

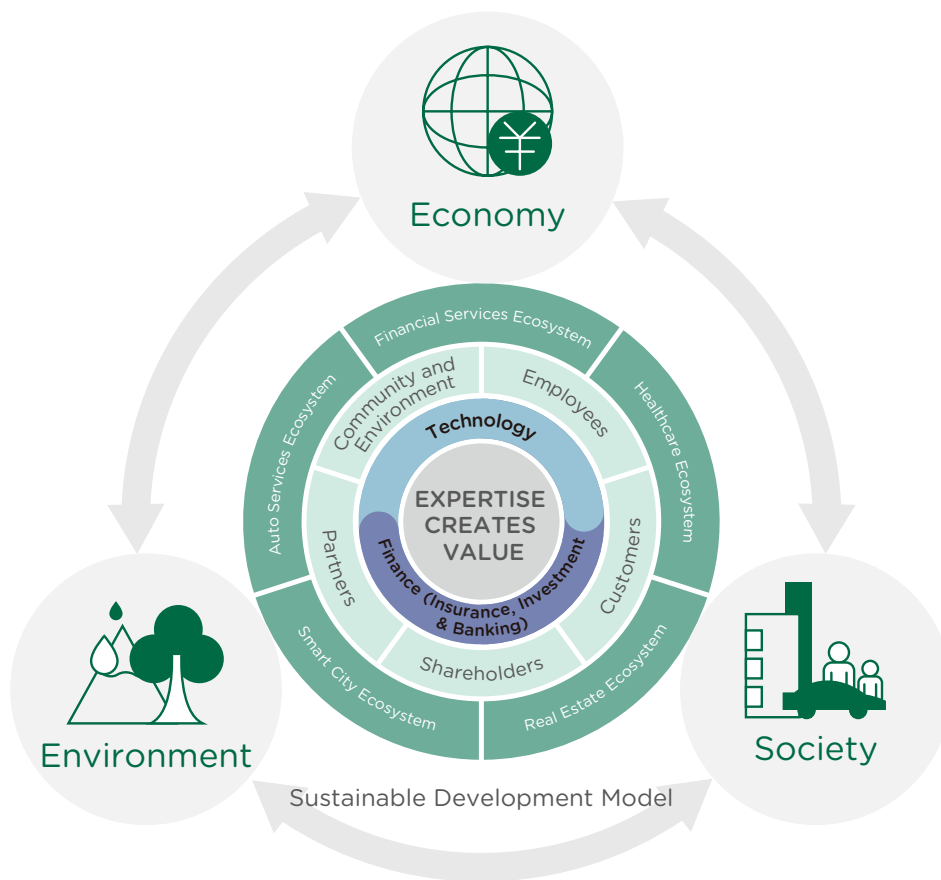
# Responsible Investment Policy

Sept, 2020

## Section 1: General

1. Ping An Insurance (Group) Company of China, Ltd (Ping An, Ping An Group, the Group) commits to helping our society to realise the goals of a clean environment, harmonious society and sustainable economic development. Ping An does this through its belief that "expertise creates value", driven by finance + technology, and based on all relevant industry policies and regulatory requirements by China.

*Figure 1 Sustainable development concepts and management*



2. Ping An is a signatory to a number of industry initiatives and partnerships including the Principles for Responsible Investment (PRI), Taskforce on Climate-Related Financial Disclosure (TCFD), and Climate Action 100+ . Ping An's Responsible Investment Policy is consistent with its commitments under those initiatives. Ping An commits to promoting a more sustainable financial system and global economy, and will work with other like-minded investors and fund managers to complete this mission. As a large insurer with a number of professional asset management subsidiaries, Ping An's responsible investment practice aims to serve local needs and enable Ping An to actively deliver on its social responsibilities in China.

- 3.** As required under the Principles for Responsible Investment, shown in Table 1, Ping An will bring environmental, social and corporate governance (hereinafter referred to as "ESG") issues into our investment analysis, decision-making and implementation process, and exercise active ownership. We will require companies in our investment portfolios to disclose ESG issues properly, promote acceptance of responsible investment in the industry, and improve the implementation and effectiveness of the Principles for Responsible Investment.

