



丝路基金
Silk Road Fund

A Decade of Dedication For a Shared Future

Sustainability Report

September 2024

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Message from Chairwoman

It has been a decade since President Xi Jinping first proposed the Belt and Road Initiative (BRI) in 2013. Established in 2014 under the BRI, Silk Road Fund has remained committed to its original aspiration and founding mission, and upheld the principles of "openness, inclusiveness and mutual benefit." We work hard to sow the seeds of cooperation, nourish the flowers of investment and produce the fruits of development to benefit the people. All of these efforts aim to enable the BRI to bring opportunities and prosperity for the entire world.

Focusing on high-standard cooperation, people's livelihoods and sustainability, we are dedicated to high quality development of the BRI, realize the Global Development Initiative, and contribute Chinese wisdom to achieving the United Nations Sustainable Development Goals (UN SDGs). In line with advanced international standards and best practices in sustainable finance, we have been enhancing our corporate governance and strengthening our capacity for sustainable investment. By making investments with both economic and social benefits, we continuously enhance the green foundation of our underlying portfolio.

As one of the first signatories to the Green Investment Principles (GIP) for the Belt and Road, we continued our journey of sustainable investment in 2023. Over the year, we expanded our sustainability network by co-initiating the Capacity-building Alliance of Sustainable

Investment (CASI) and joining the International Capital Market Association (ICMA). As highlighted in this Report, we partner with an increasing number of international and domestic stakeholders to build new platforms for global cooperation, to address emerging challenges in global development, and to explore innovative practices in green finance. We aim to make new contributions to the construction of a Green Silk Road and the advancement of international sustainable finance.

As an old Chinese saying goes, "One must sharpen one's tools to excel for one's work." We continuously improve our sustainable investment capability. Under the Board of Directors, the Sustainable Investment Committee guided us to introduce a Sustainable Investment Policy and develop an Investment Exclusion List. We have actively engaged in thematic investments with focuses on social impact, energy transition, and climate change. We have also integrated sustainability considerations into our investment management and risk control framework and thus enriched our ESG risk management toolkit. We have further conducted an inventory on our carbon footprint, built a sustainable investment data management system, and engaged with our investee companies through stewardship. By the end of 2023, our sustainable assets under management (AUM) had reached US\$2.6 billion. We received the 2023 GIP Outstanding Services Award in recognition of our achievement.

2024 marks the 10th anniversary of the founding of the Silk Road Fund. The past decade has been a fruitful one and paved the way for future prosperity. We will stay steadfast to the philosophy of new development, empower environmental improvement, promote social progress, and enhance corporate governance. We shall build a healthy, green, digital, and innovative Silk Road. We shall also contribute to a more inclusive and resilient global economy together with our global partners.

ZHU Jun

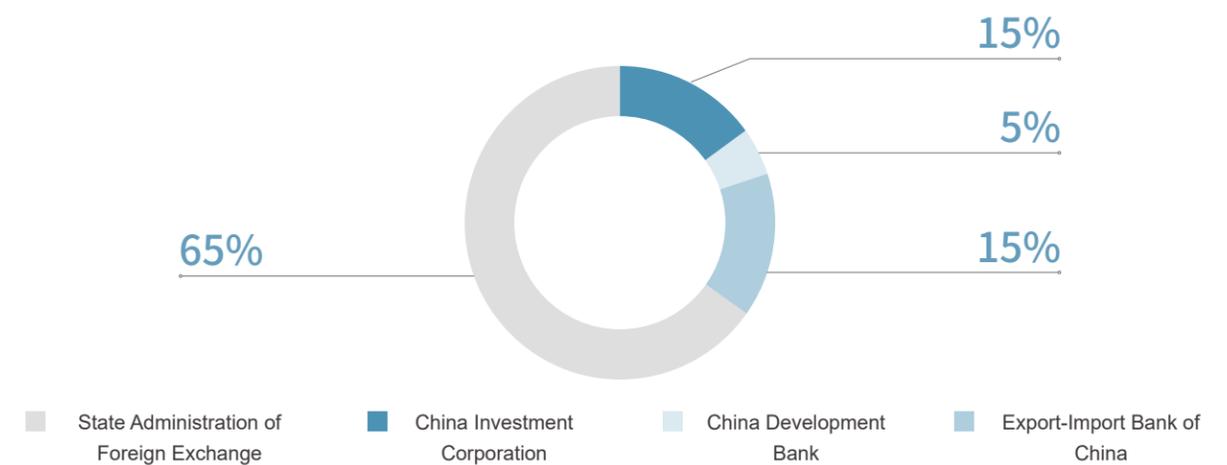
Chairwoman of Silk Road Fund



About Silk Road Fund

Silk Road Fund Co., Ltd. ("SRF", the "Company", or "we/us") is a medium to long term investment fund established in Beijing under the Company Law of the People's Republic of China. The Company has a total capital of US\$40 billion and RMB 180 billion, contributed by the State Administration of Foreign Exchange (65%), China Investment Corporation (15%), China Development Bank (5%) and Export-Import Bank of China (15%), respectively.

Total Capital and Shareholder Structure



Following the philosophy of openness, inclusiveness and mutual benefit, we make investment decisions based on market principles, international practices and professional standards. Focusing on equity investment, we also tap a variety of investment and financing instruments in supporting the Belt and Road Initiative (BRI) projects. Our investments span a wide range of sectors, including infrastructure, energy and resources, industrial and financial cooperation, and aim to ensure financial sustainability and achieve reasonable returns in the medium to long term.





01 Governance

Strategy and Vision

Core Values

Openness

We are open to working together with domestic and foreign partners in making diverse high-quality investments under BRI. Joining hands, we can build the Belt and Road into a road of openness and cooperation.



Inclusiveness

Pursuing extensive consultation, joint contribution and shared benefits, we strive for shared development and prosperity by tapping comparative advantages of the Fund and its partners. By pooling our strength, we can build the Belt and Road into a road of friendship and win-win development.



Green

Green and sustainable development is an integral part of our investment philosophy and practices. By expanding cooperation in sustainable investment, we can build a Green Silk Road.



Integrity

We undertake all investment activities in compliance with the laws, rules and regulations, and in line with internationally accepted standards. Honoring integrity, we can build a Clean Silk Road.



Sustainable Development Strategy

We are a responsible investor and have a strong sense of social responsibility. We have developed a sustainable development strategy, carried out sustainable investment activities, and enhanced transparency in our disclosures. As a result, we live up to our commitment to the high-quality development of the BRI. Jointly with our partners, we are building a Green and Clean Silk Road and contributing to the grand vision of the UN SDGs.

We are committed to the progress of the UN SDGs. By working closely with our partners, we build momentum for global sustainable development to address global climate change challenges, protect the ecology and environment, promote steady economic growth and employment, foster industrial innovation, and improve public health and well-being.

