

# ESG Investment in China

## ESG Report Series

### Issue 3

## Ping An Digital Economic Research Center (DERC)

### Executive Summary

ESG investing has become a mainstream phenomenon for capital markets worldwide. Global flows to ESG-themed ETFs hit a record high in 2019, up to 4 times than that of 2018. During the pandemic in 2020, despite the outflow of traditional ETF funds, the market needs for ESG investing remains strong. The opening up of China's capital markets is also driving more international capital with ESG themes into China, promoting ESG and responsible investment philosophies to gain greater recognition in China. In addition, with stronger regulatory requirements for ESG disclosures and a broader guidance to build a "green financial system," China has witnessed an increase in the quantity and quality of disclosures, as well as rapid growth of ESG investment in recent years.

1. By conducting Natural Language Processing based analysis to detect themes discussed in 103 market wide third-party research reports, we find that there has been an increasing focus on ESG in the Chinese capital market, with a gradual transition from the initial conceptual descriptions to specific investment products and their performance.
2. The number of ESG indices has doubled in 2020 in China, with increased diversity in investment strategies and notable performance of quality factors.
3. The issuance of ESG fund products is undergoing a booming period, with "pure ESG" fund products that combine the entire dimension of ESG gaining momentum.
4. ESG fund products have performed well since the start of 2020, with returns above the market average for funds in China.
5. Recommendations and look ahead for ESG Investing in China:
  - ESG ratings and data coverage in the domestic market need to be further enhanced to enhance alignment with the Chinese market to support the enrichment of ESG theme investment products.
  - Alternative data and technology can help investors distinguish between companies that are truly ESG compliant and well performing vs. those who are not.
  - Establishment of ESG ratings and data for bonds and bond issuers is essential to accelerate integration of ESG in fixed income investment.
  - Index providers and fund management companies should develop more diversified ESG products such as passive funds, quantitative funds, and investment products for the primary market, providing more investment options for investors.
  - As China puts more emphasis on climate change, financial markets should proactively innovate and develop financial products to respond to the need of climate risk mitigation and transition into a low-carbon economy.

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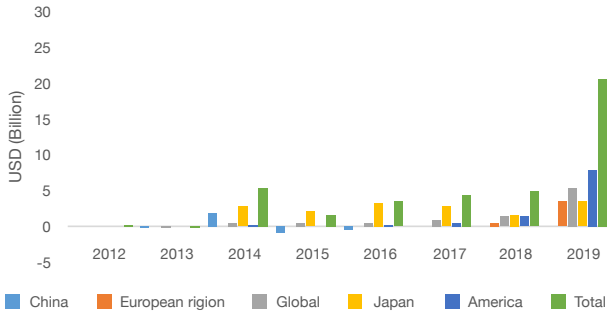
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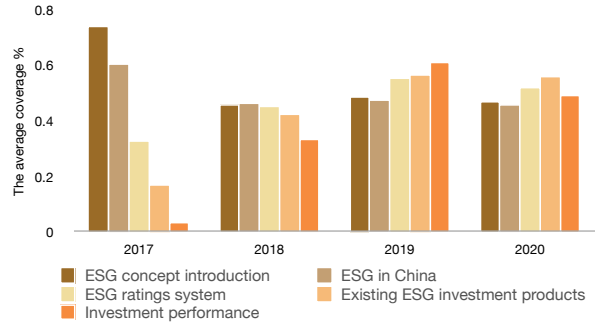
ESG investment trends in China in Charts

Capital flow into ESG-themed ETF hit historic high



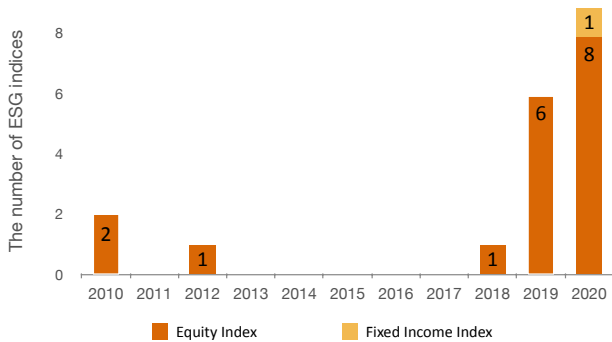
Source: Bloomberg, Ping An Digital Economy Research Center

ESG themed report shifts the focus from generic concept into investment product and performance



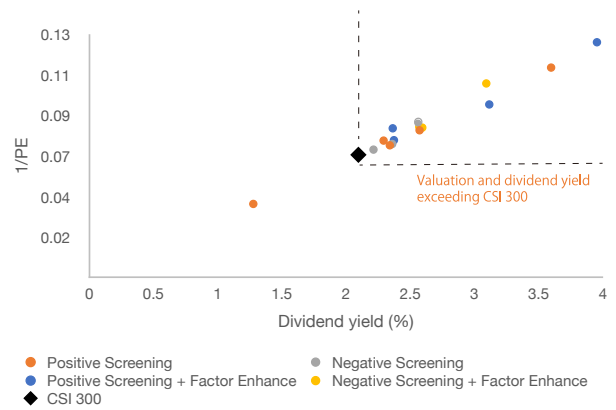
Source: Ping An Digital Economy Research Center

Pure ESG index are concertedly released in 2019-2020



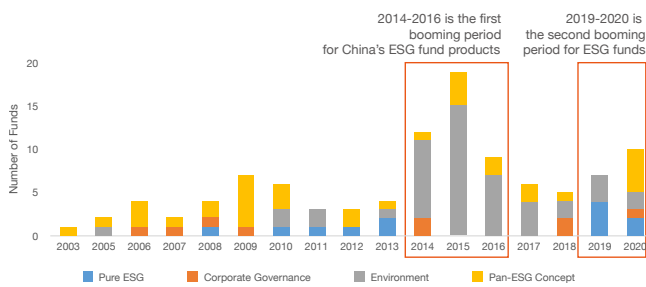
Source: Wind, Ping An Digital Economy Research Center

Pure ESG index quality factor outperform CSI 300



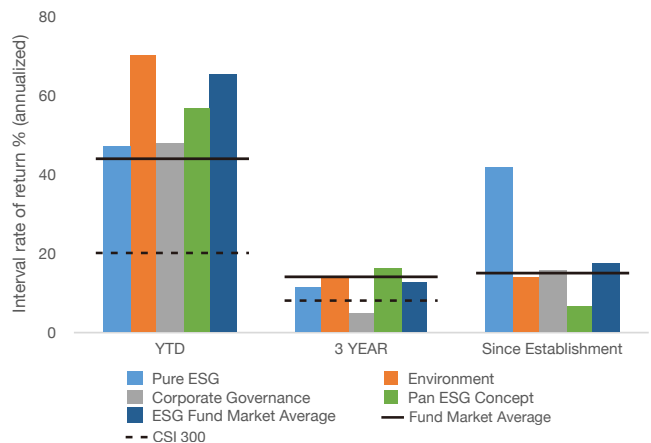
Source: Wind, Ping An Digital Economy Research Center

ESG Funds are mostly launched during 2014-2015 and 2019-2020



Source: Wind, Ping An Digital Economy Research Center

ESG funds generally outperform market average in 2020



Source: Wind, Ping An Digital Economy Research Center

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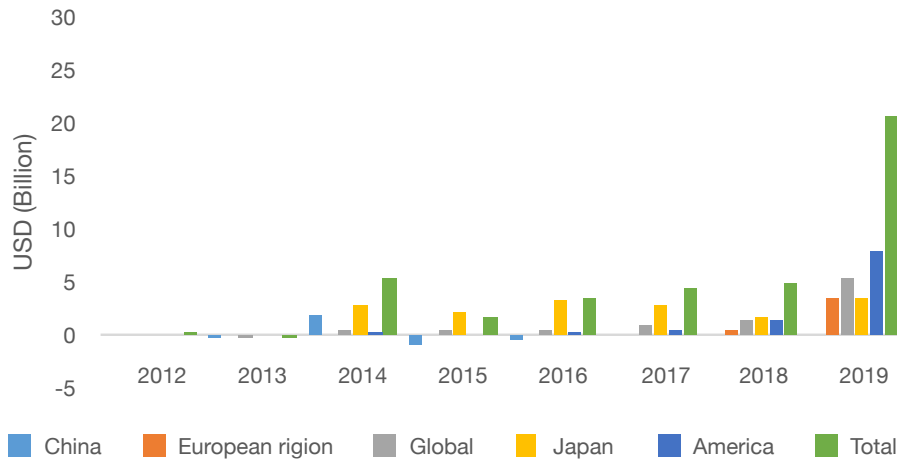
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## 1. ESG investment has become the new favorite of the global capital market

Globally, flows into ESG-themed ETFs reached a new height in 2019, quadrupling the amount in 2018. Funds for the European region and the US grew especially fast, with the amount of flows expanding more than six times and four times respectively. However, even though growth rate has accelerated, the total amount of asset under management is still a tiny fraction of all ETFs at slightly above 1% (Table 1), suggesting ample room for future growth.

Figure 1. Flows into ESG-themed ETFs by year by region



Note: Region means where the funds are mainly invested.  
Data source: Ping An Digital Economic Research Center

Table 1: Percentage increase in ESG-themed ETFs flows (2018-2019) and AuM of ESG ETF compared to all ETFs.

Region	China	European Region	Global	Japan	U.S.	Total
Percentage increase in ETF flows from 2018-2019	464%	639%	254%	132%	433%	305%
AuM of ESG ETF as a percentage of all ETFs	0.42%	5.99%	N.A.	5.34%	1.10%	1.25%

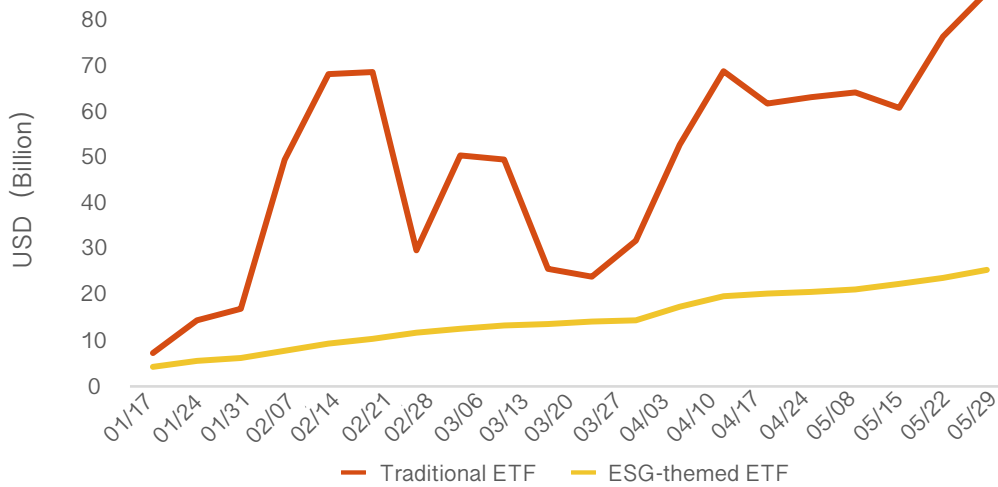
Note: Region means where the funds are mainly invested. In calculating percentage increase in ETF flows from 2018 to 2019, if the base is negative (net outflow), we calculate the percentage change as (new value – old value)/abs(old value).  
Data source: Ping An Digital Economic Research Center

**For the first half of 2020, ESG-themed ETFs showed strong demand during Covid-19.** While funds were flowing out of traditional ETFs, flows into sustainability-themed ETFs consistently increased. According to Blackrock, up until March 24th, flows into sustainability ETFs in 2020 reached 14 billion USD, more than half of 2019’s total amount. Several factors may have contributed to this record flows into ESG-themed funds. First, government support for sustainable development projects were already increasing in recent years and intensified during the pandemic, as many governments commit to a green recovery. Second, the number of fund products that are sustainability themed has continued to grow. According to

Morningstar, the number of funds that use ESG to select security in Europe has increased from 2,584 around end of March to 2,703 by the send of the second quarter.<sup>1</sup> Third, asset managers have been repurposing their existing traditional funds into sustainable ones. Morningstar says that 40 traditional funds were converted into sustainable funds over the three month period through end of June. Finally, the energy sector has not performed well in recent years. For example, the energy sector SPDR Fund has lost more than 51% in value this year. As investors move away from fossil fuels, more funds have been flowing into ESG-themed funds that typically avoid fossil fuels and have more exposure to clean energy.