**Table 1** Ping An's Commitment to PRI

UNPRI Principles	Ping An's Actions
<i>We will incorporate ESG issues into investment analysis and decision-making processes</i>	Ping An formally developed the Group Responsible Investment framework in 2019, incorporating ESG issues into our investment activities.
<i>We will be active owners and will incorporate ESG issues into our ownership policies and practices</i>	Active ownership is a key part of Ping An's Responsible Investment policy. Ping An will actively exercise its influence as a shareholder to and achieve a win-win situation with the invested companies.
<i>We will seek appropriate disclosure on ESG issues by the entities in which we invest</i>	Based on the current regulatory requirements and local practice, Ping An will set out its ESG disclosure requirements to the institutions and enterprises in which it invests.
<i>We will promote acceptance and implementation of the Principles within the investment industry.</i>	Ping An will actively participate in international and domestic discussions around responsible investment including green finance, and set the responsible investment standard for the Chinese financial industry.
<i>We will work together to enhance our effectiveness in implementing the Principles.</i>	Ping An will actively share information, tools and resources with other companies to solve ESG-related problems.
<i>We will report on our activities and progress towards implementing the Principles.</i>	Ping An will report its progress to the PRI as required, and will publically disclose its responsible investment practices.

- 4.** Ping An Group is concerned about the impact of climate change on business operations and, as part of its commitment to the TCFD and Climate Action 100+, has been encouraging investee companies to take measures to manage the impact of climate change on their businesses and strengthen climate-related information disclosure. Ping An also actively engages with companies that have a significant negative impact on climate.

5. In response to the Paris Agreement to limit the global average temperature rise to no more than 2°C, and other commitments to address climate change, Ping An issued the “Statement on Coal related Business of Ping An Group” which makes strict underwriting restrictions for coal industry clients based on the environmental-friendly performance of each company. In support of the national regulatory agencies and PRI, Ping An regularly conducts special management and control of industries with significant negative impacts and high ESG risks.
  
6. Ping An Group’s Responsible Investment policy closely follows all relevant national responsible investment guidance and regulations including *Guidelines for Establishing the Green Financial System* and *Guidelines for Green Investment (Trial version)*. The policy covers five aspects: the purpose and scope of ESG, organization and policy management, ESG commitments and implementation, responsible investment training and information disclosure.

## Section 2: The purpose and scope of Responsible Investment

7. According to PRI’s definition, responsible investment is a strategy and practice that incorporates ESG factors into investment decision-making and active ownership . There are countless examples of ESG factors that may impact investments, including:

**Table 2** Examples of ESG factors include:

Environmental	Social	Governance
Climate Change	Health and Safety	Board structure
Energy	Equality and diversity	Board balance and independence
Waste, emissions and effluent	Labor and human rights	Remuneration
Water	Social cohesion	Transparency and accountability
Biodiversity	Mental health	Anti-bribery and corruption

These issues will have a different level of materiality from company to company, industry to industry, and asset class to asset class. It is now well understood that these extra-financial factors can impact on the long-term financial performance of investments.

- 8.** As a comprehensive financial services group with financial services as its core business, Ping An believes that implementing responsible investment and reducing ESG risks while seizing ESG opportunities will create long-term value for stakeholders. It also embodies Ping An's corporate values and helps Ping An fulfill its responsibility to stakeholders.
- 9.** The purpose of this Policy is to provide guidelines to the investment staff on how to incorporate ESG factors into investment analysis and decision-making processes to protect and enhance the value of the investments we manage across the Ping An Group. It is also part of our wider responsibility to contribute to the quality and sustainability of the financial markets. Ping An is committed to becoming a leading responsible investor in China and we aim to play a significant role in advancing responsible investment globally.
- 10.** As an institutional investor, Ping An's responsible investment policy also reflects its commitment to best practice in investment risk management, in generating long-term sustainable investment returns, and transparency.
- 11.** As each asset class may have its own characteristics, the application of the relevant principles and strategies of this policy will vary across the different asset classes.
- 12.** This policy applies to all of our investments with minor exception . For investments where Ping An does not have direct discretion – for example where we invest alongside other investors in pooled funds or our investments are managed by third party fund managers -- the requirements of this Policy will be communicated to our investment managers and incorporated into our manager selection process.