We have established a Sustainable Investment Committee (SIC) under the Board of Directors (BOD). Through periodic reporting and supervision, the main duties of SIC are to ensure that our sustainable philosophy is integrated into our investment decision-making and operational management. Under the guidance of SIC, we have published the Company's Sustainable Investment Policy and formulated the Investment Exclusion List, and launched a dedicated section of sustainable development on our official website to enhance the communications with our domestic and international partners.

As one of the first signatories to the Green Investment Principles (GIP)



Strategy



Operation



Innovation

We adhere to the following seven principles:

- Embedding sustainability into corporate governance
- Utilizing green financial instruments
- Understanding Environmental, Social, and Governance risks
- Adopting green supply chain management
- Disclosing environmental information
- Building capacity through collective action
- Enhancing communication with stakeholders



Corporate Governance

In accordance with Company Law and the Articles of Association of the Silk Road Fund Co., Ltd. ("Articles of Association"), we have established a modern corporate governance structure with clear responsibilities, accurate positioning, standardized performance measurement, as well as effective mechanism of supervision and balance.

In 2023, we improved the mechanism of the Board of Directors (BOD) by strengthening the roles of sub-committees, refined the investment decision-making process, and adapted the comprehensive risk management system. We have been enhancing the capacity for independent investment and risk management.



Board of Directors

- The BOD performs its duties in accordance with pertinent laws, regulations and the Articles of Association. It consists of eleven members including one chairperson, who shall be nominated by the shareholder holding no less than 50% of the total equity and be appointed by the BOD. In 2023, there were seven male directors and four female directors.
- The BOD has established four sub-committees: Strategic Planning Committee, Remuneration Committee, Audit Committee and Sustainable Investment Committee.



Management

- The management team is comprised of President, Vice Presidents, and General Counsel. The management conducts daily operations in accordance with the Articles of Association as delegated by the BOD, and reports to the BOD.

Sustainable Investment Management Structure

Sustainable Investment Committee (SIC) is a sub-committee under the BOD mandated to develop and improve the Company's sustainable investment framework. The committee consists of seven members, including directors, company executives, and external experts. In coordination with the Investment Committee, which is responsible for making the Company's investment decisions, SIC incorporates sustainability considerations into the investment decision-making process in line with international best practices in sustainable investment and green finance, thus advancing the sustainable investment initiatives and capacity building with high quality.

SIC has established a cross-department sustainability working group, which is coordinated by the Risk Management Department. This helps build up the Company's core capabilities of sustainable investment.

Under the guidance of SIC, members of the working group extend sustainable investment responsibilities to all departments of the Company. We also engage external experts and consultants for assistance and support in sustainable investment.

Level	Organization	Responsibilities
 Governance	Board of Directors (BOD)	<ul style="list-style-type: none"> Decides on significant matters related to the Company's sustainable investments, based on consultations, recommendations, and reports from SIC.
	Sustainable Investment Committee (SIC)*	<ul style="list-style-type: none"> Primarily supervises the Company's investment and operational activities to ensure its alignment with domestic and international sustainable investments, green investments, and ESG management concepts and regulatory policies; provides advice to the BOD and supports its decision-making.
 Execution	Cross-department Sustainability Working Group (SWG)	<ul style="list-style-type: none"> Supports SIC to ensure the implementation of the Company's sustainable investment initiatives, facilitates business development, and enhances the Company's capability in sustainable investment.

*For more information on "Sustainable Investment Management Structure," please visit "Sustainable Development" section on the Silk Road Fund's official website.

Risk Management

We have learnt mature experience from international peers and integrated it with our own business practices to create a comprehensive risk management culture and system in line with our positioning, development goals, and operational needs. The risk prevention and control mechanism covers every step of our investment process. Risk management is integrated into all aspects of our business and operations, and is reflected in the duties and responsibilities of each department.

In terms of management structure, the Risk Management Committee (RMC) steers the Company's overall risk management practice. RMC sets the objectives, strategies and policy framework for risk management. It reviews and decides on risk-related matters. Risk Management Department is responsible for the day-to-day risk management work under the RMC.

In terms of policies, we have established a policy framework, which includes Risk Management Guidelines as the foundation, along with specialized regulations such as Investment Management Measures and Valuation Management Measures. The framework provides guidance for the Company's daily risk management.

In terms of specific risk control steps, we have implemented a full-blown risk assessment, management, and response mechanism for both pre-investment assessment and portfolio management. We use an Investment Exclusion List and emphasize pre-investment due diligence and down-side protection, and also strengthen quantitative risk assessments and dynamic monitoring. Additionally, we formulate tailor-made risk management plans for portfolio companies to enhance our capacity to respond to and address risks.



Compliance Management

Compliance is the cornerstone of our sustainable development. We have established a robust compliance system, which we continuously improve. As a responsible investor, we strictly adhere to all applicable laws and regulations. We have developed an effective compliance framework, policies, and procedures to ensure that our investment operations and business activities are in full alignment with both international and domestic regulatory requirements, industry standards, ethical codes, and Employee Code of Conduct.

Organizational Management

The Company's Risk Management Committee leads and organizes compliance work, while Legal Department takes the lead in implementing specific compliance requirements. Each department is responsible for compliance matters within its scope. Supervisory and Audit Department conducts monitoring and inspection. Additionally, we have established a cross-department compliance task force, which meets quarterly to discuss compliance issues, provides regular compliance training, performs ad hoc inspections, and ensures timely rectification of identified issues.

Policy System

We have established a set of compliance regulations, including Compliance Management Guidelines, Management Measures for Preventing Insider Trading, the Accountability Measures for Investment Misconduct, and the Anti-Money Laundering and Counter-Terrorist Financing Guidelines. In respect of investment activities, the core compliance areas include anti-corruption, anti-money laundering and counter-terrorist financing and international sanctions compliance. In respect of operations, we prioritize prevention of conflicts of interest, commercial bribery, insider trading, and mitigating ethical risks, as well as ensuring lawful employment practices. Additionally, we have set up an accountability mechanism addressing investment misconduct and formulated policies to regulate employee behavior, guiding employees to comply with regulations, uphold ethics, and fulfill their responsibilities.

Culture Building

To foster a culture of integrity and honesty, we regularly organize training on anti-corruption, professional ethics and compliance. These initiatives aim to enhance employees' awareness and ethical standards, establishing a corporate culture of "zero tolerance" for ethical risks. Additionally, in line with the Silk Road spirit of mutual learning, we leverage international partnerships and resources to exchange compliance experience actively with our partners.

Stakeholder Engagement

Communication with Stakeholders

We honor the philosophy of "honesty, mutual trust and benefit" to maintain effective communication with stakeholders such as shareholders, employees, partners, investees, and communities to promote sustainable development concepts. We actively address stakeholders' concerns and enhance their understanding and support for the Company. Moreover, we comprehensively identify sustainability-related risks and opportunities and continuously improve our sustainable development practices.