1 Sam Meredith (2020). Sustainable investment funds just surpassed \$1 trillion for the first time on record, <https://www.cnn.com/2020/08/11/coronavirus-esg-and-sustainable-funds-surpass-1-trillion-for-the-first-time.html>

Figure 2. Net flows into traditional vs. ESG-themed ETFs in the first half of 2020



Note: Includes equity, fixed-income, and mixed allocation funds  
Data source: Bloomberg, Ping An Digital Economic Research Center

## 2. Using Natural Language Processing to analyze trends and focus areas of ESG investment in China

The continuous opening of China’s capital market drives more and more international capital with ESG investment philosophy into China, and promotes the recognition and acceptance of ESG and responsible investment principles. Meanwhile, with the promotion of the “green financial system” and stricter regulatory requirements on information disclosure by regulatory authorities, the quantity and quality of ESG information disclosure by Chinese listed companies have improved. In recent years, ESG investment in China has developed rapidly.

The number and topical focus of ESG thematic research reports by securities companies are important indicators that reflect the market’s level of attention and specific areas of focus. We collected a total of 103 ESG thematic research reports,<sup>2</sup> with the earliest being released in 2017. Using Natural Language Processing to analyze the reports’ content, we generate and classify five distinct themes - “ ESG concept introduction”, “ESG in China”<sup>3</sup>, “ESG rating system”, “existing ESG products”, and “ESG investment market performance.” Through identifying key words related to these topics, and calculating relative coverage of different topics in each report, we derive yearly average coverage ratio of each topic since 2017.

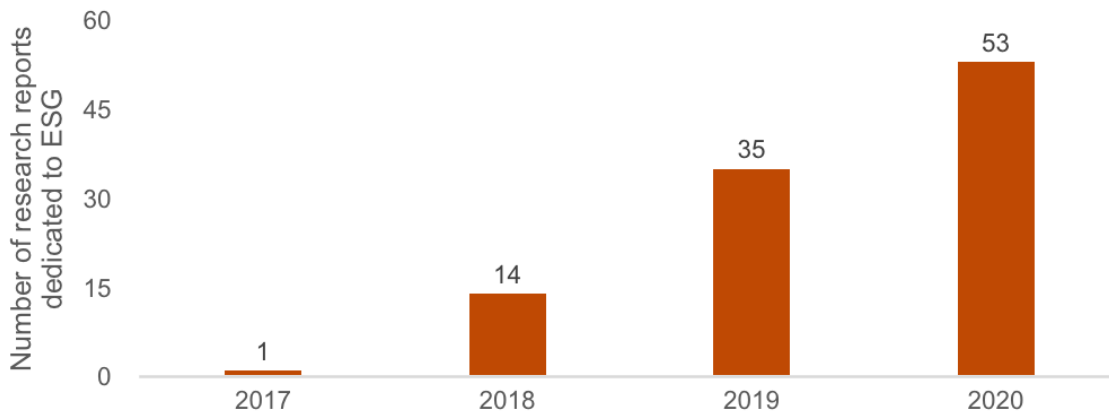
Since 2017, the number of ESG thematic reports has been increasing rapidly year by year, from 1 in 2017 to 53 in 2020, indicating that China’s capital market has been paying more attention to ESG (Figure 3). In terms of content focus, before 2018, the market focused on “ESG concept introduction “ and “ESG in China”. After 2018, “ESG rating system”, “existing ESG products” and “ESG investment market performance” began to become the market’s focus. This is consistent with the logical arc of development for popularization and gradual acceptance of the ESG concept by the investment market (Figure 4).

The initial focus of the market is to conduct market education by clarifying a new concept, popularizing it, and discussing the current situation and future demand of ESG development in China. After the initial market education phase, ESG rating system suitable for local market conditions need to be developed by drawing lessons from international rating providers. Having China-specific ESG ratings and data is the foundation for developing ESG investment products in China. Subsequently, a series of ESG indices and investment strategies were launched in 2019 and 2020. With the increase in the number and scale of ESG fund products, the market performance and effectiveness of ESG investment are attracting more and more attention.

2 A total of 121 research reports with the title containing the key word “ESG” were collected from Wind Database, and 103 ESG thematic research reports were selected by using text analysis technology.

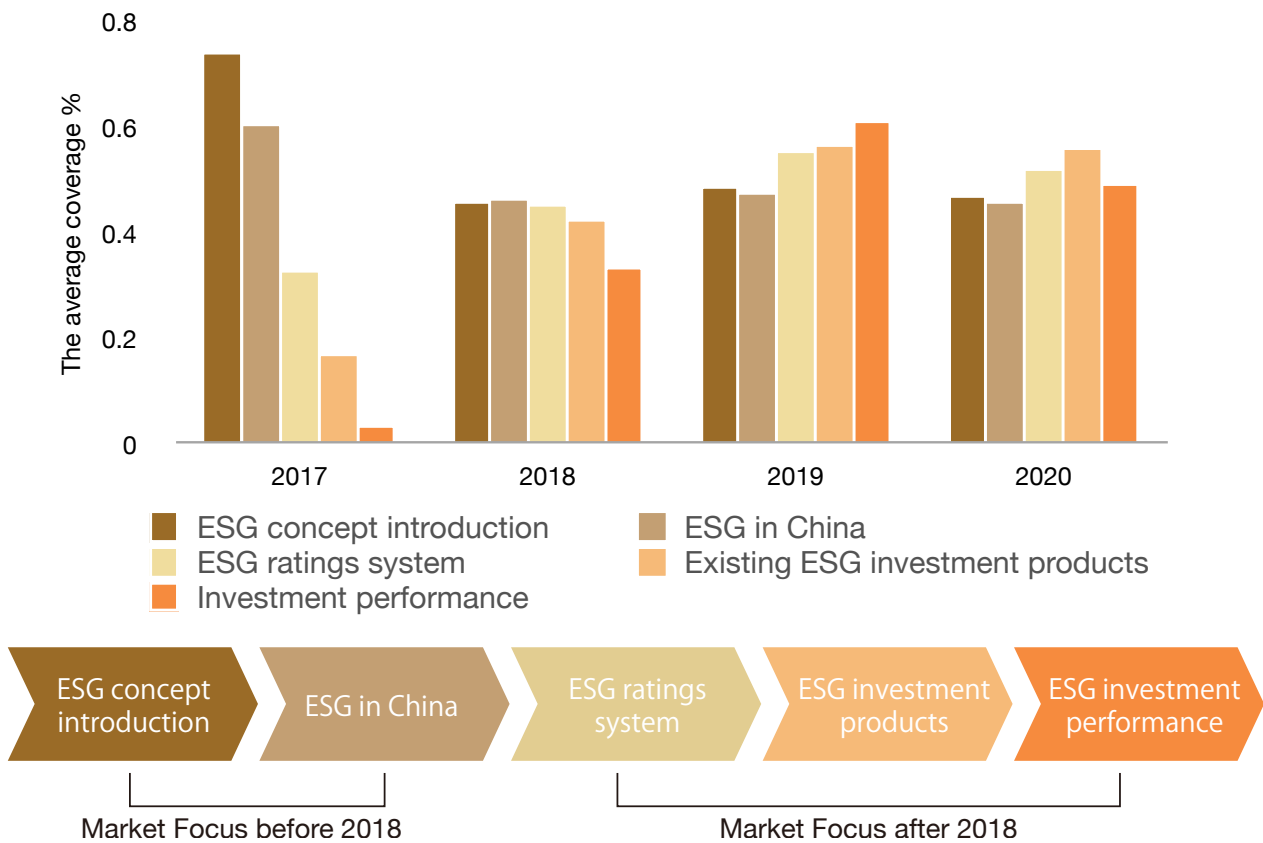
3 “ESG in China” refers to the status quo and shortcomings of China’s ESG development, relatively broad, not focusing on investment products and investment performance.

Figure 3: Number of ESG thematic reports in China by year



Data as of: September 10, 2020  
Data source: Ping An Digital Economic Research Center

Figure 4: Coverage of the five major themes identified in ESG reports by year



Note: 1) In 2017, only China Industrial Securities published an ESG themed research report entitled “China Industrial Securities Research on Green Finance: ESG Disclosure, Evaluation and Application of Listed Companies”. Here, the average coverage rate in 2017 only reflects the thematic coverage of this report. 2) Average coverage ratio is not affected by the report collection time. However, since reports discussing investment market performance are generally released at the end of each year, coverage ratio on investment market performance in 2020 may be affected.

Data source: Ping An Digital Economic Research Center

In the following sections, we will discuss the development and current state of ESG investment in China from the perspectives of ESG rating system, ESG index, ESG fund products, and investment performance.

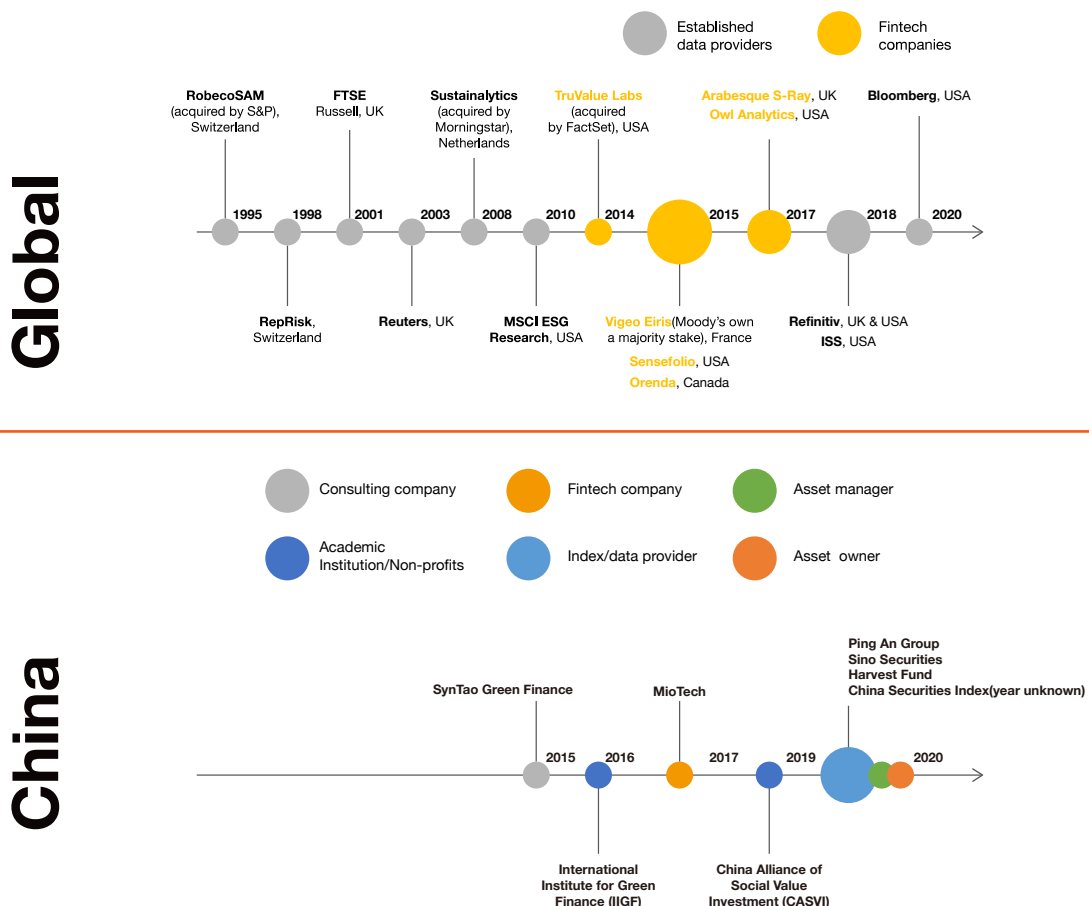
### 3. Overview of global and domestic ESG rating systems

The foundation of ESG indices and associated financial products is robust ESG ratings and data. This is evident in the NLP analysis results in section 2, where we see that ESG ratings and data are the foundation for further development of indices and fund products in the Chinese market. The landscape for ESG data and rating providers is lot less concentrated than credit rating providers, with no clear market leaders. Globally, while there are established players like MSCI and Sustainalytics, there are also a wide range of niche players that are gaining traction. For example, Trucost are known to have comprehensive environmental and climate related metrics. Truvalue Lab and Owl Analytics are known for ESG alternative data, i.e. non-disclosure based data. Interestingly, there have been a wave of acquisitions among ESG data companies (noted in Figure 5), especially by traditional financial data vendors to acquire niche players so that they can add ESG data to their offerings.