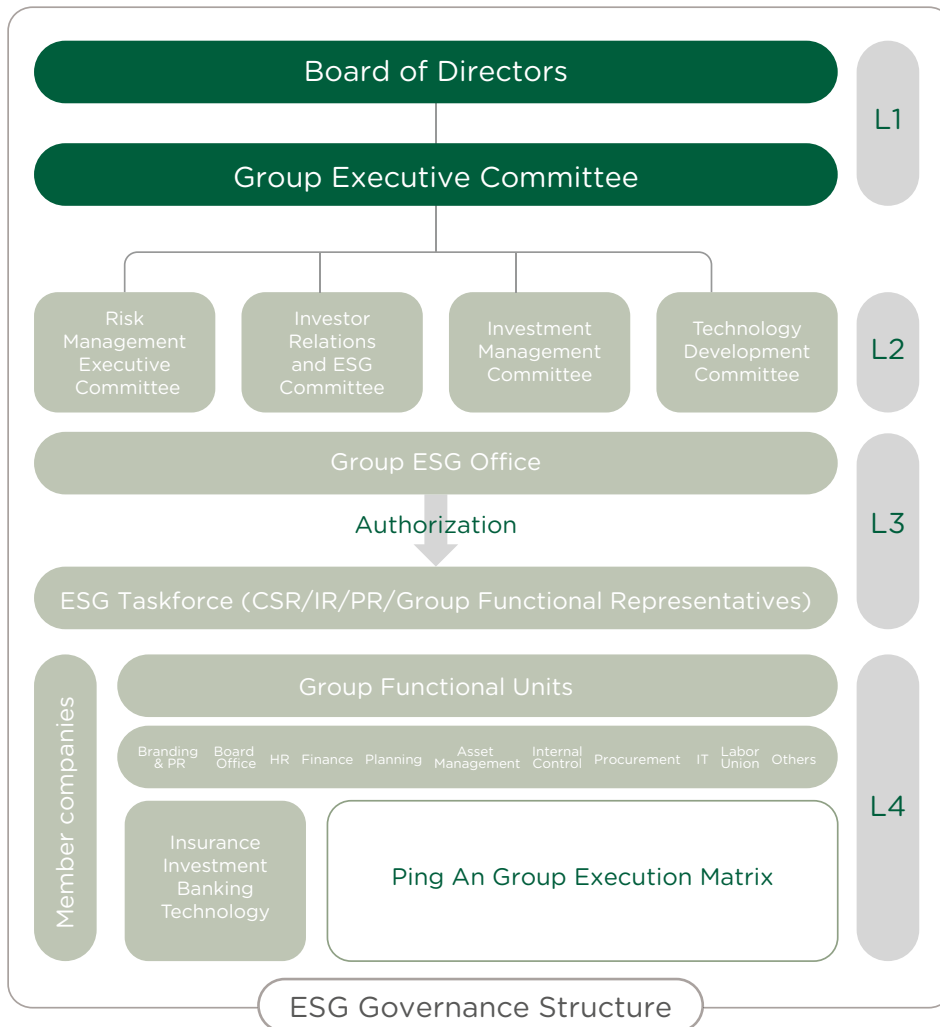
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<sup>1</sup> For details, please visit [https://d8g8t13e9vf2o.cloudfront.net/Uploads/i/t/l/\\_763472.pdf](https://d8g8t13e9vf2o.cloudfront.net/Uploads/i/t/l/_763472.pdf)

<sup>2</sup> Some legacy investment products may not have this policy applied as they pre-date the creation of the Responsible Investment Policy and are closed to new investments.