Material Topics For Us In 2023

- Sustainable investment/green finance
- Sustainable operations
- Employee care

Materiality Assessment

To better identify and assess the prioritization of sustainability topics, we engage external professional consultants to assist in conducting a materiality assessment. The steps of the materiality assessment are as follows:

Step	Details
Identifying Material Topics	<ul style="list-style-type: none"> Established the SRF repository of sustainability topics based on the latest industry and policy trends and benchmarking against peers Formed the 2023 SRF sustainability topics list based on the Company's overall business development and practices, and identified 10 key material topics Designed a stakeholder engagement questionnaire
Collecting Stakeholders' Feedback	<ul style="list-style-type: none"> Gathered insights on stakeholders' concerns by collecting their feedback through the questionnaire
Analyzing Material Topics	<ul style="list-style-type: none"> Consolidated the prioritization of the topics as evaluated by stakeholders and understood relevant demands and suggestions
Disclosing Material Topics	<ul style="list-style-type: none"> Based on the Company's business and the materiality of the topics, integrated material topics into the Company's sustainability disclosure strategy to satisfy stakeholder expectations and follow the market trends

According to the assessment results, our material topics in 2023 include sustainable investment/green finance, sustainable operations, and employee care.



02 Investments

Sustainability Policy Framework

By balancing quality, efficiency, and compliance requirements, we continuously enhance the regulatory framework for sustainable investments and optimize our investment processes.

As one of the founding signatories of the Green Investment Principles (GIP) for the BRI, we pledge to build capability in sustainable investments by making references to international best practices in green finance and sustainable finance standards. We aim to make economically, environmentally, and socially sustainable investments and encourage our investee companies to fulfill their social responsibility.



Sustainable Investment Policy

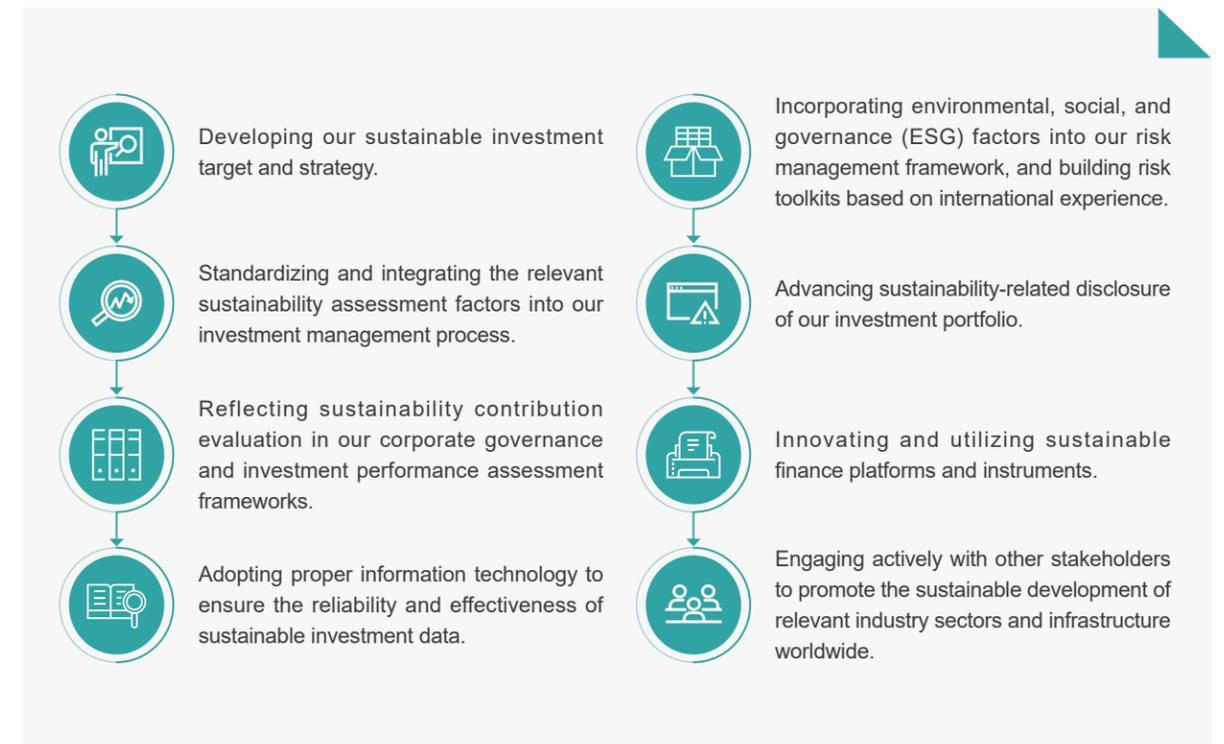
In 2023, we developed the Sustainable Investment Policy consisting of five parts: Mission and Vision, Commitment and Actions, Roles and Responsibilities, Performance and Incentives, and Scope and Limitations. It articulates the priorities and direction of our sustainable investment work.



