee management, supply chain management, etc.; • Governance: corporate governance, business ethics, etc.
<p>Main industries involved in ESG due diligence</p>	<ul style="list-style-type: none"> ➤ The Guidelines for Due Diligence specifies that customers engaged in mining, raw material processing and manufacturing, pharmaceutical manufacturing, electricity, thermal power, gas and water production and supply, paper packaging and paper products should be subjected to ESG due diligence and risk assessments. ➤ In 2022, based on the existing general ESG due diligence evaluation form, the Company released specific ESG due diligence evaluation forms for mining, raw material processing manufacturing and pharmaceutical manufacturing.
<p>ESG risk trigger and response</p>	<ul style="list-style-type: none"> ➤ Involved stages: Due diligence and project duration stages. ➤ Risk trigger: If the customer’s score in the ESG due diligence form is lower than the accreditation criterion or he has had a major negative ESG event over the past two years, he is identified as a customer with high ESG risks. In 2022, the Company was building an intelligent risk early warning center that could cover all the business lines. This center can provide early warnings against default, public opinion risks, financial report credibility, financial health, risk transmission analysis and other scenarios. By building this early warning center, the Company strives to perceive all risks

	<p>including ESG ones and relevant changes and present accurate risk information and real-time early warning.</p> <p>➤ Risk response: All institutions should formulate ESG risk response plans, urge the customers to improve their ESG management, track and assess their improvement measures, and regularly monitor and evaluate their ESG risk changes. If the customers' ESG risks continue to deteriorate, the departments should promptly terminate, control or reduce the risk exposure of relevant businesses or take effective risk mitigation measures.</p>
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Considering ESG risk varies with industries, in 2022, Haitong Securities developed ESG management capability scorecards for investment and financing businesses in the three industries of mining, raw material processing manufacturing and pharmaceutical manufacturing. These scorecards can better reflect enterprises' actual ESG management capabilities and thus prevent the ESG risks of customers from high ESG risk industries.

III. Climate Change Risk Management System

Haitong Securities is fully aware of the severity of the climate change issues and the urgency of climate actions. Based on the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) of the Financial Stability Board (FSB), Haitong Securities has carried out climate change risk management work in terms of the perspectives of governance, strategy, risk management, indicator and objective.

Climate Change Management System of Haitong Securities

Governance	<ul style="list-style-type: none"> • The Board of Directors gets involved in the deliberation and decision-making process of major ESG matters including climate change. It supervises climate change matters and takes overall responsibility for them. • The Development Strategy and ESG Management Committee of the Board of Directors guides the development of climate change related management objectives, reviews disclosed information of climate change related topics, assesses climate change risks, etc.
Strategy	<ul style="list-style-type: none"> • Fully analyze and assess the potential financial impacts of climate related risks and opportunities on the Company's operation and business, and reduce climate change risks and seize opportunities by conducting low-carbon operations, supporting the development of the new energy industry, etc. • In July 2022, the Company released the <i>Action Plan on Carbon Peaking and Carbon Neutrality during the 14th Five-Year Plan Period of Haitong Securities</i>, incorporate the carbon peaking and carbon neutrality strategy into its overall development.
Risk management	<ul style="list-style-type: none"> • Identify climate change risks and opportunities relating to the Company based on the TCFD framework, and determine their materiality.