The nature of global vs. Chinese ESG data landscape is vastly different. First, ESG data providers have a much longer history in the international market, where they first started emerging in the 1990s. In China, it is a much more recent phenomenon where ESG data and rating providers only started emerge in the past five years. However, the speed of development is impressive. During a span of

merely five years, there are already eight providers in the Chinese market. Second, the type of providers is more diverse in China. Globally, 9 out of 15 providers are established data providers. Some are traditional financial data vendors such as FTSE Russell, Reuters, Refinitiv, and Bloomberg that have offered ESG data as part of their service. For example, Bloomberg hosts a wide range of ESG indicators and started to offer proprietary ESG ratings, starting from Oil and Gas sector in 2020. Others are ESG data providers that have had a long history of focusing on sustainability such as RobecoSAM, RepRisk, MSCI, and Sustainalytics. In the past 5-6 years, a wave of fintech companies have entered the market, with a focus on using alternative data such as news and social media to generate ESG signals. In China however, the type of providers range from traditional index/data providers, fintech companies, asset manager, asset owner, academic/non-profit institutions, to consulting companies. We see a new wave of providers entering the market in 2020, motivated by stricter regulatory requirements and growing investor demand for sustainable finance products. We summarize key features for representative global and domestic providers in the Appendix.

Figure 5. Landscape of ESG data and rating providers in international and Chinese market



Data source: Ping An Digital Economic Research Center



## 4. Development and current state of ESG indices in China

Starting in 2019, the issuance of “pure ESG” indices started to accelerate, and ESG bond indices debuted in China.

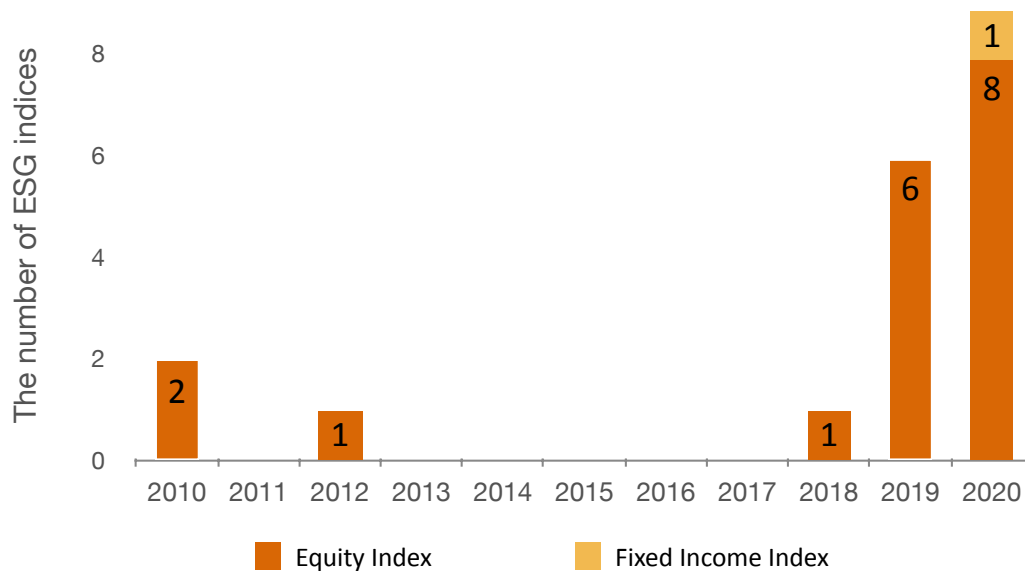
There are 19 “pure ESG” indices in the Chinese market. Of these, only four were released before 2019, six in 2019, and nine in 2020, including five ESG equity indices launched by the China Securities Index in late April 2020. With increasing interest on ESG in China’s investment market, promotion of ESG data disclosure by regulatory authorities, and continuous improvement of ESG data, ESG indices has grown rapidly in China since 2019.

### Box 1. Definition of “pure ESG” index

**Pure ESG index:** an index strategy in which a company’s ESG score is explicitly used as a screening criterion. Here, we do not include a generic-ESG index that only considers themes related to environmental protection, poverty alleviation or corporate governance, and does not explicitly include a company’s ESG score in the selection criteria.

Among the 19 ESG indices, there is only one bond index named “China Bond-Huaxia Wealth Management ESG Preferred”, which was released in September 2020. Since bond issuers are not subject to the information disclosure requirements of listed companies, it is difficult to obtain relevant ESG data. Establishment of corresponding ESG rating system for fixed-income is often lagging behind that of equity. In the future, with the establishment and development of ESG fixed income rating system, we believe ESG bond indices will develop further.

Figure 6: Issuance of pure ESG indices by year



Data source: Wind, Ping An Digital Economic Research Center



Investment strategies of pure ESG indices mainly focus on positive screening and factor enhancement, and the types of strategies continue to be enriched.

Mainstream ESG investment methods in the market currently include: positive screening, negative screening, ESG factor integration, theme specific sustainable development investment, and social impact investment. Since we only consider indices in the secondary market that explicitly consider ESG scores in the investment strategy, and do not just consider specific topics (such as environmental protection, poverty alleviation, etc.), we categorize ESG investment strategies we focus on into two types: positive and negative screening.

- **Positive screening:** Select highly rated companies from the stock pool based on companies’ ESG scores.
- **Negative screening:** Remove low-scoring companies from the stock pool based on the companies’ ESG scores.

On the basis of positive and negative screening, further factor enhancement can be carried out. ESG scores are integrated with other fundamental factors, such as valuation and dividend ratio.

Of the 17 ESG indices<sup>4</sup> with available information on investment strategy, only 4 adopts a negative screening strategy and 14 adopts a positive screening strategy (“China Securities ESG300” adopts a combination of positive and negative screening). Among them, only 9 had clear factor enhancement strategies on top of screening, and the main enhancement factors were valuation, quality, and dividend ratio. Positive screening and factor enhancement are the mainstream ESG index investment strategies in the market at present.

Before 2019, all pure ESG indices adopted positive screening without factor enhancement. All 9 indices released in 2020 so far include positive/negative screening with or without factor enhancement (see four types in Table 2), and the factors are also more diverse. As ESG data and ratings continue to improve, ESG indices’ strategies are further enriched, giving investors more options for investment products. The development course of the types of ESG integration strategies is slightly different domestically vs. globally. For ESG investment in developed markets, most of the early strategies were negative screening driven, eliminating “sin stocks”<sup>5</sup> such as weapons, tobacco, alcohol, and gambling. With the development of ESG data and rating systems, more comprehensive ESG integration strategies followed. In China, perhaps because the development of ESG investment can directly learn from most recent global trends, there is a positive selection strategy in practice from an early stage, rather than relying only on negative screening.

Table 2: Number of indexes by investment strategy

Factor enhancement / Screening method	Yes	No
Positive Screening	6	5
Negative Screening	3 <sup>1</sup>	3

Note: <sup>1</sup>399378.SZ China National Securities ESG300 combines positive selection strategy with negative screening, which is classified statistically as negative screening.  
Data source: Wind, Ping An Digital Economic Research Center

<sup>4</sup> Data on the strategies of China Bond -Huaxia Wealth Management ESG Preferred Bond strategy and MSCI China A-share International Access ESG General are not available yet

<sup>5</sup> Matt Kelley & Chris Sardi (2020). ESG Investments – Part One: An Introduction to and History of ESG Investing, <https://www.esl.org/resources-tools/educational-resources/esg-investing-part-one>

Table 3: Pure ESG index strategy classification

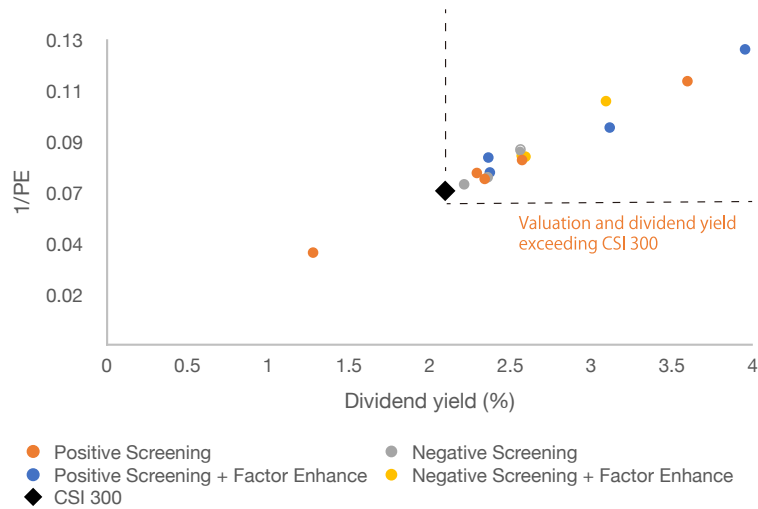
Code	Abbreviations	Strategy type	Factor enhancement	Enhancement factor	Sample scope
399378.SZ	ESG 300	Positive Screening +negative screening	No		CNI1000
000970.CSI	ESG 40	Positive Screening	No		CSI 180
000846.CSI	CSI Caitong ESG100	Positive Screening	No		CSI 300
931088.CSI	180ESG	Negative screening	No		Shanghai index
931148.CSI	ESG80	Negative screening	Yes	Volatility	CSI 300
931168.CSI	ESG Pioneer	Positive Screening	No		CSI 300
931463.CSI	300 ESG	Negative screening	No		CSI 300
931476.CSI	ESG120 Strategy	Negative screening	Yes	Valuation, dividend yield, quality and market factor score	CSI 300
931477.CSI	Huaxia Bank ESG	Negative screening	Yes	Valuation, dividend yield, quality and market factor score	CSI 300
931465.CSI	300 ESG Pioneer	Positive Screening	No		CSI 300
931466.CSI	300 ESG Value	Positive Screening	Yes	Valuation	CSI 300
931525.CSI	Industrial Securities ESG Profit 100	Positive Screening	Yes	ROE	CSI 300
931565.CSI	CMB Wealth Nightlight ESG	Positive Screening	Yes	Market cap	
995009.SSI	China indices dividend ESG	Positive Screening	Yes	Continuous high dividend	Full market
980058.CNI	Green Governance	Positive Screening	No		Shenzhen index
995002.SSI	China indices Sunshine 100	Positive Screening	Yes	Liquidity, financial strength	A share
995006.SSI	China indices A-share dividend	Positive Screening	Yes	Stable and high dividend yield, with a certain size and liquidity	A share

Data source: Wind, Ping An Digital Economic Research Center

## Quality factors performed well, in line with the value investment philosophy.

In recent years, ESG screening plus factor enhancement is the mainstream ESG index strategy. Common fundamental-driven enhancement factors include company valuation and dividend yield. By analyzing the quality factors of pure ESG indices, we find that the valuation and dividend yield of most indices exceeded the average level of CSI 300 regardless of factor enhancement. Among them, the quality factor of the screening enhancement strategy has the best performance. Companies with higher ESG scores also showed better long-term investment value.