Investment Exclusion List

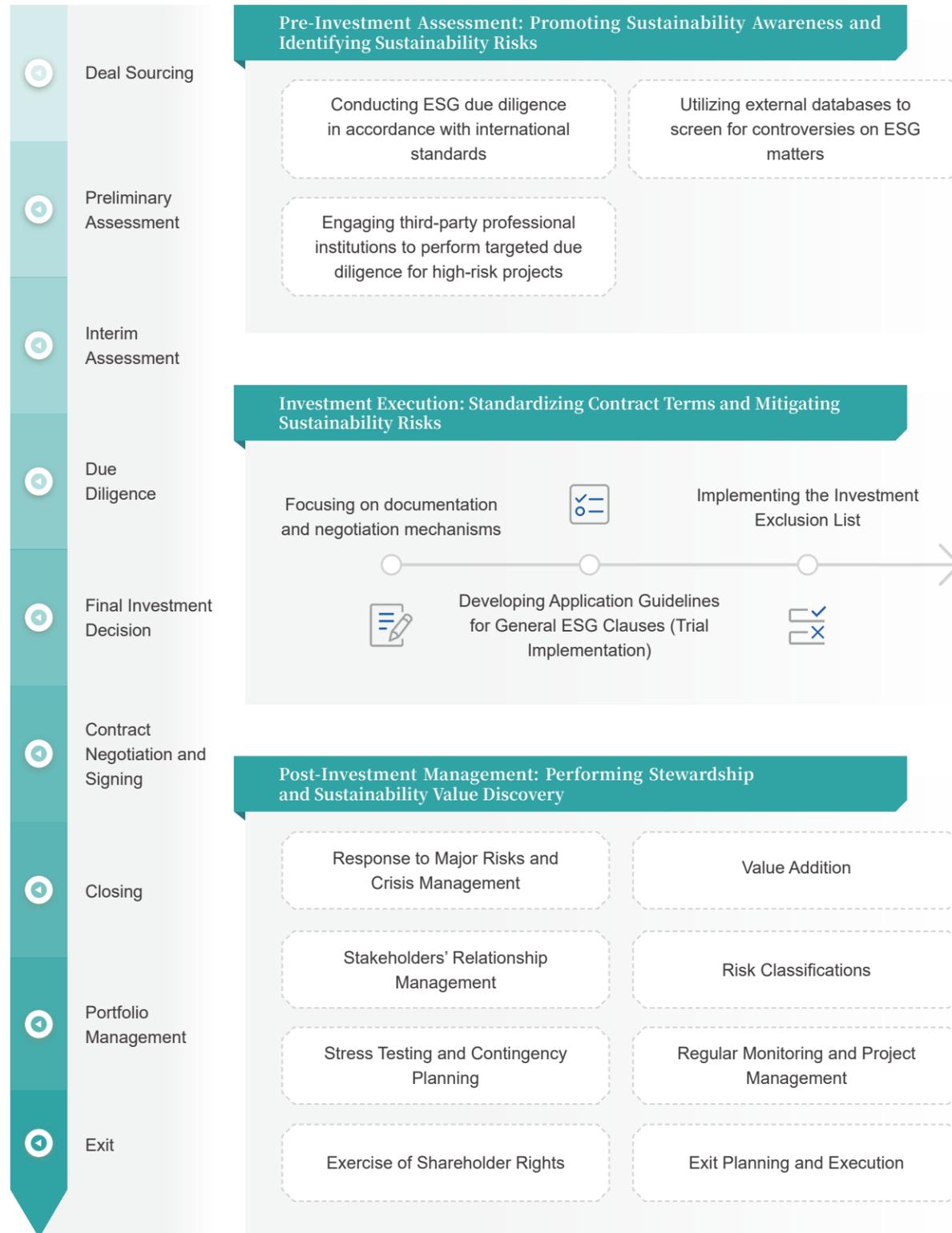
In 2023, we formulated the Investment Exclusion List for project selection, aiming to mitigate ESG risks for our investments and assist in the negotiation of ESG clauses. This list ensures that our investments will not include projects that violate international conventions, such as the Stockholm Convention, the Basel Convention, and conventions related to the protection of endangered wildlife.

Our actions include:



For more information about our Sustainable Investment Policy, please visit the "Sustainable Development - Sustainable Investment Policy" section on [the Silk Road Fund's official website](#).

Sustainability Considerations Integrated Throughout the Investment Process



Sustainable Investment Highlights

<p>Sustainability Performance Linkage Mechanism</p>	<p>We actively explore the establishment of an ESG-linked carry mechanism in transition projects with fund managers. This mechanism ties the managers' carry to their sustainability performance to incentivize them to continuously improve their investment management and promote the investees' sustainable development performance.</p>
<p>Sustainability Digital Management Platform</p>	<p>We are building a sustainability digital management platform. It systematically integrates mainstream international framework of sustainable standards and Hi-tech innovation evaluation metrics. It enables comprehensive tracking and refined management of the sustainability performance of our portfolio.</p>
<p>Stewardship</p>	<p>We emphasize participation in shareholder stewardship. Through diverse communication methods, such as video conferences and field research, we explore effective pathways and strategies on how financial institutions, particularly investors, can support the green transition of the real economy. This initiative aims to enhance sustainable investment outcomes and promote an efficient allocation of capital towards green and low-carbon sectors. In 2023, we attended a total of 167 shareholder and board meetings of investee companies. Active engagement in governing these companies enables us to support their various sustainability-related resolutions.</p> <p>We have distributed ESG questionnaires to GPs of key investee funds to gain a comprehensive understanding of their sustainability philosophy, frameworks, goals, tools and methodologies.</p>

*Hi-tech innovation metrics are developed based on the performance indicators of high tech ventures followed by international research institutions.

Sustainable Investment Performance

Our investment projects span clean energy, green manufacturing, low-carbon transportation, public health, education, and healthcare, effectively contributing to the progress of a number of UN SDGs such as SDG 3 (Good Health and Well-Being), SDG 4 (Quality Education), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities), SDG 13 (Climate Action) and SDG 17 (Partnerships for the Goals).



Key Areas Covered by Our Investments



Highlights in Figures

By the end of 2023, SRF has cumulatively committed US\$ **23.6** billion in **86** investments, with our portfolio covering more than **70** countries and regions.

In 2023, we continued to expand our sustainable investment portfolio with the sustainable AUM reaching approximately US\$ **2.6** billion. Among this total, green assets amounted to around US\$ **1.5** billion, accounting for **9.5%** of the total AUM, while social impact assets amounted to about US\$ **1.1** billion, representing **6.8%** of the total AUM.

Our sustainable investments have achieved significant environmental benefits, particularly in the clean energy sector. Our clean energy portfolio in Belt and Road countries and regions has avoided emissions of approximately **4** million metric tons of carbon dioxide equivalent (tCO₂e) annually, of which **680,000** tCO₂e are attributable to SRF investments.

70+ Countries and Regions	86 Investments	\$23.6B of Committed Capital	\$2.6B of Sustainable Assets	\$1.5B of Green Assets	\$1.1B of Social Impact Assets
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Sustainable Investment Practices

In our investment practice, we emphasize high standards, sustainability and public well-being. Our investments aim not only to enhance social benefits but also to improve corporate governance and profitability of investee companies. In 2023, we further forged ahead with impact investing, fulfilling our responsibilities for environmental protection, combating climate change and enhancing local people's well-being. We co-invested in "small yet smart" green transition projects such as a distributed solar PV developer in Europe, a higher education institution in Malaysia, and a healthcare service provider in the Middle East. Additionally, we expanded international cooperation in sustainable investments by launching the BNR HK Flagship Impact Fund, and investing in African Infrastructure Investment Fund and KKR Global Impact Fund.

BNR HK Flagship Impact Fund

During the Third Belt and Road Forum for International Cooperation held in October 2023, we signed a cooperation framework agreement with the Hong Kong Monetary Authority (HKMA) to establish a Belt and Road investment platform. The two parties committed a total investment up to RMB 15 billion (or equivalent in foreign currency) to explore ESG-thematic investment opportunities.

The BNR HK Flagship Impact Fund is established under the platform, where SRF acts as the general partner. The initial fund size is up to US\$1 billion (or equivalent in RMB). The fund, inspired by the principles of impact investment, focuses on key sectors such as infrastructure, healthcare, consumer goods, agriculture, and education. These sectors are crucial for enhancing public infrastructure, benefiting social well-being and creating positive social-economic externalities. The Fund places emphases on energy transition with an aim to promote global decarbonisation through investments in renewable energy, thereby contributing to environmental improvement. Moreover, the Fund aims to support emerging markets in Asia and the Middle East by creating jobs and stimulating local economies.



