

## E Fund Active Ownership Statement

As one of the largest asset managers in mainland China, and a signatory to the UN backed Principles for Responsible Investment, E Fund embraces and implements responsible investments with the focus on long-term sustainability. This statement is a supplement to our Responsible Investment Statement, describing in more details on E Fund's approaches to active ownership practices, including how we engage with investee companies and how we exercise our voting rights. The statement is reviewed, updated if necessary and approved annually by the ESG Management Committee.

### I. Introduction

At E Fund, we define Responsible Investment ("RI") as the practice of incorporating environmental, social and corporate governance (ESG) issues into the entire investment processes and investment decision making, in addition to traditional financial return considerations. Our ESG enhanced investment approach addresses risks and long-term investment performance framework. Within each area of ESG, E Fund considers sector specific ESG factors and their materiality whenever possible. E Fund sees responsible investment to be in a continuous development as measurement methods and markets evolve.

### II. Our Active Ownership Strategy

Active Ownership describes the activities undertaken by investors to monitor and, where necessary, intervene on matters that may affect the long-term value of investee companies. E Fund is an active owner with the aim to engage and work collaboratively with companies to improve the sustainability of their business practices and support positive change over time. E Fund's activities are based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without. Active ownership is carried out through a combination of engagement and proxy voting. It seeks to build relationships between companies and their shareholders to adopt healthy dialogue on a variety of issues such as financial performance, strategic plans, corporate governance and risk management of companies and/or environmental, social and governance issues more broadly.

E Fund's active ownership framework is designed to aid with increasing the value and mitigating the risk of our investments through aligning the interests of the companies with those of the shareholders. The potential active ownership activities that E Fund exercises are:

- **Engagement**

In order to improve the long-term value of the companies we invest in, we take an active role via emails, letters to the boards, conference calls, management meetings or at the annual and extraordinary shareholders meetings to build open dialogues with companies regarding our concerned issues including strategic decisions, risk or sustainability management, mergers and acquisitions, dividend policies, etc., provided that it shall not violate any applicable laws or regulations.

- **Proxy Voting**

Proxy voting policy is in line with the best interests of our clients. The voting process provides us with a way to express our views on behalf of our clients, which aims at improving governance standards and fulfilling oversight responsibilities.

### **III. E Fund's Key Active Ownership Principles**

The following principles describe E Fund's expectations of the companies in which we invest.

We believe that environmental, social and governance (ESG) issues impact the value and reputation of entities in which we invest, sometimes as far as driving systemic risks. We are therefore committed to incorporating ESG considerations into our investment processes and voting criteria in the long-term interests of our clients. These principles act as a guiding framework by which E Fund executes its ownership responsibilities.

- **Board of directors, board of supervisors and executives**

The Board of Directors, the Board of Supervisors and the executives of a company should have a good balance of expertise, diversity and independence. Such checked and balanced management structure provides the foundation for a well-managed company.

- **Remuneration and stock incentive plans**

A company's board is responsible for setting appropriate remuneration, which should be based on the long-term performance of directors and employees. The remuneration level should be reasonable and competitive based on the industry and the region that the company operates in. Such remuneration plan should not be designed on the purpose of realizing personal interests at the cost of shareholder interests.

- **Financial statements and auditing issues**

Timely and fairly disclosed financial statements are important to our investment process. The company's board should have an internal control policy to supervise the financial statements. We encourage the company to set up an audit committee or an internal control team which consists of independent members. The use of an external auditor is another important factor that ensures the transparency of financial statements. The company should appoint a qualified auditor and conduct necessary due diligence on their reputation to ensure the integrity and robustness of financial statements.

- **Capital allocation issues, including dividend distribution and capital raising plans**

Companies should have a clear capital allocation plan taking account of liability, equity, and earning distribution. Capital raising activities should include a clear explanation of the business rationale. Also, the company should prudently consider the dilution of the minority interests and avoid over-sized or over-priced issuance.

- **Shareholder issues, including mergers and acquisitions**

Major changes in shareholder structure should take place with clear explanation, which includes but is not limited to share repurchasing programs, mergers and acquisitions, and private placements to major financial investors. Our research and investment team will evaluate the mergers and acquisitions to ensure such activities provide added value to shareholders and promotes long-term development of the company. We will not support over-diluted or over-priced transactions. We will also conduct analysis on the potential synergy and effectiveness of the company's operations.

- **Environmental and social issues**

We believe that companies which operate without concern for the environmental and social impact of their activities are unlikely to deliver sustainable long-term shareholder value and a company's management of relevant environmental and social issues is a lead indicator of its success or failure.

*Reporting on environmental and social issues:*

The company's management of material environmental and social factors (E&S) should be integrated into its regular reporting to enable a full and proper evaluation of the company's long-term prospects. We also encourage companies to participate in the disclosure programs of the Carbon Disclosure Project (CDP), Task Force on Climate-related Financial Disclosures (TCFD) and other initiatives to improve information disclosure to the market on material environmental and social issues.

*Board oversight of E&S issues:*

We encourage companies to establish a standing board committee to oversee the company's management of its material environmental and social impacts and risk exposure, which should also ensure that the company meets its reporting obligation related to E&S factors. We believe that it is increasingly important that boards address this activity as seriously as they do their other functions.

- **Fixed Income Engagement and Voting**

Our engagement to bond issuers broadly follow the engagement guidelines for our equity holdings as described above in this document, and proxy voting at bondholder meetings is carried out on a case-by-case approach in the best interests of our clients.

#### **IV. Active Ownership Process**

Assessing ESG factors is an integrated part of our research and investment process. The relevant ESG factors are identified and assessed using our proprietary ESG scoring system. In cases where we identify gaps or differences between the company's approach and our expectations regarding environment, social and corporate governance, we may decide to engage with the aim to influence the development of the company and support value creation. This can take place either with companies we already invested in which are violating the principles and expectations described in our Responsible Investment Statement,

companies we already invested in where we identify an opportunity for increased value creation through improved practices, or companies we would potentially invest in if these ESG issues were improved.

The engagement process is initiated by the research and investment team with the support of the ESG team. The research and investment professionals conduct constructive dialogues with the management of the companies to address material ESG issues. These issues need to be consequently integrated into the financial analysis, valuation, investment recommendation and investment decision. Once the engagement activity has been undertaken, the investment professional will keep detailed records and inform the ESG team on the engagement progress.

The proxy voting process is in accordance with laws and regulations, as well as requirements in "Guidelines for Fund Management Companies to Exercising Voting Rights on behalf of Funds" from the AMAC. The voting decisions are based on our Proxy Voting Procedures, supported by fair analysis and judgment by our research and investment team based on long-term risk/return considerations.

## **V. Reporting on Active Ownership**

E Fund has detailed proxy voting procedures which require us to keep comprehensive voting records, including resolutions, rationales, decisions, executions, etc. We may provide relevant reports to our clients in accordance with laws and regulations, as well as contractual agreements.

Publicly, as one of the earliest UN PRI signatories in mainland China, E Fund has submitted annual transparency reports to the PRI since 2017.