Figure 7: Comparison of pure ESG index dividend yield and 1/PE with CSI 300



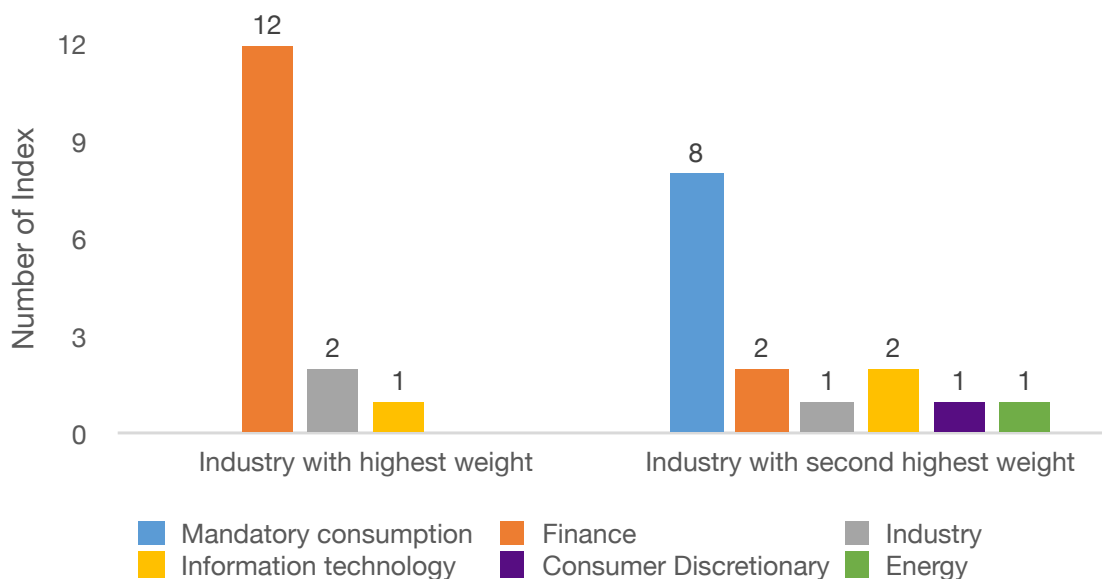
Data as of October 19, 2020  
Data source: Wind, Ping An Digital Economic Research Center

Overweight industries are concentrated in finance and consumption, and the rating system used by the index affects industry distribution.

Among the 15 pure ESG indices for which information are available<sup>6</sup>, 12 are most overweighted in the financial sector, and 8 are second most overweighted in daily consumption. The industry distribution of ESG index is relatively concentrated. Finance, daily consumption and information technology industries are generally favored by pure ESG indices. On one hand, due to the high proportion of pure ESG indices using CSI 300 as the sample pool, the industry

weight deviation is controlled in the index design, so the industry weight is close to that of CSI 300. The weighting ratio of finance, daily consumption and information technology industries in CSI 300 is also high. On the other hand, we also notice that that heavily weighted industries of the indices are directly related to the ESG rating system adopted, and the three indices that adopt the ECPI rating are all biased towards industrial sectors.

Figure 8: The highest and second highest weighting industry in Pure ESG index



Data time: Interim Report in 2020  
Data source: Wind, Ping An Digital Economic Research Center

<sup>6</sup> Industry distribution data of 180ESG, A-share dividend of Sino-Securities, ESG Bond Preferred strategy of China Bond-Huaxia Wealth Management and MSCI China A-share International Access ESG General are not available yet

Table 4: Detailed information on pure ESG indices

Code	Abbreviations	ESG System	Largest position	Second largest position
931168.CSI	ESG Pioneer	CUFE Zhongcai ESG Evaluation	Finance	IT
000970.CSI	ESG40	ECPI	Industries	Finance
000846.CSI	CSI Caitong ESG100	ECPI	Industries	Finance
931148.CSI	ESG80	ECPI	Finance	Industries
995009.SSI	Huaxia Securities Dividend ESG	Huaxia Securities ESG ratings	Finance	Daily consumption
995002.SSI	Huaxia Securities Sunshine 100	Huaxia Securities ESG ratings	IT	Consumption discretionary
980058.CNI	Green governance	Nankai University Chinese Corporate Governance Research Institute Green Governance Evaluation System	Finance	Energy
931565.CSI	CMB Wealth Nightlight ESG	CMB Wealth	Finance	Daily consumption
931477.CSI	Huaxia Bank ESG	CSI ESG evaluation+ Huaxia Bank	Finance	Daily consumption
931525.CSI	Industries Securities ESG Profit 100	CSI ESG evaluation	Finance	Daily consumption
399378.SZ	ESG 300	Unavailable	Finance	Daily consumption
931463.CSI	300 ESG	Unavailable	Finance	Daily consumption
931476.CSI	ESG120 Strategies	Unavailable	Finance	Daily consumption
931465.CSI	300 ESG Pioneer	Unavailable	Finance	Daily consumption
931466.CSI	300 ESG Value	Unavailable	Finance	IT

Data time: Interim Report in 2020

Data source: Wind, Ping An Digital Economic Research Center

## Pure ESG indices have performed well recently, and the long-term earnings performance remains to be verified.

Recently, pure ESG indices have performed well. In the recent state of low market volatility, most indices have achieved short-term returns higher than CSI 300. In the medium and long term, returns of the six indices issued in 2020 have exceeded that of the CSI 300 in the past three years. With most pure ESG indices launched after 2019, long-term performance of the indices has yet to be tested. In general, the ESG 300 index, ZhongCai CSI 100 ESG Pioneer Index, CSI 300 ESG benchmark index, CSI Industries Securities ESG 100 Profit, CMB Nightlight ESG index, Corporate Governance Research Green Gov-

ernance Index and the MSCI China A-share International ESG General Index in the short and medium term have achieved good market returns. Corporate Governance Research Green Governance Index and the MSCI China a-share International ESG General index this year have generated significant excess return. Hwabao MSCI China A Shares International Access ESG (501086), tracking MSCI China A Shares International Access ESG was set up on 2019-08-21. The fund has returned 35.57% in the past year, outperforming its benchmark and achieving higher returns compared with the CSI 300.

Table 5: Range of return of Pure ESG equity indices

Code	Full name of index	Issued in	Return(%)			
			1 month	3 months	1 year	3 years
399378.SZ	CNI ESG 300	2010	1.1	6	24.5	18.5
000970.CSI	CSI ECPI ESG Sustainable Development 40	2010	-0.3	6.1	3.1	-8.3
000846.CSI	CSI Caitong China Sustainable Development 100(ECPI ESG)	2012	-0.4	6.1	15.1	7.4
931088.CSI	CSI 180 ESG	2018	-0.4	5.5	16.4	15.9
931148.CSI	CSI ECPI ESG 80	2019	-1.1	3	5.3	-2.5
931168.CSI	CSI Zhongcai CSI 100ESG Pioneer	2019	0.9	6.5	23.7	15.5
995009.SSI	CSI Dividend ESG	2019	-0.7	5.7	7.5	15.2
995002.SSI	Sino-Securities Index Value Transfer Sunshine 100	2019	0.2	5.6	10.4	9
995006.SSI	Sino-Securities Index A-share Dividend ESG Preferred	2019	-1.1	3.6	3.8	1.6
721812.MI	MSCI China A-share International Access ESG General(USD)	2019	1.7	9.4	31.2	
931463.CSI	CSI 300 ESG Benchmark	2020	0.6	5.5	20.1	21.9
931476.CSI	CSI ESG120 Strategy	2020	0.8	3.1	20.4	29.9
931477.CSI	CSI Huaxia Bank ESG	2020	0.9	3.3	21.8	35.1
931465.CSI	CSI 300ESG Pioneer	2020	0.7	5.3	17.5	18.6
931466.CSI	CSI 300ESG Value	2020	0.1	6.9	16.8	18.9
931525.CSI		2020	0.4	4.9	25.9	33.2
931565.CSI	CSI CMB Wealth Nightlight ESG index	2020	0.9	5.8	22	29.8
980058.CNI	Corporate Governance Institute Green Governance Index	2020	1.2	4.9	39.1	38.5
000300.SH	<b>CSI 300</b>	<b>2005</b>	<b>0.4</b>	<b>4.6</b>	<b>22.9</b>	<b>20.6</b>

Note: Orange suggests beating market average

Data as of October 19, 2020

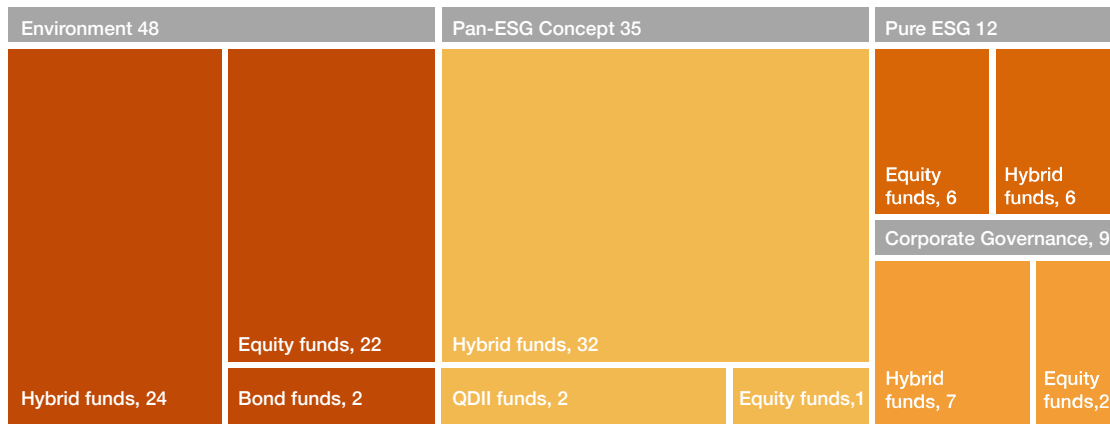
Data source: Wind, Ping An Digital Economic Research Center

## 5. Development and current state of ESG funds in China

Pure ESG thematic funds are still the minority; ESG funds are dominated by environmental themed funds.

So far, there are 12 pure ESG funds<sup>7</sup>, 48 environmental thematic funds, 9 corporate governance thematic funds and 35 Pan-ESG concept funds in the Chinese market. From the perspective of investment asset class, they are mainly hybrid funds, including 69 hybrid funds and 31 equity funds. At present, there are only two fixed-income funds which are environment-thematic funds, namely 005383.OF Fullgoal Green Pure Bond and 009237.OF Industries Green Pure Bond One Year.

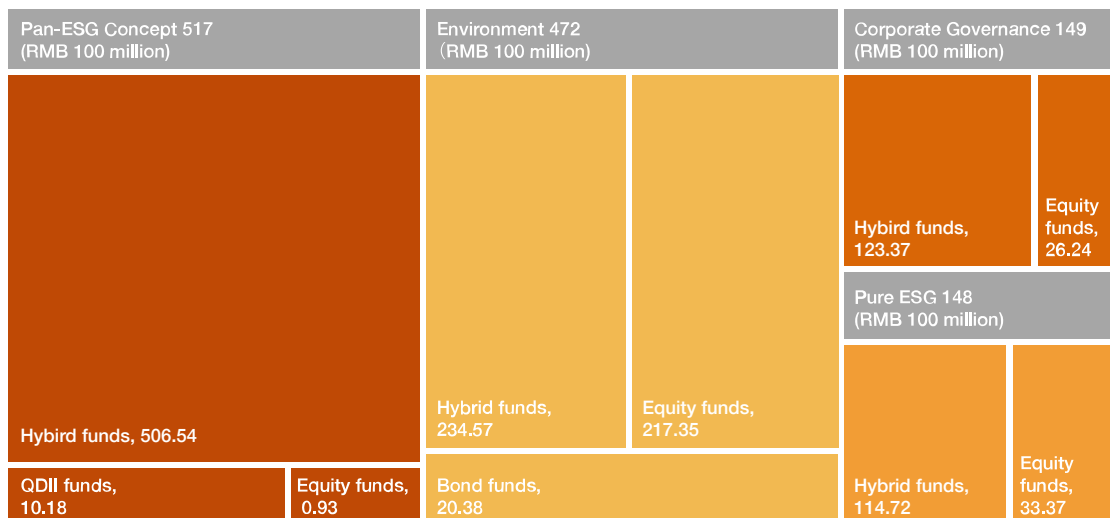
Figure 9: Distribution of ESG Fund themes and investment types



Data source: Wind, Ping An Digital Economic Research Center

In terms of size, the total size of ESG funds is about RMB 128.7bn at present. Among them, 12 pure ESG funds have a total size of RMB 14.8 billion, accounting for 11.5% of the total size. Pan-ESG concept funds have the largest total size, reaching RMB 51.7 billion, accounting for about 40% of the total size of the ESG fund market. In terms of investment asset class, hybrid funds has the largest scale, with the total size reaching RMB 97.9 billion, accounting for more than 70% of the total.