Signing ceremony for the SRF-HKMA cooperation framework agreement for the Belt and Road joint investment platform
Mr. PAN Gongsheng, Governor of the People's Bank of China, and Mr. Paul Chan, Financial Secretary of Hong Kong SAR witnessed the agreement signing.

Response to the UN SDGs



African Infrastructure Investment Fund 4

The African Infrastructure Investment Fund 4 (AIIF4) is a private equity fund focusing on infrastructure investments in Africa. It was founded by African Infrastructure Investment Managers (AIIM), an infrastructure investment platform of the African insurer Old Mutual. It significantly catalyzes and attracts investments in Africa.

AIIF4 primarily targets investments in South Africa, Kenya, Morocco, and Nigeria. AIIF4's portfolio focuses on essential infrastructure critical to energy transition, and socially impactful sectors such as digital infrastructure and transportation logistics. AIIF4 strives to improve local livelihoods, foster local employment and enhance women's status through its investments. In December 2023, we committed US\$50 million to AIIF4 as a limited partner. We appointed a representative to AIIF4's ESG Committee and introduced relevant provisions of the Green Investment Principle (GIP) for the Belt and Road.

Response to the UN SDGs



Highlights in Figures

By the end of 2023, the AIIF4 achieved significant milestones in its investments, including construction and acquisition of **871** telecommunication towers, construction and upgrading of 80 kilometers of roads and transportation of over **27** million metric tons of goods. These outcomes positively impacted local communications, transportation and logistics.

The AIIF4's investments created over **2,200** jobs in these regions, and women accounted for approximately **22%** of managerial positions.

- Digital infrastructure
- Energy transition
- Mobility and logistics

Projects invested by the AIIF4 as of December 31, 2023



Hassyan Power Plant

In 2016, we invested in Hassyan Power Plant in the UAE. The power plant, equipped with four ultra-supercritical units, features a total installed capacity of 2,400 MW. Utilizing advanced technologies such as low carbon emission combustion, it is the first clean coal power plant in the Middle East. The project achieved COD in October 2023.

In order to achieve carbon peaking and carbon neutrality and align with the UAE's "Net Zero 2050" strategy, since 2022, the plant has used natural gas instead of clean coal as the main fuel achieving ultra-low emissions and reinforcing its commitment to sustainable development.

Hassyan is a key project under the BRI, as it represents a cooperation model of financing plus general EPC. As our first investment in the Middle East, this project enhanced the international presence of SRF.

Response to the UN SDGs



Highlights of this project



The project embraces environmental protection during construction and operations. Around 28,000 corals were transplanted and reared from the area being impacted, and fishes relocated from the lagoon to the sea during construction. In the annual turtle breeding season, a plan developed jointly with Dubai environmental organizations was implemented to monitor and protect the turtles. All wastewater and sewage generated on-site are treated and fully reused at different levels within the plant to ensure zero wastewater discharge.



It will effectively enhance energy security for Dubai and the broader Arabian region. This also diversifies the local energy mix.

GreenYellow

In 2023, we partnered with French private equity fund manager Ardian to co-invest in GreenYellow, a global developer of distributed solar PV and energy efficiency projects.

GreenYellow, founded in 2005 in France, is a renowned provider of green energy solutions with operations across 15 countries spanning Europe, South America, Africa, and Southeast Asia.

This company integrates environmental protection, technology, and entrepreneurship to offer its clients one-stop green energy solutions, including project design, financing, system operation and performance monitoring. It enables access to clean, secure and affordable green energy.

Response to the UN SDGs



Highlights of this project



The distributed solar PV and energy efficiency sector exhibits stable growth with vast market potential, while GreenYellow has extensive experience and technological expertise in this area.



GreenYellow plays an active role in promoting carbon emission reduction and energy transition in emerging markets and developing countries. It supports carbon neutrality and energy transition in Belt and Road countries and regions. It is aligned with our commitment to environmental and social responsibility and contributes to sustainable development.

Sirdarya Power Plant

In 2023, we invested in Sirdarya combined cycle gas-turbine (CCGT) power plant in Uzbekistan. The plant carries installed capacity of 1,500 MW, which provides electricity to nearly 1 million residents and creates around 1,000 local jobs.

It is a landmark project showcasing cooperation among Uzbekistan, China, and Saudi Arabia under the BRI framework. The project is being developed by ACWA Power from Saudi Arabia, invested by Silk Road Fund and financed by syndicated loan from multilateral financial institutions and commercial banks. Uzbekistan's national grid, as the power purchaser, has signed a long-term Power Purchase Agreement. China Energy Engineering Group serves as the project's principal contractor.

Response to the UN SDGs



Highlights of this project



The project leverages with the resource endowment of Uzbekistan. Compared with traditional coal-fired power plants, the project will reduce annual carbon emissions by over 2.2 million metric tons.



The project follows the principles of consultation, mutual contribution and benefits, embodying the collaborative spirit of the BRI.

International Cooperation

Expanding International Cooperation for Sustainable Development

We worked with global partners to establish several platforms that integrate sustainable investment principles into their projects. These include BNR HK Flagship Impact Fund, Silk Road Macao Joint Investment Platform, China-EU Co-investment Fund, and China-Central Asia Investment and Financing Platform. Additionally, we strengthened sustainable investment cooperation with leading global fund managers by investing in TPG Rise Climate Fund, KKR Global Impact Fund and Carlyle Renewable & Sustainable Energy Fund.

In March 2023, we became an official member of International Capital Market Association (ICMA). This membership not only deepens our dialogue with international peers but also facilitates the exchange of experience in sustainable investment and compliance management. Together, we shall drive international cooperation in sustainable finance to new heights at the global level.

In October 2023, we co-founded Capacity-building Alliance of Sustainable Investment (CASI), which was officially launched at the 28th Conference of the Parties (COP28) to the UN Framework Convention on Climate Change (UNFCCC). CASI aims to support capacity building for green and sustainable finance in developing countries. It also intends to enhance green financial markets among BRI partner countries by creating more bankable green projects opportunities. This initiative was listed as one of the exemplary projects of the Third Belt and Road Forum for International Cooperation, marking a breakthrough in our international cooperation on sustainable finance.



Building an Investment Ecosystem for Sustainable Development

We actively engage in multi-level, broad-spectrum international cooperation, in which we promote sustainable investment principles and share our experience. Such efforts help to enhance our influence in the global community of sustainable investment. Our executives frequently participate in important international conferences and forums to share our practices and observations in relation to sustainable investment. As a result, we see increased recognition of our brand and our global influence growing in the investment community.

- ◆ Green transition is a gradual process. In transition investments, the two approaches of “switching to cleaner energy resources” and “end-of-pipe treatment” should complement each other.