## Section 3: Organization and Policy Management

Figure 2 organization structure and management:



- 13.** Ping An established this ESG Governance Structure in order to 1) strengthen the implementation and management of its responsible investment policy, 2) comprehensively improve Ping An's ability to use ESG factors to generate additional return, 3) prevent wider ESG risks beyond traditional financial risk factors, and 4) promote the construction of responsible investment frameworks in its subsidiaries. The Board of Directors has ultimate responsibility. The Investor Relations and ESG Committee is accountable for the evaluation, review and decision-making. The ESG Office takes charge of the overall coordination of the Policy. The relevant functional departments in subsidiaries implement as required.

**14.** Board of Directors (L1) supervises all responsible investment matters and is the highest decision-making body.

**15.** Investor Relations and ESG Committee (L2) under the Group Executive Committee is the body responsible for comprehensively managing the sustainable development of the Group. It coordinates with other internal committees to formulate business plans, goals, management policies and performance appraisal, review relevant charters of responsible investment policies and keep them on file for record keeping. In addition, the ESG Committee is also responsible for setting the Group's climate and environmental management strategies, including but not limited to:

- a) Formulate the Group's strategic sustainable development and Responsible Investment goals;
- b) Guide the implementation of responsible investment methods of subsidiary companies;
- c) Regularly report on implementation of responsible investment to the Board of Directors.

**16.** Overseen by the ESG Committee, the Group's ESG Office will review the Responsible Investment Policy at least every three years and revise it from time to time if necessary. The Group's ESG Office is responsible for the integration of ESG and responsible investment activities, and instructs the ESG implementation teams to perform tasks including:

- a) Establishing Ping An's own responsible investment philosophy on the basis of best practice standards and guidelines, internal and external research;
- b) Formulating responsible investment policies, integration strategies, guidelines and rules, and other related documents to facilitate integration of ESG factors into the various business lines of the Group;
- c) Coordinating and supporting the Group to implement the responsible investment related commitments stated in Chapter 1 of this policy;
- d) Conducting regular dialogue with industry peers, business partners, etc. on ESG topics. As part of regular work, the ESG Office engages with stakeholders on ESG topics as necessary, conveys the impact of Ping An ESG Integration to internal and external stakeholders, and publicly reports on the implementation of responsible investment.

- 17.** The Group's ESG Office and the Asset Management Center partner with investment teams of the main subsidiaries to establish a responsible investment expert group that will provide support and guidance for responsible investment strategy formulation and responsible investment application for different types of investment businesses of the Group. The expert group will also help subsidiary companies understand the basic elements of ESG and share ESG best practice, in order to help them implement the Group's Responsible Investment Policy. Under the guidance of the Group, subsidiaries should identify ESG risks and bear ultimate responsibility for the effective implementation of the responsible investment policy.
- 18.** The Group's ESG Office has prepared responsible investment handbooks for the subsidiary companies. The Office will also provide targeted training to investment staff to guide and assist them in implementing this policy. Subsidiary companies are required to report periodically on their implementation of this policy in accordance with the Ping An Group's ESG Business Performance Management and Information Disclosure System. The Group's ESG office is responsible for collecting, monitoring, and managing documentation and data.

## Section 4: Responsible Investment Commitments and Implementation

- 19.** As a comprehensive financial services group with multiple subsidiaries, Ping An Group's Responsible Investment policy will be applied to the entire Ping An Group and its subsidiaries and branches.
- 20.** In order to implement this policy, Ping An has established a series of tools such as the CN ESG corporate profile system for listed companies and the ESG assessment of bond issuers, covering ESG issues such as environmental disclosure, product liability, corporate governance, and human capital. The tools integrate Chinese market specific indicators, and are based on algorithms driven by machine learning to carry out intelligent scoring. We will continue to develop and improve these tools over time, particularly as the companies in which we invest improve their disclosure.
- 21.** The intelligent ESG investment platform will enable the subsidiary companies to conduct responsible investment and build responsible investment products. Ping An will aim to create a high responsible investment standard using a combination of scientific evaluation system, technological empowerment and practical experience to create additional value for internal and external stakeholders.