Figure 10: Size distribution of ESG fund themes and investment types



Note: The Pan-Concept Fund China International (QDII) is RMB 1.018 billion and the equity type is RMB 93 million.  
Data source: Wind, Ping An Digital Economic Research Center

<sup>7</sup> One other pure ESG fund 010070.OF is still in the fundraising phase.

### Box 2. ESG thematic fund classification

According to our tabulation, there are 104 ESG thematic funds in China in total. We classify them into: pure ESG Fund, environmental thematic fund, corporate governance thematic fund, and generic/pan-ESG concept fund according to their selection of investment targets.

- **Pure ESG funds:** Considers at two or more of the environmental, social, and corporate governance dimensions. In addition to fund products that specifically integrate ESG scores, this category also includes funds that consider investment themes such as “sustainable development” or “social responsibility.” (See Appendix 2)

Note: Here, the screening criteria for pure ESG funds are relatively loose compared with pure ESG index, mainly considering that the number of pure ESG funds in the market is still small.

- **Environmental thematic funds:** Funds that mainly take environmental factors into account when formulating investment strategies and selecting investment targets. Key words we chose include: “environmental protection”, “low-carbon”, “beautiful China”, “new energy”, and “green energy.”

Note: Environmental thematic funds do not include “new energy vehicles” and other broader industry-specific thematic funds.

- **Corporate Governance thematic funds:** Funds that highlights corporate governance capability when developing investment strategies and selecting investment targets.
- **Generic/Pan-ESG Concept funds:** Other ESG concept funds included in the 104 ESG thematic funds but cannot be included in the above classification due to insufficient information. (See Appendix 3)

The scope of ESG thematic funds is based on Wind ESG concept fund database. According to the definition by Wind, Wind ESG concept funds are funds that include the following key words in their product name/investment scope/investment objective/performance benchmark/investment philosophy: “ESG”, “social responsibility”, “ethical responsibility”, “green”, “environmental protection”, “low-carbon”, “beautiful China”, “corporate governance” or “sustainable development.”

Then we removed different categories or grades of the same fund to avoid double counting, and the fund products that are in the fundraising period and have not yet been listed were screened out. In the end, a total of 104 fund products were analyzed.

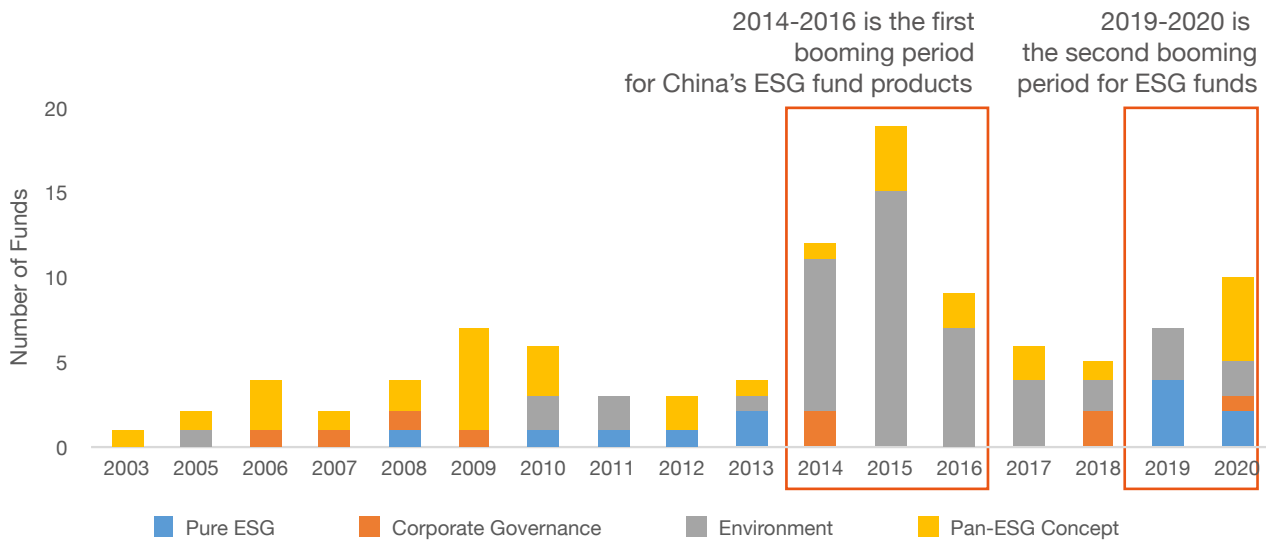
Since 2019, the number of pure ESG Funds has increased rapidly, and ESG funds have entered the second booming period of issuance.

2014-2016 is the first booming period for ESG theme funds in China. In addition to market conditions, it is also closely related to the development of China’s regulatory policies. China issued the Environmental Protection Act in 2014, and put forward specific provisions on environmental pollution information disclosure. The State Council in 2015 for the first time explicitly stated “to establish China’s green financial system”. Seven ministries in 2016 published the “Guidance on Building Green Financial System.” This constitutes the policy background for the first wave of release for Chinese ESG funds. Therefore, ESG

thematic concept funds established during this period also focus on environmental themes. The development of ESG concept started to accelerate in China in 2019, with ESG themed funds attract more and more market attention. More ESG funds are established with varied types. With new Pure ESG fund increased significantly, the market With entered the second concentrated year of ESG funds establishment.



Figure 11: Distribution of the number of ESG funds issuance by type by year

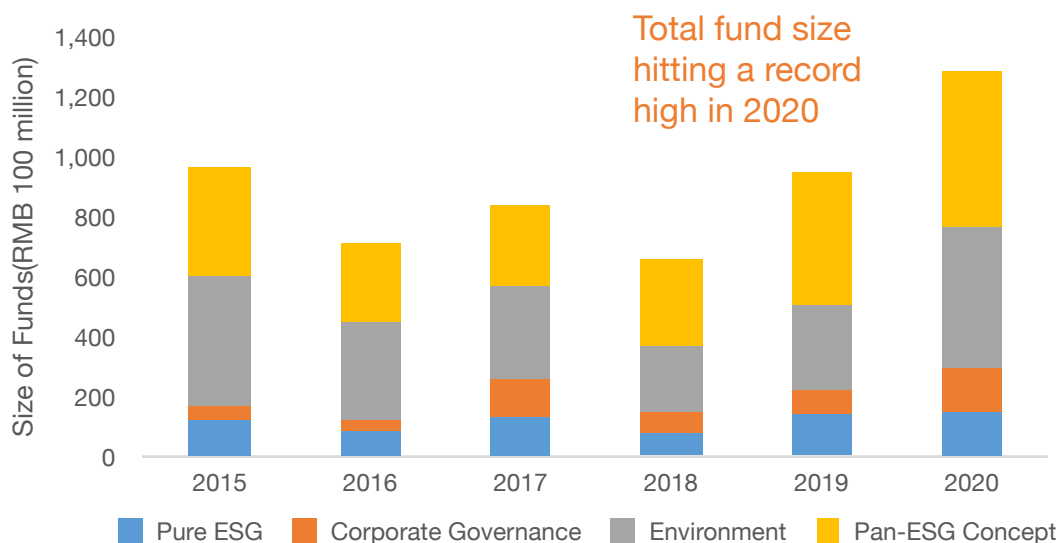


Data source: Wind, Ping An Digital Economic Research Center

In terms of issuance size, ESG thematic concept funds in general have been growing rapidly since 2018. So far, the total size of ESG thematic concept funds has increased by 36% compared with the end of 2019, nearly double that of the end of 2018. The size of ESG concept fund will usher in a historical breakthrough in 2020. The main drivers of growth are still environmental themed funds and pan-ESG concept funds. The scale of pure ESG funds increased significantly in 2019, while the scale of corporate governance themed funds grew rapidly in 2020.

From the perspective of asset classes, the size growth mainly comes from hybrid funds. The size of ESG funds based on equity increased in 2019 and remained basically flat in 2020. As is the case with indices, ESG fixed-income funds have lagged behind equity and hybrid funds. In 2020, Industrial Securities issued a Green Pure Bond Fund with one-year closed period of RMB 1.6 billion (see Appendix 4).

Figure 12: Distribution of the cumulative size of ESG funds by theme by year



Data source: Wind, Ping An Digital Economic Research Center

Passive index funds mainly focus on environmental theme, and the overall size of the total passive funds remains small.

In terms of number, there are 88 active funds and 16 passive index funds among all ESG thematic funds. Index funds mainly focus on environmental theme, and there are 4 indexed pure ESG funds (Table 6). Although there are 16 passive index funds, the fund size is small, with a total AUM of only RMB 5.9 billion. The total AUM of passive index ESG funds, although rising continuously since 2017, is still short of the peak of RMB 8.56 billion in 2015.

**Table 6: Passive index Pure ESG fund**

Code	Fund full name	Year of establishment
510090.OF	CCB SSI Social Responsibility ETF	2010
000042.OF	Caitong CSI 100 Enhanced A	2013
501086.OF	Hwabao MSCI China A-share International Access ESG	2019
515090.OF	Bosera Sustainable Development 100ETF	2020

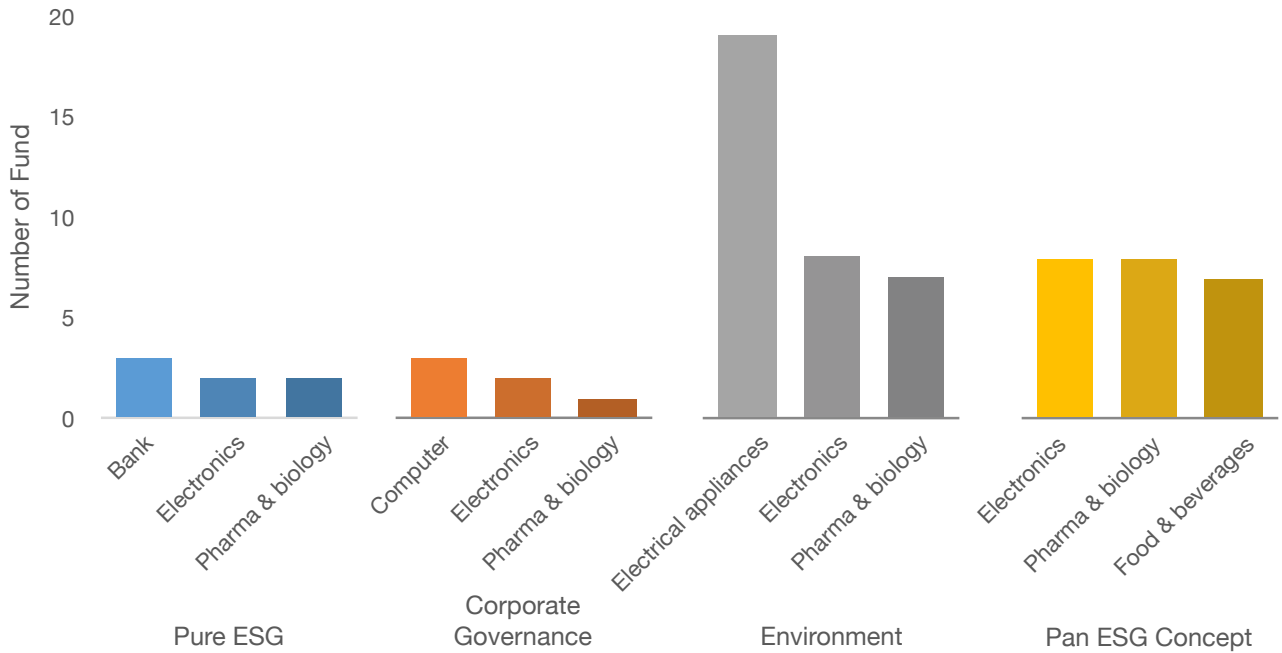
Data source: Wind, Ping An Digital Economic Research Center

In terms of industry distribution, financial industry is favored by pure ESG funds, while environmental thematic funds prefer electrical equipment.