—by Chairwoman Zhu Jun at the 2023 Bund Summit

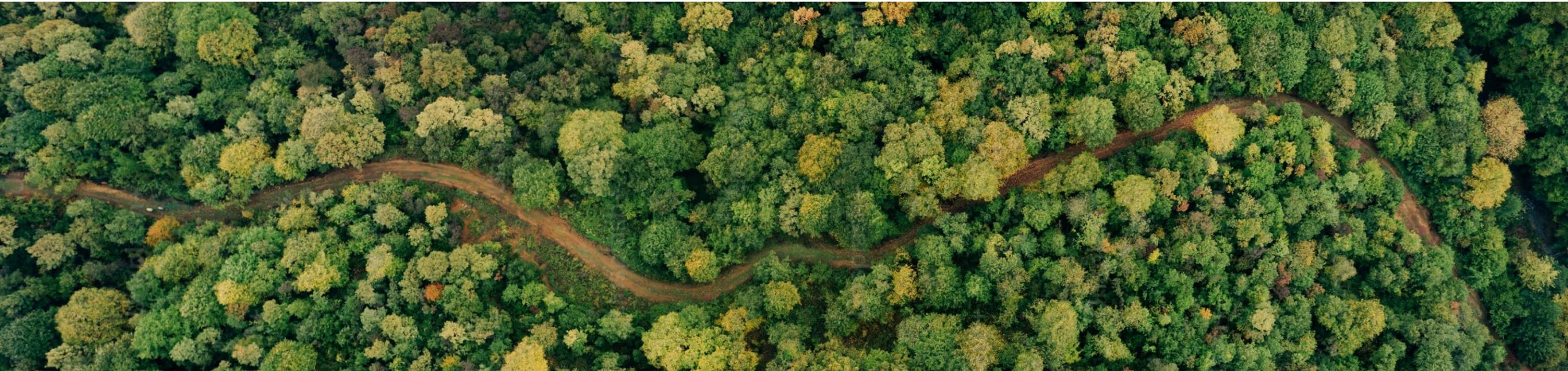
- ◆ Silk Road Fund would join hands with partners worldwide to break some new grounds in the field of sustainable investment by adopting the bottom-up approach.

—by Chairwoman Zhu Jun at the 8th Belt and Road Summit in Hong Kong

- ◆ Market plays an important role in promoting sustainable investment. Throughout the life-cycle of investments, market practice should be observed and cooperation in the field of science, technology and innovation should be strengthened.

—by President Cai Xuejun at the Budapest Eurasia Forum 2023

These international engagements of our leadership help SRF gain brand recognition in global sustainable investment community and reinforce our reputation as a responsible investor.



Capacity Building

We place a strong emphasis on employee training and sustainable investment capacity-building. During the reporting period, we conducted a series of training on diverse topics to build our competencies. By inviting industry experts to our seminars, hosting in-depth thematic workshops, sharing technical insights and participating in specialized industry exchange programmes, we broadened our knowledge and skills in sustainable investments.

Silk Road Forum

We invited experts in green finance to share the latest developments and best practices to provide our team with cutting-edge knowledge and insights.

Sustainable Investment Workshop

We organized a workshop featuring former governors of the People's Bank of China as well as representatives from relevant regulatory bodies, international standard setters, as well as domestic and international financial institutions. The workshop focused on the latest trends and challenges in transition finance and sustainable investments.

Silk Road Academy

External experts or employees were invited to share their insights on topics ranging from overseas green infrastructure development to ESG risk management, as well as best practice in corporate governance and women leadership.

CASI Seminars and Training

We invited employees to participate in monthly online seminars and training organized by CASI.

Impact Investment Experience Exchange

We invited fund managers to share insights and experience on impact investment strategies, risk management, portfolio value enhancement and evaluation methodology for sustainable investments.

External Collaboration and Exchanges

We invited sustainability experts from law firms, investment banks, and consulting firms to share their experience and insights in order to broaden our team's vision on sustainable investment.



03 Operations

Sustainable Operation Management

Our sustainable operations focus on green initiatives and innovation. By optimizing resource allocation and improving efficiency, we not only achieve our own sustainable development but also contribute positively to the society. Through green procurement, energy conservation, emission reduction, low-carbon travel, practicing thrift and employee engagement, we work with our employees for a more sustainable future of the Company.

In 2023, we undertook four key initiatives:

Eco-consciousness and Resource Efficiency

We introduced energy-saving equipment and promoted eco-friendly office supplies, such as reusable fabric document bags and pens made of recycled newspaper, to reduce resource consumption from the very beginning. Additionally, we optimized energy use through measures such as energy-efficient lighting, sound-controlled lighting and lighting zoning in our office areas and energy-saving for air conditioning.

We practice thrift and aim to eliminate extravagance and waste. Our employee cafeteria accurately assessed culinary needs and avoided excessive preparations. We advocated a "Clear Your Plate" campaign to raise awareness about conservation among employees and implemented waste sorting and management practices to facilitate waste recycling.



Green Procurement and Sustainable Supply Chain Development

We adhered to sustainable development principles and strictly screened partners. We prioritize partners to select suppliers who meet high environmental standards. Our use of Forrest Stewardship Council (FSC) certified printing paper underscored our strong commitment to green procurement.



Promoting Energy Saving and Low-Carbon Travel

We advocate energy conservation, emission reduction, and promotion of low-carbon travel. We are committed to vehicle efficiency. We also encourage employees to adopt low-carbon travel methods, such as public transportation, cycling, or walking in daily commuting.



Building Shared Responsibility with Employees

We recognize the crucial role of employees in our sustainability efforts and encouraged their participation in environmental actions such as energy conservation, emission reduction and waste sorting. We launched special campaigns to raise awareness across the Company, fostering a collective responsibility for driving sustainable development.



Employee Care

Diversity and Inclusion

We adhere to our people-centered management philosophy, promote democratic governance and hold regular employee representative conferences. We are committed to ensuring full protection of employee rights and opposing any form of discrimination or harassment. We introduced various approaches such as young employee communication initiatives, and open dialogue between executives and employees. These initiatives open communication channels, which enhance mutual understanding and foster a harmonious, inclusive and positive workplace culture.

We value gender equality and protection of women's rights, strictly adhering to the Law of the People's Republic of China on the Protection of Women's Rights and Interests and the International Labour Organization (ILO) Discrimination (Employment and Occupation) Convention. We provide generous maternity benefits and maternity leave. Additionally, we provide dedicated breastfeeding room and facilities to support nursing mothers and create an accommodating work environment that helps female employees balance work and family life. On International Women's Day (March 8), we organize a variety of activities, including women's leadership forums, health seminars, and DIY activities to promote career development and well-being of female employees.