- 22.** For externally managed assets, Ping An will clearly communicate its responsible investment commitments and expectations to appointed managers, and require the manager to invest in line with Ping An's policy. Therefore, ESG factors are also included in the manager selection, review and reporting process, and will continue to be improved and optimized.
- 23.** Ping An has developed several approaches to responsible investment under different asset categories, in accordance with internal asset classification and common international practices:

**Table 3** Responsible investment principle and strategy

Principle	Strategy	Strategy detail	Equities	Fixed income	Other equity assets
ESG integration	ESG integration	Suitable for all industries, with ESG factors integrated into the investment risk management process	✓	✓	✓
Active ownership	Active ownership	Engage the investees to sustainably develop their business	✓		✓
Thematic investing	Sustainability themed investing	Focus on climate change strategies	✓	✓	✓
	Impact investing	Focusing on industries related to poverty alleviation, social inclusion, environmental protection, etc.	✓	✓	✓
Conditional exclusion	Industry Conditional Exclusion	Conditional exclusion of industries with ESG key considerations such as low value-added, high pollution, high energy consumption and high risks	✓	✓	✓
	Norm-based screening	Screening based on international norms against investment in gambling, pornography and conflict areas	✓	✓	✓
Information transparency			✓	✓	✓

## Principle 1. ESG integration

**24.** We believe that ESG factors can impact investment risk, returns and volatility and therefore should be **integrated** into our investment processes and decision-making.

- a) We will consider ESG factors in our investment strategy, asset selection and portfolio construction, and support our internal investment teams to implement this.
- b) We will integrate ESG into our asset or security selection processes by using our CN ESG scoring system and due diligence tools.
- c) We will consider ESG capability in the selection, appointment and monitoring of investment managers, consultants and other relevant service providers.

**25.** We believe **climate change** poses risks and opportunities for our investments and therefore it should be actively managed.

- a) In line with the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD), we will integrate climate change considerations into our investment risk management assessment and monitoring. We will also aim to undertake scenario analysis to stress test the resilience of our investment portfolios to a range of climate change scenarios.
- b) The transition to a low carbon economy, and the physical impacts of climate change also create investment opportunities which Ping An seeks to capture through its ESG integration and thematic investment strategies.

**26.** We believe it is useful to classify companies or projects according to high and low ESG Scores:

- a) Positive screening: Companies/projects that have strong ESG performance relative to their peers in the industry are included in an "encouragement list" and can be prioritized for investment ahead of those with the same financial evaluation results.
- b) Negative screening: Companies/projects that have significant ESG risk compared to their peers in the industry are included in the "high-risk list" and investment is not encouraged.

## Principle 2. Active ownership

**27.** The implementation of the principle of active ownership aims to **bring practical effects** to the sustainable development of the communities and markets where we invest, and **guide** the sustainable development of the invested companies. This will include:

- a) Actively conducting regular ESG themed dialogue with investee companies to avoid black swan incidents caused by ESG risks, achieve stable returns, and help companies achieve sustainable development, which reflects Ping An's values as a responsible investor.
- b) Through communication with the investee company, guide them to minimize the negative impact on the environment and society, and continue to explore opportunities for sustainable development.
- c) When evaluating potential investments, it is necessary to consider the possible positive and negative impacts of the project on Ping An and Ping An's stakeholders.

## Principle 3. Thematic investing

**28.** The principle of thematic investing includes **sustainability themed investing** which focuses on sustainable environmental protection theme and **impact investing** which supports poverty alleviation and social welfare.

- a) We will evaluate companies' positive contribution to sustainable development, in line with the UN Sustainable Development Goals (SDGs).
- b) We will look to invest in companies that provide solutions to sustainability challenges and positive impacts on community health and welfare, and as well as yield a competitive investment return within our risk tolerance limits.