The number one overweighed industry in the ESG fund is concentrated in the electronics and pharmaceutical biology sectors. Environmental thematic funds prefer electrical equipment. This is mainly because many environmental theme funds limit their stock selection to environmental protection related industries, and there are a large number of electrical equipment companies in this industry. In pure ESG funds, the financial industry represented by banks has more weight. This is consistent with our findings in the pure ESG index overweight industry. The financial industry generally has good ESG performance compared to other industries. Therefore, fund products that rely on ESG score as the investment strategy tend to have large holdings in the financial sector.

2020 mid-year reports show that among the 28 industries, the pharmaceutical biology and electronics sectors are also the top two most overweighed industries in the overall fund market. Electronics and computer industry ranks fourth, electrical equipment ranks seventh, and banking ranks eighth. Industry distribution of ESG funds is basically consistent with the overall fund market. ESG factors have no obvious influence on the industry allocation. Currently, few ESG themed funds in China rigorously use ESG scores as a core evaluating criteria, the subjective opinion of fund managers is still the dominant determinant.

Figure 13: Number of funds in top three highest weighting industries of ESG funds by theme



Data source: Wind, Ping An Digital Economic Research Center

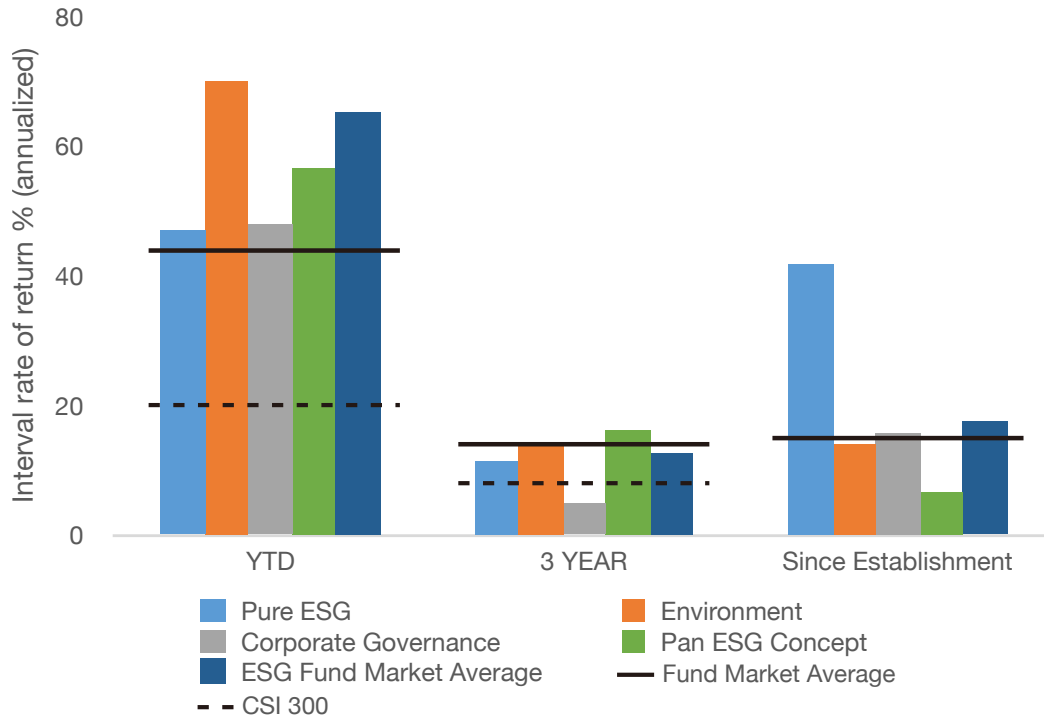
## ESG funds have outperformed the market as a whole in 2020.

By comparing the average annual return of ESG funds with the market average of the same type of funds<sup>8</sup>, we find that:

- ESG equity funds have achieved good returns under different time spans. Since 2020, annualized return of pure ESG funds has reached 47.07%, environmental theme 70.02%, corporate governance theme 47.91%, and pan-ESG concept 56.4%. The annualized return rate of all ESG funds has exceeded the average level of equity fund market of 42.22%. The average return of ESG funds has been in line with the market over the past three years, mainly due to better performance of environment-themed funds in the medium to long term. Since the establishment of pure ESG funds, the range of returns has exceeded the market average, which is mainly because most pure ESG funds are relatively young and have been heavily influenced by the market this year.
- The medium and long term performance of ESG hybrid funds is relatively weak compared with that of equity funds. However, since 2020, all types of ESG funds except for environmental thematic funds have performed well. Therefore, ESG funds as a whole still achieve better returns than market average.
- The one-year and three-year returns of both equity and hybrid funds have recorded greater returns than CSI 300 index.
- Since the beginning of this year, equity-based environment-thematic funds have not only shown good returns, but also low volatility and well-performing risk-adjusted returns.
- Notably, ending on October 19, 2020, return yield of electrical equipment sector is as high as 58.17%, ranking first among all 28 industries. Pharmaceutical biology sector ranks fourth at 49.67%. Electronics sector ranks sixth at 30.86%. The outstanding performance of the environment-themed funds is mainly due to its exposure to electrical equipment sector. The fact that ESG funds have been outperforming the CSI 300 is likely driven by funds' flexibility of industry rotation. The effects of ESG factor itself remains to be verified. In follow up research, we focus on using NLP techniques to detect possible evidence of greenwashing and under-reporting by high-emission firms, which will allow us to have complementary tools that help distinguish truly ESG compliant firms, in addition to traditional ESG factors.

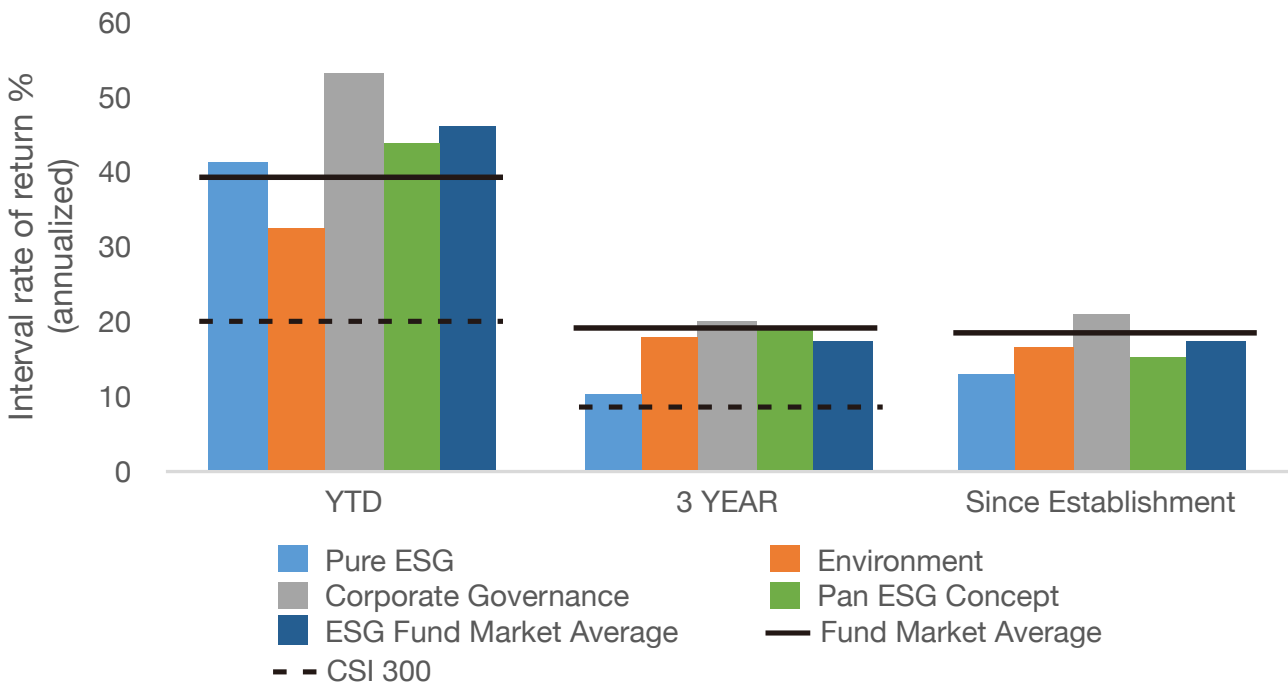
8 Sam Meredith (2020). Sustainable investment funds just surpassed \$1 trillion for the first time on record, <https://www.cnbc.com/2020/08/11/coronavirus-esg-and-sustainable-funds-surpass-1-trillion-for-the-first-time.html>

Figure 14: Return Range of Equity/Stock Fund (Annualized)



Data as of October 19, 2020  
Data source: Wind, Ping An Digital Economic Research Center

Figure 15: Return Range of Hybrid Funds (Annualized)



Data as of October 19, 2020  
Data source: Wind, Ping An Digital Economic Research Center

Table 7: Volatility of various thematic funds (annualized)

	Equity		Hybrid funds with equity focus	
	Since 2020 %	Past 3 years %	Since 2020 %	Past 3 years %
Pure ESG	21.86	20.91	22.76	22.28
Environment	13.41	12.41	28.24	25.39
Corporate governance	34.39	33.15	9.44	8.31
Pan ESG	26.33	22.58	26.53	23.7
ESG Fund Average	16.41	15.39	24.22	21.95
Fund Market Average	21.77	19.66	20.81	18.86
CSI 300	22.89	20.69	22.89	20.69

Note: Orange suggests beating market average

Data as of October 19, 2020

Data source: Wind, Ping An Digital Economic Research Center

## Actively managed funds have generally delivered better returns, while passive index ESG funds did not beat the market average.

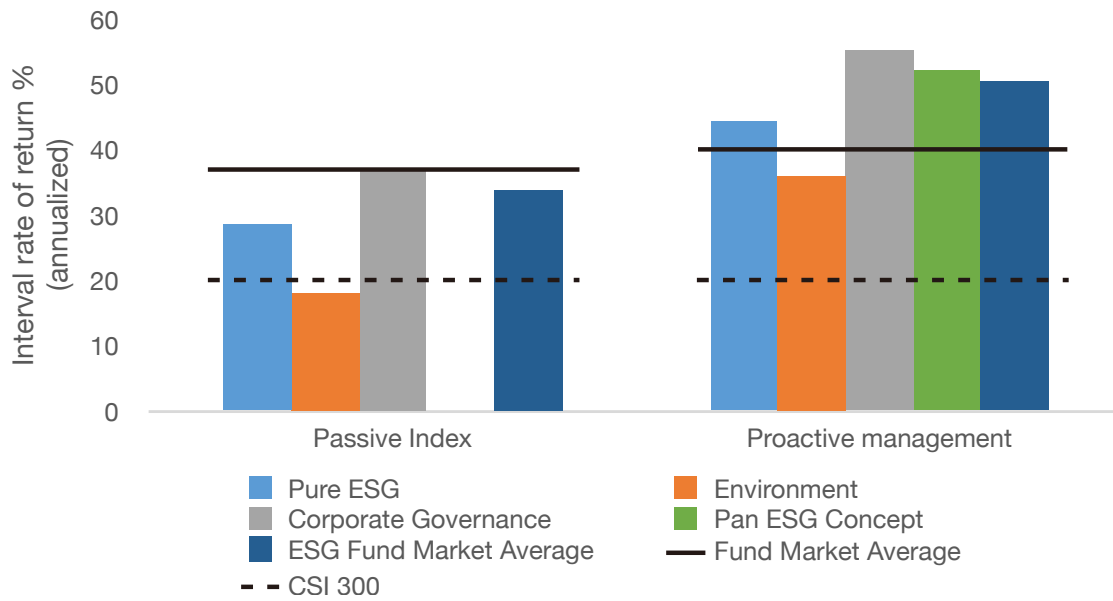
So far this year, the annualized return<sup>9</sup> of actively managed ESG products is 50.42%, surpassing the annualized return of actively managed funds of 42.76%<sup>10</sup> and achieving an excess annualized return of more than 6 percentage points. On the other hand, the average return of passive ESG funds of 33.54%<sup>11</sup> so far this year has failed to beat the annualized return of 36.75% of passive index funds. At present, ESG passive index fund products do not perform as well as active products in terms of both relative return and absolute return. This may be due to a more flexible stock selection pool in active products, where the ability of fund managers to pick stocks plays a more important role.