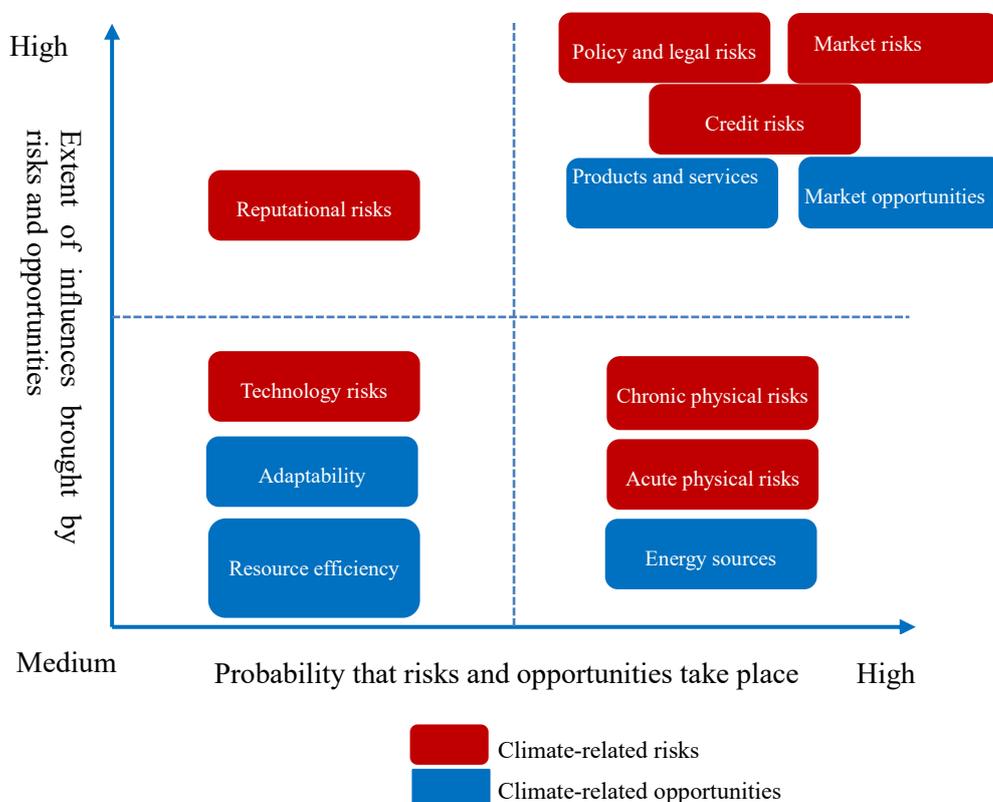
	<ul style="list-style-type: none"> • Build the client ESG due diligence system, take into account customers' climate change factor, and include customers' climate change related management such as energy management, carbon emission management and energy conservation and carbon emission reduction measures in business activities such as investment transaction business, credit business, investment banking business and customer asset management business and their negative environmental events into due diligence. • In terms of asset management business, in the stock investment framework, the subsidiary HFT Investment Management has considered the impacts of climate change-related risk factors on investment and incorporated WIND ESG environment-related data into the factor system. In bond investment, the subsidiary strictly follows high climate risk targets and timely assesses whether the relevant risks are controllable. • In terms of investment banking business, the subsidiary Haitong International has established a climate risk quantitative analysis framework based on the temperature-change-oriented climate scenarios recommended by the United Nations Intergovernmental Panel on Climate Change (IPCC). The Company has classified and summarized its assets by industry in accordance with the MSCI ESG rating criteria, and conducted scenario analysis and climate risk stress testing. Based on the climate sensitivity of different industries, the Company will continue to monitor and respond to the impacts of climate change on its business. To gradually give up the investment and financing business for high-pollution and high-energy-consuming industries, the Stock Research Department of the Company scores the ESG performance of all research subjects on a scale of 1 to 5 (5 is the highest), and includes and presents such scores on the first page of the research report.
<p>Metrics</p>	<ul style="list-style-type: none"> • Make statistics of, analyze and disclose such indicators as greenhouse gas emissions, greenhouse gas emissions per unit area, etc. every year, evaluate the Company's management level of the climate change topic using those indicators, and develop an improvement plan based on the evaluation results, so as to promote energy conservation and emission reduction. • Regularly monitor the development of green finance business.
<p>Targets</p>	<ul style="list-style-type: none"> • Greenhouse gas emission and energy management objectives, that is, with 2020 data as the benchmark, greenhouse gas emissions per unit area should be maintained below 0.1tCO₂e/m² by 2025, and with 2020 as the benchmark, power consumption per unit area should be reduced by 6% by 2025. In 2022, Haitong Securities' greenhouse gas emission per unit area was 0.08tCO₂e/m², and power consumption per unit area was 131.29kWh/m². • For fulfillment against the environmental objective, please refer

To better identify the risks and opportunities in Haitong Securities’ business activities and operations brought by climate change, the Company has conducted identification, assessment and analysis of climate-related risks and opportunities. By combining expert opinions, the Company identified material risks and opportunities and disclosed them in the report.