Training and Development

We deeply understand that our people are the most valuable assets of the Company. Their personal growth and development are directly linked to our long-term competitiveness and sustainable development potential. Therefore, we uphold a “small yet smart” training philosophy and establish a comprehensive and sophisticated training system that provides balanced and high-quality development opportunities for employees across the front, middle and back offices.

We offer multi-level training programs. For example, during the new employees’ orientation, senior management introduce them to the Company’s vision and sustainability strategy to facilitate their fast adaptation to the corporate culture. Mid-level management team regularly undergoes leadership training to build their managerial capabilities and strengthen talent pipeline of the Company. For employees taking on roles with specific professional needs, we offer intensive training to prepare them for complex business challenges. Additionally, we encourage employees to pursue professional certifications by offering financial and tutorial support, thereby promoting a win-win situation for both personal growth and corporate development.

We place strategic importance on the development of sustainable investment capabilities. Through diverse training and exchange activities such as expert lectures, specialized seminars and the Silk Road Academy, we build our expertise and influence in this field.

Workshop on investment trends



For more details on the training and exchange activities related to sustainable investment capabilities, please refer to “Capacity Building” section of this report.



Health and Well-being

We promote work-life-balance. We host regular thematic events and establish communities of diverse interests, including choir, Pilates, table tennis, cycling and badminton, to cater to the personal interests and needs of employees. Each year, we organize athletic games, jogging, walking and hiking for employees. We also organize mental health seminars and annual medical check-ups on a regular basis to encourage employees to maintain exercises and embrace a healthy lifestyle.

Vibrant Employee Activities



Community Engagement

We actively participate in rural revitalization by supporting infrastructure development, industrial growth and livelihood improvements through donations and social welfare activities. Additionally, we focus on aiding impoverished mothers, demonstrating our commitment to social responsibility and care through concrete actions. Furthermore, we promote green development and ecological civilization through initiatives like tree planting.



Silk Road Fund's youth voluntary tree-planting activity themed "Sowing Green Hope"



Since 2019, we have been donating RMB 1 million annually to Julu County Government for rural revitalization projects such as local growth initiatives, education programs, industry development initiatives, digital service platforms and talent training programs.



Our employees actively participate in the Happiness Project charity initiative. Their voluntary donations bring warmth and hope to impoverished mothers.



We organized volunteers to participate in a tree-planting activity in 2023, a concrete action to fulfill our commitment to green development.

Data Security

We adhere to the principles of "risk-orientation, prevention-focus, meticulous management and comprehensive protection." According to Cybersecurity Law of the People's Republic of China, Data Security Law of the People's Republic of China, and other pertinent regulations, as well as industry security standards and best practices, we established comprehensive policies that cover data security, network equipment, access control and emergency responses. One critical policy is Cybersecurity Management Regulations of Silk Road Fund. We have established a comprehensive, multi-layered security framework that covers everything from external boundaries to internal operations, from hardware to software, and from policy development to execution. This ensures the safety of our data assets and supports the continued and stable growth of our business.



By enhancing our DNS protection system and enforcing stringent access control protocols, we reinforced our cybersecurity defenses, successfully defending against cyberattacks and mitigating data leakage risk.



By strengthening cybersecurity simulations and training, we enhance employees' ability to identify and prevent security threats and increase their awareness of cybersecurity. This has fostered a strong culture of cybersecurity within the organization.

Additionally, to ensure business continuity, we have improved our emergency response processes and policies to allow for swift and efficient handling of security incidents. We have also strengthened the supervision and evaluation of outsourced services to ensure they meet our security standards as our extra security defense measures.

Addressing Climate Change

Under the supervision of the Sustainable Investment Committee, we actively respond to the global call for climate change governance. We are expanding our investments in climate change mitigation projects, enhancing our own climate risk management capabilities, and partnering with others to drive the low-carbon transition.

We integrate climate-related considerations into our investment assessment and management, as well as in our own operations. We place emphasis on identifying, assessing, managing and addressing climate-related risks and opportunities, as well as assessing their potential impact on our investment strategy and operations.



Climate-Related Risks and Opportunities

By analyzing the potential physical and transition risks of projects, we aim to assess the impact of climate change and prepare for evaluating the climate risks of key projects.

Physical Risks

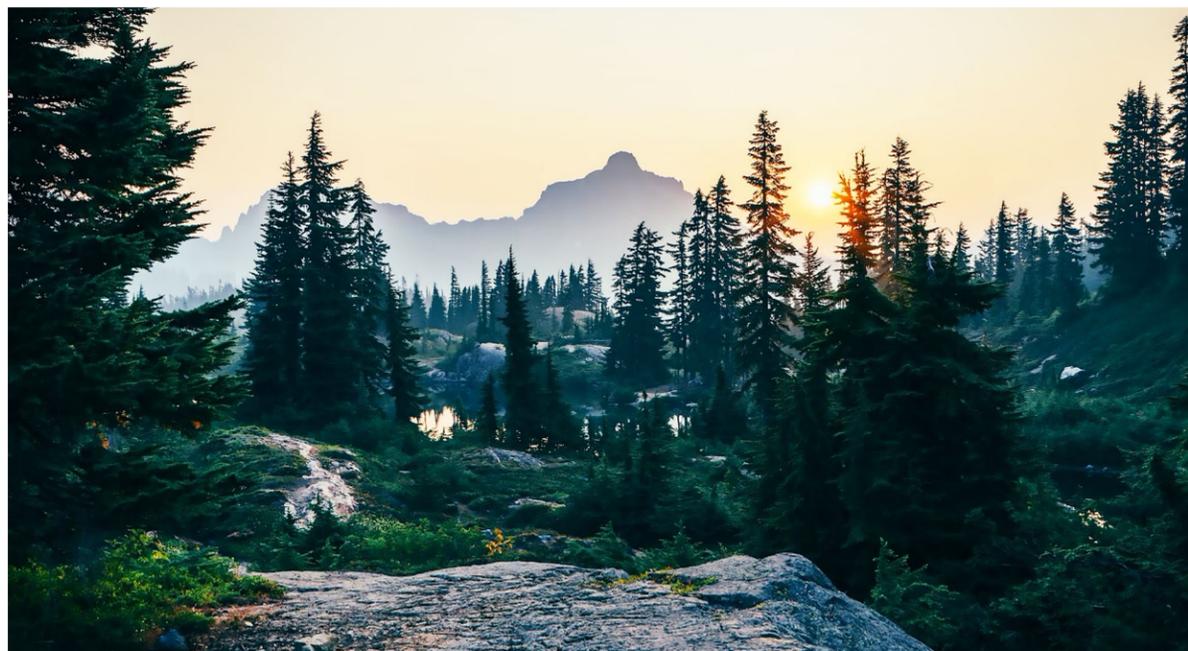
Risk	Description and Potential Impact	Type
Extreme Weather Events	The increasingly frequent and severe extreme weather events due to global climate change, such as floods, droughts, hurricanes, and heatwaves, could lead to property damage, operational disruptions, and higher maintenance costs in our infrastructure, energy, and resource development projects.	Acute risk
Sea Level Rise	Rising sea levels may threaten our coastal investment projects, such as ports, maritime facilities, and urban infrastructure in coastal cities, potentially leading to asset impairment.	Chronic risk
Water Shortage	Climate change leads to uneven water resource distribution, particularly in arid areas in the Belt and Road countries and regions. Water-dependent sectors, such as agriculture, chemical production, and energy projects, may face risks like reduced productivity and increases in operational costs.	Chronic risk