9 The calculated results are the weighted average annualized return on the product size of this type of funds

10 The data is the AuM weighted average YTD annualized return of open-ended and closed-ended equity funds, equity-leaning hybrid funds and balanced funds.

11 The data is the AuM weighted average YTD annualized return of open-ended and closed-ended passive equity index funds and enhanced equity index funds.

Figure 16: Return of active VS passive ESG Funds in 2020 (Annualized)



Note: There is no passive index fund for the Pan-ESG fund  
 Data as of October 19, 2020  
 Data source: Wind, Ping An Digital Economy Research Center

## 6.Recommendations and future trends

### 1. ESG ratings and data coverage in the domestic market need to be further enhanced to improve alignment with the Chinese market to support the enrichment of ESG themed investment products:

The development of ESG rating and data in China is in its early stages, but the speed cannot be underestimated. In the last five years alone, eight different types of data and ratings providers have emerged. However, due to the relatively low availability of ESG data for China’s A-shares, historical time series data of existing providers are insufficient with low coverage. This significantly limits the diversity of financial products and the verifiability of ESG factors’ impact. Due to the lack of historical data, backtesting for strategy development is also restricted. There are already providers that have started to cover all A shares with multiple years of data, such as Harvest Fund and Ping An’s proprietary ESG data and rating system. In addition to the equity market, improving coverage for fixed-income is another challenge. Bond issuers are not subject to the same requirement for information disclosure as listed companies, which makes it even more difficult to obtain ESG related data for bonds and bond issuers. As a result, corresponding ESG rating system for fixed-income significantly lags behind that of equity. The complex structure of a fixed-income investment adds additional challenges. This, to a large extent, limits the development of ESG fixed income products.

In addition to coverage, data and rating providers in Chinese market should pay attention to the localization of ESG concepts in China. Considering the different

national conditions and development stages of Chinese companies, China’s ESG rating system should also adjust the indicators and evaluation standards beyond integrating with international guidelines, so that the system can fully provide data in line with China’s financial market. In this case, we should take advantage of the diversity of existing data and rating providers in China. Compared with the global market, the types of institutions offering ESG data and rating services in China are more diversified, including academic institutions, non-profit organizations, financial institutions and consulting companies. Each type of institution has a different perspective. This kind of diversification can better stimulate market research and development of ESG standards more suitable for China’s conditions.

### 2. Alternative data and technology can help investors distinguish between companies that are truly ESG compliant and well performing vs. those who are not.

As ESG continues to develop, investors have also become more conscious of the possibility of greenwashing, where companies’ disclosures do not reflect their actual performance. Also, the definition of ESG is also loose. For example, as we show in this report, funds and indices that explicitly use ESG scores for screening and those that only focus on a “green” theme are all considered in the ESG fund universe. This gives opportunities to wear a green hat but how green the underlying assets are needs to be carefully examined. We are developing a range of tools that help us better detect companies that show potential evidence of greenwashing. For example, we are developing NLP

based transparency indicators that help us distinguish between Brown vs. Green firms and detect areas of under-reporting by Brown firms. Also, we use several ESG ratings to detect anomalies between companies that do disclose vs. those who do not. These tools complement existing ESG ratings in the market to better distinguish truly well-performing firms.

### 3. Establishment of ESG ratings and data for bonds and bond issuers is essential to accelerate integration of ESG in fixed income investment:

Due to the lack of established ratings and data for fixed income, there are only a small number of fixed income ESG products in the market, but various types of ESG fixed income products are gradually emerging. At the end of September 2020, CCDC issued the China Bond-Huaxia Wealth ESG Preferred Bond Strategy Index. The Index screened constituent bonds jointly according to Huaxia Wealth ESG and China Bond ESG Evaluation System, which was the first index product in China that explicitly used ESG score to screen constituent bonds. From the point of fund products, there is no clear sign of bond fund using ESG scores as a standard for screening. In the market, there are only 2 bond funds under the theme of environment, of which, one was established in 2020, Industries Green Pure Bond One-Year Closed of RMB 1.6 billion, compared with 2018 issue of Fullgoal Green Pure Bond of RMB 390 million, there is a significant breakthrough.

### 4. Index providers and fund management companies should develop more diversified ESG products such as passive funds, quantitative funds, and investment products for the primary market, providing more investment options for investors:

Issuance of ESG indices and fund products exploded in 2019, and their investment strategies are also more diverse. The five ESG indexes released by CSI at the end of April 2020 used four different screening and factor enhancement strategies, which will provide more options for investors in the future. In addition, only Sino-Securities Index's ESG stock pool covers all A-shares, while most other index products are still based on CSI 300 pool. In the future, as more rating agencies cover the full A-share market, there would be more flexibility for investors. Performance should also improve as a result. In the fund market, there are still just a few passive index ESG funds at present, and the total size is far lower than that of active ESG funds of the same type. In the future, with the abundance of ESG index and further popularization of ESG investment philosophies, passive ESG fund products will develop further.

We also notice that after the launch of the CX Quantitative Fund for Low-carbon and Environmental Protection Industry in 2017, another pure ESG quantitative fund launched in 2020 - Morgan Stanley Huaxin ESG Quantitative First. The improvement and standardization of ESG data will also provide new possibilities for quantitative ESG fund in the future. With rising influence of ESG investment in the secondary market, it is starting to also influence the primary market. In developed markets, ESG investment has been incor-

porated in the whole process of equity investment “fund-raising, investing, portfolio-managing and exiting”, and has become a part of equity investment due diligence. At present, dozens of private equity institutions in China have signed the United Nations Principle of Responsible Investment (PRI). In the future, equity investment institutions should consciously incorporate ESG concept into their investment process, so as to avoid environmental and social risks and better prepare for the secondary market.

### 5. As China puts more emphasis on climate change, financial markets should proactively innovate and develop financial products to respond to the need of climate risk mitigation and transition into a low-carbon economy:

President Xi Jinping recently set the goal of China's carbon emissions peaking by 2030 and achieving carbon neutrality by 2060. Against this background, the five ministries and commissions including the Ministry of Ecology and Environment, the National Development and Reform Commission, the People's Bank of China, the China Banking Regulatory Commission and the China Securities Regulatory Commission jointly issued the “Guidance on Promoting Investment and Financing for Addressing Climate Change”, which for the first time brought investment and financing for climate change to the national policy level. Although ESG themed financial products have been rapidly developing in China, there is still a gap in financial products that specifically focus on climate risk mitigation. Existing products on the market are mainly based on new energy vehicles and environmental protection fund. These funds focus on a few market hot spots (such as electrical vehicles), but lack comprehensive consideration of companies' climate exposure or likely impact on a company's financial performance from a market-wide perspective. In contrast, corresponding financial products have emerged in international markets. MSCI and S&P, for example, have launched a series of climate change indices. “S&P 500 Climate Transformation Index” released by S&P fully takes into account the physical and transition risks faced by constituent companies, as well as the company's existing carbon emission numbers and emission reduction targets. The guidelines issued by the five ministries and commissions also explicitly support the exploration of carbon financial derivatives trading represented by carbon futures and carbon funds based on carbon emission reduction. In addition to innovations in financial markets, companies should also actively propose measures to address climate change. A number of foreign industry representatives have issued carbon neutral targets. Chinese companies should actively respond to energy conservation and emission reduction, and also engage in better information disclosure and provide data support for financial market research and development of corresponding financial products.



## 7.The Appendix

### Appendix 1: Summary of characteristics of international and domestic ESG data and rating providers

	Product offering	Coverage	Data source	Methodology
<b>International</b>				
MSCI ESG studies	ESG raw data, ratings, research and indicators.	There are 8,500 companies (14,000 issuers, including subsidiaries) and more than 680,000 equity and fixed income securities worldwide.	1) More than 100 specialized datasets (government, NGOs, model) 2) Corporate disclosure (10-K, sustainability report, agency report) 3) Monitor more than 1,600 media sources (global and local news, government, NGOs) daily	Considers both risks and opportunities. Opportunity assessment works in a similar way to risk assessment, but models that combine exposure and management are different. Exposure represents the relevance of opportunities to a particular company based on its current business and geographical location. The ability of management indicates whether a company is capable of seizing this opportunity.
RepRisk	Index, ratings, UN Global Compact, Violator Logo and Violator index	Provide ESG reports for more than 84,000 private and listed companies in 34 industries worldwide. It also provides ESG reports to more than 14,000 NGOs, 10,000 government agencies and 20,000 projects.	Since January 2007, it has more than 13 years of historical data, marked 8 million documents, screening more than 500,000 documents daily, screening more than 100,000 public resources and stakeholders daily, covering 20 kinds of main business language, with more than 85 ESG analysts	RepRisk focuses on 28 major ESG issues, which are corresponding to the ten principles of the UN Global Compact (UNGC), divided into environment, community relations, employee relations and corporate governance issues.  RepRisk also studied 45 popular ESG topics.
Sustainalytics	ESG risk rating, ESG data, Corporate governance rating, carbon risk rating, and country risk rating	The ESG rating covers 9,000 companies and now extends to 11,000 companies across 42 industries.	Factors for assessment include a company's event tracking record, structured external data (e.g., carbon emissions), company reports, and third-party researches.	The ESG risk rating final score is a measure of unmanaged risk, which is defined as material ESG risks that have not yet been managed by the company. In general, a company's ESG risk rating is derived by adding up the amount of unmanaged risk for each major ESG issue. The ESG risk rating final score is calculated by adding the unmanaged risk scores of each major ESG issue together. Unmanaged risks include a company's management gaps and risks beyond its control. In other words, the difference between a firm's exposure and its managed risk.
Truvalue Labs (Acquired by Factset)	Provides platform, data, cloud and metrics solutions. Their selling point is a set of ESG services featuring artificial intelligence and alternative data.	Not available	Not available	Provide ESG insight score, momentum score, pulse score, volume score, and focus events. Integrated with the materiality framework of the Sustainable Accounting Standards Board (SASB).