Identification, Assessment and Analysis of Climate-related Risks and Opportunities

Identification	<ul style="list-style-type: none"> In line with the TCFD recommendations and based on climate-related policies and peers' analysis results, the Company identified and summed up 11 climate-related risks and opportunities
Assessment	<ul style="list-style-type: none"> Based on peers' benchmarking and experts' opinions, after seeking advice from major stakeholders, the Company conducted a materiality-related assessment from the perspective of probability of occurrence and extent of influences
Analysis and response	<ul style="list-style-type: none"> The Company analyzed the potential financial impacts of major climate change risks and opportunities on the Company, adopted response measures, and included environment and climate-related risks into the Company's comprehensive risk management

Climate-related Risks and Opportunities of Haitong Securities (Matrix)



Based on the matrix of climate-related risks and opportunities, Haitong Securities has analyzed three highly material climate-related risks (market risks, policy and legal

risks and credit risks) and two highly material climate-related opportunities (market opportunities and products and services), and assessed their potential financial impacts, so as to take appropriate management measures.

Analysis of Climate-related Risks and Financial Impacts of Haitong Securities

Risk type	Risk description	Potential financial impact	Management measure
Market risks	With the launch of the goal of “peaking carbon emissions before 2030 and achieving carbon neutrality before 2060” and green financial policies, there has been growing concern over green financial products and services in the capital market. If the Company fails to proactively develop green financial products and tap into relevant market opportunities, it will be in a disadvantageous position in the competitive market, which is detrimental to its business income growth.	Decreased operating income Reduced value of investment portfolio	<ul style="list-style-type: none"> Establish a climate change risk management mechanism, which is supervised by the Board of Directors, guided by the Development Strategy and ESG Management Committee
Policy and legal risks	As climate-related policies come out successively, the Company, customers and investment targets may face defaults, penalties, lawsuits and other loss-caused events due to their failure to meet policy and regulatory requirements.	Decreased operating income Reduced value of investment portfolio	<ul style="list-style-type: none"> Identify climate-related risks and opportunities relating to the Company’s operations according to the TCFD framework
Credit risks	Climate change risks may impact the customers the Company guarantees, bringing it more losses. Climate change risks may impact the bonds the Company has invested in, reducing its investment income. Climate change risks may impact the customers for whom the Company has provided securities margin trading and equity pledge services, increasing its risk	Decreased operating income Increased operating cost	<ul style="list-style-type: none"> Pay attention to ESG risks including environment and climate-related risks in the customer due diligence process

	exposure. Climate change risks may impact the Company's credit rating, as rating agencies may lower its rating for the reason that it fails to fully consider climate change risks.		
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Analysis of Climate-related Opportunities and Financial Impacts of Haitong Securities

Opportunity type	Opportunity description	Potential financial impact	Management measure
Market opportunities	Under a background of low-carbon economy, there will be a growing demand for green finance products (such as green bonds, green investment) in the market. Therefore, developing innovative climate-friendly products and services will win the Company more space for the future revenue growth.	Increased operating income Increase in the value of investment portfolio	<ul style="list-style-type: none"> • Develop green finance business and provide financial services for energy conservation, environmental protection, new energy and other green industries • Develop green financial products such as energy conservation, environmental protection and carbon neutrality funds
Products and services	Providing financial services to, or investing in, climate-friendly companies that develop innovative low-carbon products and technologies can help the Company win more space for revenue growth.	Increased operating income Increase in the value of investment portfolio	<ul style="list-style-type: none"> • Adhere to the principle of energy conservation and environmental protection, carry out energy-saving transformation, and actively create a green data center.