Transition Risks

Type	Description and Potential Impact
Policy and Legal	As governments worldwide enact stringent carbon emission regulation, particularly carbon taxes, carbon markets, and emission standards, high-emitting assets may face higher costs and greater compliance risks.
Technology	The rapid development and adoption of low-carbon technologies may lead to the phase-out of existing high-emitting assets, potentially requiring further investments in traditional energy and heavy industry projects for technological upgrades, which would increase operational pressures.
Market	As global demand for low-carbon and green products grows, high-emitting sectors may gradually lose market share, leading to the asset impairment of related investments. Additionally, heightened attention from investors and consumers on sustainable development could affect the reputation and market positions of our investee companies.

Transition Opportunities

Opportunity	Description and Potential Impact
Energy Transition	Global acceleration in transition to a low-carbon economy requires investments in renewable energy and energy transition. Tapping the growth opportunities in transition to a low-carbon economy can ensure long-term sustainable returns.
Low-carbon Transportation	As demand for green infrastructure increases in countries along the Belt and Road, investments in low-carbon transportation can enhance regional sustainability potential.
Green Funds	We seize investment opportunities of climate funds and strengthen international cooperation to jointly address the challenges of climate change. By directing capital toward a low-carbon future, we aim to reduce GHG emissions and enhance societal resilience to the impacts of climate change.



Climate-Related Risk and Opportunity Management and Response

To better manage climate-related risks and fulfill our investment mission for climate mitigation and adaptation, we continue to enhance our expertise in sustainable investments. This allows us to better understand the impact of climate change and their corresponding potential risks and opportunities. We proactively address the challenges posed by climate change by implementing measures across three key areas: decarbonization, capacity building and disclosure.

In 2023, we conducted an inventory of GHG emission and assessed the potential for voluntary emissions reductions in respect of assets directly held.

GHG Inventory



Our carbon inventory follows the GHG Protocol and the Global GHG Accounting and Reporting Standard for the Financial Industry published by PCAF. The application of international standards in the inventory improves the accuracy of our emissions estimation.

In 2023, our Scope 1 GHG emissions were approximately 19 tCO₂e, and our Scope 2 GHG emissions were approximately 210 tCO₂e.

Voluntary Emission Reduction Potential Assessment



This includes identifying and preliminarily evaluating voluntary carbon emission reduction opportunities, and estimating the amount reduced. Through technical screening, and targeted surveys, we calculated the potential emission reduction that could be generated from our renewable energy investments.

It is estimated that the renewable energy projects we have invested can generate approximately 4 million tCO₂e of carbon emission avoidance, among which 680,000 tCO₂e can be attributable to our share of these investments. We focus on projects with substantial environmental benefits to ensure that our portfolio is built on comprehensive considerations of climate change factors and on strong resilience to climate-related risks and sustained long-term growth.



Capacity Building and Expertise Development

To better understand how to respond to climate change, we make a variety of learning and communication arrangements. We invited industry experts to deliver lectures to keep us informed of cutting-edge theories and acquire practical experience. Additionally, we encourage and support our employees in conducting in-depth researches. We organized workshops on a regular basis to facilitate the exchange and dissemination of knowledge. Furthermore, we invited representatives from regulatory bodies and financial institutions to share their successful cases and valuable experience, providing an effective exchange platform for all parties.

We participated in seminars and offline training events organized by CASI, where we engaged with peers to discuss trends, challenges, and opportunities in sustainable investments. Moreover, we have established close collaboration with our general partners (GPs) and invited them to share in detail their methodology of climate investment and impact investment, including how to effectively assess and measure the social and environmental impact of a particular investment.

Information Disclosure and Transparency

To increase transparency and improve information disclosure, we published our Sustainable Investment Policy on the SRF official website, outlining our environmental and social priorities. We also provide detailed case studies of representative projects. It allows the public to better understand our practices and achievements in sustainable investments.

We communicate regularly with shareholders and investee companies by holding meetings to communicate the progress of our sustainable development strategy. Additionally, we actively respond to the GIP for the BRI by completing green investment-related questionnaires. We disclose in detail our ESG performance in investment activities, our risk management measures and future plans, in order to build a more equitable, transparent and responsible investment environment.

Appendix

About This Report

Overview

This is the first sustainability report issued by Silk Road Fund Co., Ltd. It outlines the philosophy, practices and progress of Silk Road Fund in advancing sustainable development in 2023, aiming to demonstrate the Company's unremitting commitments to sustainability. The report is released in September 2024.

Scope

The information and data disclosed in the report pertain to Silk Road Fund Co., Ltd.. The reporting period spans from 1 January 2023, to 31 December 2023 (referred to as the "Reporting Period"). Any content that extends beyond this period will be explained in the main text.

Basis of Preparation

This report is prepared by reference with the Global Reporting Initiative (GRI) Standards and the recommendations of the former Task Force on Climate-Related Financial Disclosures (TCFD).

Data Sources

The data in this report is primarily cited from the Company's official documents and statistics.

Feedback

Your feedback is valuable for us to continually enhance our sustainability capabilities and the quality of our sustainability reports. We welcome you to contact us with any opinions or suggestions regarding this report through the following channels:

Contacts

Email: sdrg@silkroadfund.com.cn; Website: www.silkroadfund.com.cn

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Disclosure		Location	
GRI 2: General Disclosures 2021	2-1	Organizational details	Corporate Governance
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	201-2	Financial implications and other risks and opportunities due to climate change	Addressing Climate Change
GRI 205: Anti-corruption 2016	203-1	Infrastructure investments and services supported	Sustainable Investment Practices
	203-2	Significant indirect economic impacts	Sustainable Investment Practices
GRI 305: Emissions 2016	205-2	Communication and training about anti-corruption policies and procedures	Compliance Management
	305-1	Direct (Scope 1) GHG emissions	Addressing Climate Change
GRI 401: Employment 2016	305-2	Energy indirect (Scope 2) GHG emissions	Addressing Climate Change
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Care
GRI 403: Occupational Health and Safety 2018	403-6	Promotion of worker health	Employee Care - Health and Well-being
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Employee Care - Diversity and Inclusion



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