**Table 4** Overview of thematic investing

Sustainability themed investing	Impact investing
Environmental protection and maintenance	Social infrastructure construction
Low-carbon and energy conservation	Small and micro-businesses support
Recycling economy	Aged care
Improve energy efficiency	Healthcare
Clean and renewable energy	Education
Green buildings	Poverty alleviation / Rural revitalization
Sustainable agriculture	New-type urbanization
Sustainable forestry	
Water resources	

## Principle 4. Conditional Exclusion

- 29.** Conditional exclude industries with ESG key considerations such as low value-added, high pollution, high energy consumption and high risks, while strictly controlling the exposure to companies or projects with serious ESG problems in other industries.
- 30.** We commit to guide investee companies operate in line with global standards on the basis of compliance with Chinese policies and regulations, and follow the international conventions which China has signed such as UN Global Compact. If conventions conflict with local policies and regulations, local policies and regulations shall prevail.
- 31.** Where there is evidence of companies breaching international standards or conventions, we will first look to engage through our active ownership above. If engagement does not look to be effective, we may consider divestment.

**Table 5** Overview of conditional exclusion strategy

Industry Conditional Exclusion	Rationale for Screening
Coal and thermal power	According to the <i>Statement on Coal-related Business of Ping An Group</i>
Other industries	According to their scoring from the scoring tool and industry standards
Norm-based screening (gambling, pornography, ammunition and conflict areas etc.)	
United Nations treaties	
Security Council Sanctions Regulations	
UN Global Compact	
Universal Declaration of Human Rights	
OECD guidelines	
Paris Climate Agreement	

## Principle 5. Information transparency

- 32.** We believe in **transparency** and reflect this in our investment principles and reporting.
- a) We will monitor and report on our ESG activities, goals and obstacles in implementing this ESG Framework.
  - b) We will hold our investment partners to the same standard and ask them to report on how they are implementing and progressing the ESG Framework.

c) We will establish key performance indicators for our ESG activities to support ongoing monitoring of the effectiveness of our approach.

**33.** We will carry out dialogue with external organizations directly to discuss responsible investment and sustainable development issues, exchange views and discuss potential solutions to core issues, and obtain ESG expertise from external organizations, and apply it to the formulation and implementation of responsible investment policies and plans.

**34.** Sustainable investment is a long-term practice, not an overnight behavior. It needs to be implemented and optimized from a long-term perspective. The Group sustainability report will regularly update key indicators, goals and achievements. The disclosure of the group's responsible investment is on the Group's official website <http://www.pingan.cn/sustainability/index.shtml>

## Section 5: Responsible Investment Capacity Building

**35.** All Ping An investment staff will be provided with a copy of this Responsible Investment Policy, as well as Ping An's more detailed Responsible Investment Handbook.

**36.** All investment staff must participate in the training required to implement this policy, including not limited to ESG risk management, integration of investment process, financial product development, etc., and attest to having read and understood the Framework and Handbook annually or take part in assessments.

**37.** Investment professionals will be provided with at least two formal Responsible Investment training opportunities per annum.

## Section 6: Responsible Investment Promotion and Sustainability Reports

**38.** Responsible investment is a relatively new concept and requires the joint efforts of a wide range of stakeholders. As a group with trillions of assets, Ping An should play a central role in the market, take the lead in exploring and developing responsible investment solutions, and engage with peers, managers, industry organizations and other institutions. Therefore, Ping An will actively communicate the content of its responsible investment practices with investors and various stakeholders, and cooperate with industry organizations such as the Green Finance Professional Committee of the China Institute of Finance to promote responsible investment roadshows which will promote responsible investment concepts and best practices.

**39.** Ping An Group will continue to increase information transparency and disclosure on its responsible investment practices. Recent related policies and reports include:

- a) Ping An Group Sustainable Insurance Policy
- b) Ping An Climate Change Report
- c) Ping An Sustainable Supply Chain Policy
- d) AI Ethical Governance Statement and Policies of Ping An Group
- e) others