Owl Analytics	Owl Analytics is an alternative data company focused on ESG research. Gather hundreds of ESG data and research sources to score and rank companies. It also covers 10,000 US mutual funds and ETFs.	It covers more than 25, 000 listed companies around the world and publishes metrics monthly (rather than annually). It accounts for 95% of the weight of most major indicators. Claims to provide optimal coverage for small, emerging and frontier market companies.	Not available	Claiming that their data optimization process can reduce the subjectivity of scores, providing absolute and relative indicators, including 12 key performance indicators that quantify corporate behavior. Monitors various TYPES of ESG information sources, such as company archives, corporate social responsibility (CSR) reports, news and NGO research, tracking companies based on more than 180 data points on environmental, social, governance, disputed revenues and UN global influence.
Refinitiv	ESG raw data and rating provider	There are nearly 9,000 companies in the world, time series data can be traced back to 2002.	Data sourced from annual reports, company websites, NGO websites, SEC filings, corporate social responsibility (CSR) reports and news channels. 450 ESG metrics.	1. Generate ESG category scores 2. Apply materiality matrix 3. Calculate the overall ESG score and category score 4. Calculate dispute scores 5. Calculate ESG composite score
<b>Domestic</b>				
SynTao Green Finance	The first ESG rating and information provider in China. Offers ESG data, consulting services, and also publish ESG indices.	Familiar with Chinese Market. Rating covers: 1. CSI300 constituents 2015-2019 data 2. CSI800 constituents 2018-2019 data 3. Market cap ranked 800-1,200 public companies 2019 data 4. H Share 400 public companies 2019 data 5. 800 non-public bond issuers data	Company annual reports, corporate responsibility reports, official media account of companies, government information, media news.	1. ESG Rating: relative to global standards and best practices and deduct for negative news. Have 13 secondary indicator and 300+ tertiary indicators. a. weighted computation b. rating 2. ESG Profile: a. ESG Scores -Break into industries for final adjustment b. ESG report c. Controversy report
Ping An	CN-ESG data and reports: Detailed Chinese company data and benchmarks, including scores, raw indicators, standardized reports, and web interface for analysis.  AI-ESG management platform: Provides companies with a platform to formalize and streamline ESG reporting & monitoring.  AI-ESG customized data analytics: Tools to help companies and investors assess climate risk exposures and the impact of climate risks on company performance.	ESG composite scores, breakdowns and sub-indicators for all A-share companies for five years	Company disclosures (including corporate responsibility reports and company financial reports), sentiment news data, social media data, government websites, remote sensing data, etc.	Indicators are built in line with international guidelines with specific Chinese characteristics. Indicators are for E, S, G, and B (Business) dimensions, with 350+ data points. Industry specific indicators are customized for 43 industries. Weight allocation is based on both expert opinion on ESG principles and also quant analysis on factor relevance to market performance. The final composite score is further adjusted based on NLP sentiment analysis from news reports, governmental penalties, legal actions, and opinion trends. Quarterly base scores and dynamic sentiment scores are then published.

Harvest Fund	ESG ratings and indicators for Chinese companies.	3,700+ listed A share companies; monthly data from January 2017	Company disclosure data, government and regulators information disclosure platforms, news media, NGOs and industry associations.	Includes 8 main topics and 23 sub-topics across E, S, and G pillars. Leverages NLP and machine learning techniques to generate ESG investment signals. Integrate Chinese characteristics into rating process and use quantitative tools to test factor relevance.
MioTech	ESG raw data, rating provider. Also provides controversies, industry and supply chain research.	800,000 companies including all A, H stocks, debt issuers	Global traditional finance database, China finance database, news, social media, and publicly available information.	Not available
International Research Institute of Green Finance, Central University of Finance and Economics	The leading academic institute in green finance in China. Provides ESG database, reports, and indices.	<ul style="list-style-type: none"> <li>• Have a comprehensive database and platform priced at different tiers for investors.</li> <li>• Familiar with Chinese Market: Ratings covers over 1,554 listed public companies and 1,500+ non-public debt issuers.</li> </ul>	Information not available.	<ol style="list-style-type: none"> <li>1. Scoring for environmental protection, social responsibility, and corporate governance.</li> <li>2. Negative news adjustment.</li> <li>3. Composite score calculation.</li> </ol>

#### Appendix 2: List of Pure ESG Thematic Funds

Code	Abbreviation of Fund	Founding time	Type of investment	Fund Size (100 million YUAN)
340007.OF	XQ Social Responsibility	2008-04-30	Hybrid fund	61.31
510090.OF	CCB Shanghai Index Social Responsibility ETF	2010-05-28	Equity Fund	0.79
470028.OF	Hui Tian Fu Social responsibility	2011-03-29	Hybrid fund	23.29
530019.OF	CCB Social Responsibility	2012-08-14	Hybrid fund	0.25
000042.OF	Caitong CSI 100 Enhanced	2013-03-22	Equity Fund	1.70
000017.OF	Caitong Sustainable Development	2013-03-27	Hybrid fund	1.77
161912.OF	Wanjia Sustainable Development closed	2019-03-21	Hybrid fund	8.84
501086.OF	Hwabao MSCI China A Shares International access ESG	2019-08-21	Equity Fund	0.39
007548.OF	E Fund ESG Responsible Investment	2019-09-02	Equity Fund	4.77
008264.OF	Southern ESG thematic	2019-12-19	Equity Fund	12.99
515090.OF	Bosera Sustainable Development 100ETF	2020-01-19	Equity Fund	12.13
009246.OF	Morgan Stanley Huaxin ESG Quantitative first	2020-07-16	Hybrid fund	22.26

Data source: Wind, Ping An Digital Economic Research Center

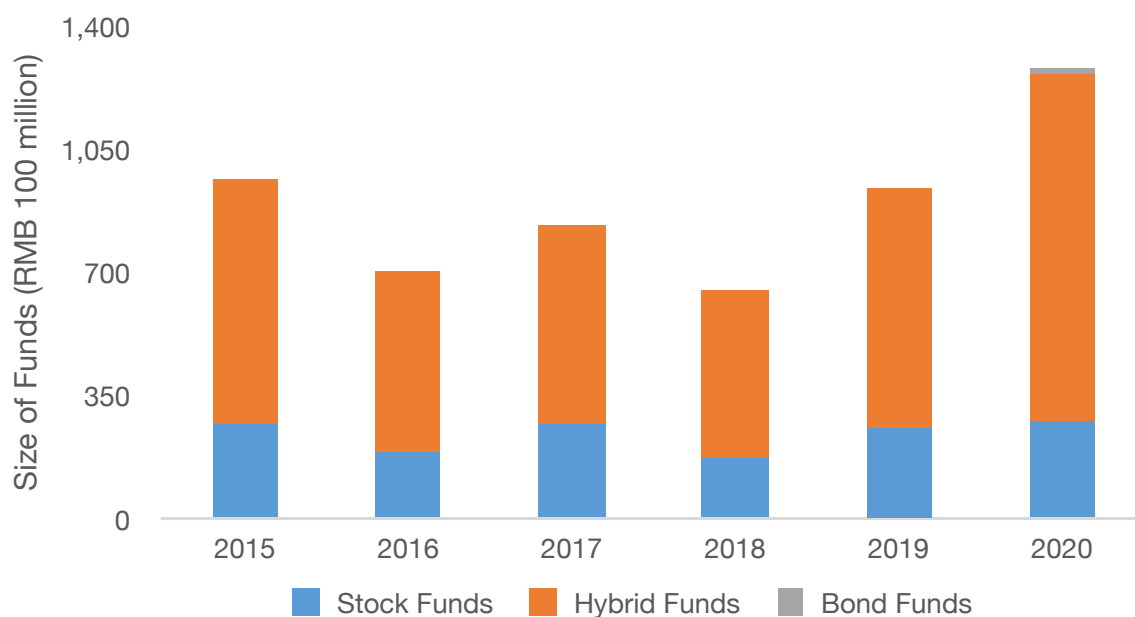
## Appendix 3: List of Pan ESG Thematic Funds

Code	Fund name	Founding year	Fund Size (100 million YUAN)
151001.OF	Galaxy Stable Fund	2003	14.5621
519008.OF	China Universal Selected Hybrid Fund	2005	26.9239
121003.OF	UBS SDIC Core Enterprises Hybrid Fund	2006	14.5602
163803.OF	BOC Sustainable Growth Hybrid Fund	2006	18.9056
290004.OF	First-Trust High-Quality Life Hybrid Fund	2006	4.1590
519694.OF	Bocom Schroders Blue Chip Hybrid Fund	2007	28.4362
163805.OF	BOC Dynamic Strategy Hybrid Fund	2008	6.5199
486001.OF	ICBCCS Global China Opportunity Equity Fund	2008	10.0609
163807.OF	BOC Industry Select Dynamic Allocation Hybrid Fund	2009	5.6320
290006.OF	First-Trust Blue Chip Selected Hybrid Fund	2009	2.3371
400011.OF	Orient Core Power Hybrid Fund	2009	2.2937
519069.OF	China Universal Value Hybrid Fund	2009	147.4330
519113.OF	AXA SPDB Fine Life Dynamic Allocation Hybrid Fund	2009	2.3791
540007.OF	HSBC Jintrust Mid/Small-Cap Equity Fund	2009	0.9254
290008.OF	First-Trust Development Theme Hybrid Fund	2010	0.7353
460010.OF	Huatai-PB Asia Leader Hybrid Fund	2010	0.1169
550009.OF	Citic-Prudential Mid/Small-Cap Hybrid Fund	2010	1.8884
166801.OF	Zheshang Juchao New Thinking Hybrid Fund	2012	5.8975
200015.OF	Great Wall Optimization and Upgrade Hybrid Fund	2012	0.9398
290014.OF	First-Trust Modern Service Industry Hybrid Fund	2013	0.7010
000788.OF	First Seafront China Growth Dynamic Allocation Hybrid Fund	2014	0.8040
001959.OF	Huashang Enjoyed Internet Dynamic Allocation Hybrid Fund	2015	3.2464
519655.OF	Galaxy Modern Service Theme Dynamic Allocation Hybrid Fund	2015	8.5531
960011.OF	BOC Sustainable Growth Hybrid Fund	2015	18.9056
960013.OF	China Universal Value Hybrid Fund	2015	147.4330

002152.OF	Hwabao WP Core Advantage Dynamic Allocation Hybrid Fund	2016	1.2028
002666.OF	First Seafront Hugangshen Innovation Growth Dynamic Allocation Hybrid Fund	2016	0.3125
001656.OF	ABC-CA China Advantage Dynamic Allocation Hybrid Fund	2017	2.0751
004423.OF	Huashang Research Selected Dynamic Allocation Hybrid Fund	2017	2.0477
005519.OF	Yinhua Mixed-Ownership Economy Reformation Dividend Dynamic Allocation Hybrid Initiating Fund	2018	3.1941
010155.OF	Changsheng Core Growth Hybrid Fund	2020	5.3015
007273.OF	GF High-Quality Life Hybrid Fund	2020	15.1406
009048.OF	Axa Spdb Sci-Tech Innovation Optimization 3 Years Closed Operation Dynamic Allocation Hybrid Fund	2020	2.1441
009055.OF	Golden Trust Sinopac Greater Bay Area Theme Hybrid Fund	2020	2.1863
501095.OF	BOC Securities Sci-Tech Innovation 3 Years Closed Operation Dynamic Allocation Hybrid Fund	2020	9.6891

Data source: Wind, Ping An Digital Economic Research Center

**Appendix 4: Distribution of ESG fund sizes for different investment types (by year)**



Data source: Wind, Ping An Digital Economic Research Center

### About Ping An Group

Ping An Insurance (Group) Company of China, Ltd. (“Ping An”) is a world-leading technology-powered retail financial services group. With over 214 million retail customers and nearly 579 million Internet users, Ping An is one of the largest financial services companies in the world.

Ping An has two over-arching strategies, “pan financial assets” and “pan health care”, which focus on the provision of financial and health care services through our integrated financial services platform and ecosystems. Our “finance + technology” and “finance + ecosystem” strategies aim to provide customers and internet users with innovative and simple products and services using technology. As China’s first joint stock insurance company, Ping An is committed to upholding the highest standards of corporate reporting and corporate governance. The Group is listed on the stock exchanges in Hong Kong and Shanghai.

In 2020, Ping An ranked 7th in the Forbes Global 2000 list and ranked 21st in the Fortune Global 500 list. Ping An also ranked 38th in the 2020 WPP Kantar Millward Brown BrandZTM Top 100 Most Valuable Global Brands list. For more information, please visit [group.pingan.com](http://group.pingan.com).

### About Ping An Digital Economic Research Center

Ping An Digital Economic Research Center utilizes more than 50 TB high frequency data points, more than 30 years of historical data and more than 1.5 billion data points to drive research on the “AI + Macro Forecast” and provide insights and methods towards precise macroeconomic trends.

### Disclaimer

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