November 2026

Building Accountability for Long-term Impact

Fidelity International China Stewardship Report 2026



Prepared in cooperation with
ZD Proxy Shareholder Services

Fidelity INTERNATIONAL | 紫顶 ZD Proxy





About Fidelity International

Fidelity International offers investment solutions and services and retirement expertise to more than 2.9 million customers globally. As a privately-held, purpose-driven company with a 50-year heritage, we think generationally and invest for the long term. Operating in more than 25 locations and with $1.18 trillion in total assets, our clients range from central banks, sovereign wealth funds, large corporates, financial institutions, insurers and wealth managers to private individuals.

Our Workplace & Personal Financial Health business provides individuals, advisers and employers with access to world-class investment choices, third-party solutions, administration services and pension guidance. Together with our Investment Solutions & Services business, we invest $831.3 billion on behalf of our clients. By combining our asset management expertise with our solutions for workplace and personal investing, we work together to build better financial futures.[1]

About ZD Proxy

Founded in 2016, ZD Proxy is a pioneer and leading independent proxy adviser in China, having pioneered the industry in China from the ground up. Today, ZD Proxy covers over 1,600 Chinese listed companies, supporting voting decisions for domestic and global asset managers with combined assets under management exceeding USD 40 trillion.

As an independent advisory firm, ZD Proxy helps institutional investors engage with companies, articulate their expectations, and make informed voting decisions in support of responsible investment. Drawing on proprietary local data, ZD Proxy also provides tailored, high-quality structured data to support investors' AI-driven governance research and decision-making. Anchored in integrity and guided by long-term commitment, ZD Proxy is committed to fostering meaningful and constructive dialogue between investors and listed companies. ZD Proxy strives to help listed companies strengthen governance and create long-term value, while working with all market participants to build a healthy and thriving capital market ecosystem.[2]

Should any discrepancy arise between the English and Chinese versions of this report, the Chinese version shall prevail.

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[1]Data as of 30 June 2026. Read more at fidelityinternational.com.

[2]For more information, please visit zdproxy.com.

Preface



Strengthening stewardship and promoting long-term investing in China

Welcome to Fidelity International's 2026 China Stewardship Report, the fourth edition of our joint research on stewardship in China with ZD Proxy Shareholder Services. Since 2020, we have been tracking how investors participate in corporate governance through shareholder voting and engagement, and have witnessed stewardship in China evolve from an emerging concept and early-stage experimentation towards a more systematic and formalised approach.

Two years ago, we observed that, after a period of rapid growth, voting participation among Chinese investors was beginning to level off. We argued that unlocking the next stage of institutional investor participation in corporate governance would require more than bottom-up efforts by a group of active investors; a more supportive regulatory framework would also be needed. Encouragingly, that policy momentum has become increasingly evident over the past two years.

As China continues to pursue the high-quality development of its capital markets and encourage more medium- and long-term capital into the market, the role of institutional investors in corporate governance has become increasingly important. In particular, recent regulatory developments are encouraging public fund managers to take a more active role in listed company governance, helping to formalise stewardship practices such as voting, engagement and shareholder proposals. As a result, the focus of the market is shifting from whether investors should participate in corporate governance to how they can do so more effectively, transparently and responsibly.

Against this backdrop, stewardship is no longer solely about the volume of meetings attended or votes cast. Instead, its effectiveness depends on investors' ability to make independent judgements, engage constructively and persistently, escalate where necessary, and monitor whether companies deliver meaningful change.

At Fidelity, stewardship is fundamentally about long-term value creation. Through research and ongoing dialogue with companies, we identify the key risks and opportunities that could affect long-term performance. We actively exercise our shareholder rights and engage with companies to strengthen governance and sustainability practices. As a long-term investor, we can build deeper insights and relationships, allowing engagement to drive meaningful improvements in governance, strategy and long-term outcomes.

There is a Chinese saying: "When efforts are combined, nothing is insurmountable; when wisdom is shared, nothing is unachievable." Stewardship in China's capital markets has grown from the efforts of a few early adopters into a broader market practice. Looking ahead, we hope that, through the collective efforts of regulators, asset owners, asset managers, listed companies and other market participants, stewardship will become more deeply embedded in long-term investment practices, strengthening corporate governance, fostering a culture of long-term investing and supporting sustainable value creation across China's capital markets.

Flora Wang
Head of Stewardship, Fidelity International



Harnessing shareholder rights to drive long-term value creation in China's capital markets

Welcome to Fidelity International's latest 2026 China Stewardship Report.

Through the issuance of the Rules for Mutual Fund Managers' Participation in the Governance of Listed Companies, the Asset Management Association of China has set out expectations for mutual fund managers' engagement in listed company governance. Like other domestic mutual fund managers, Fidelity China (FIL Fund Management (China) Company Limited) is required to disclose how voting rights were exercised during the previous year by April annually. 2026 marks the first year of implementation, giving this year's China Stewardship Report particular significance.

At Fidelity China, effective stewardship begins with in-depth research and ongoing engagement, providing the foundation for independent and well-informed voting decisions. This philosophy has long been embedded in our investment approach. As a long-standing sustainable investor, Fidelity brings more than two decades of research expertise and practical experience in this field. Drawing on Fidelity International's established sustainable investing capabilities and fund framework, the Fidelity Low-Carbon Growth Hybrid Fund reflects this philosophy in the Chinese market. The fund seeks high-quality growth opportunities aligned with China's low-carbon transition, combining assessments of companies' growth prospects, profitability, cash generation and competitive advantages with Fidelity's proprietary sustainability analysis to form a comprehensive view of long-term investment potential.

We believe low-carbon investing is not only about identifying transition opportunities, but also about supporting companies' long-term growth through research and active ownership. In China, we have localized our stewardship practices in line with regulatory requirements, using both voting and engagement to support companies' low-carbon transition. For example, against the backdrop of the chemical industry's low-carbon transition and the growing importance of serving global customers and attracting long-term capital, we maintained sustained and constructive engagement with companies, encouraging them to build on their existing strengths in green manufacturing processes through clearer governance frameworks, more measurable target-setting systems, stronger data management practices, and more demonstrable business outcomes.

Looking ahead, we hope that continued improvements in institutional investors' participation in corporate governance will foster more mature, constructive and sustained engagement between shareholders and listed companies. This can support a shift towards long-term investing and sustainable value creation, while enhancing market stability, corporate governance and global competitiveness.

Eric Nie
Head of Sustainability and Portfolio Manager, Fidelity China



Building on strong foundations, charting a new path for high-quality stewardship in China.

It is a great honour for ZD Proxy Shareholder Services to once again partner with Fidelity International in publishing our fourth report on stewardship in China. As a long-term observer and active participant in China's capital markets, we are encouraged by the steady progress in corporate governance.

In recent years, efforts to foster "patient capital" and attract more medium- and long-term investment have raised expectations for listed-company governance. In 2025, under the guidance of the China Securities Regulatory Commission, the Asset Management Association of China introduced new rules for public fund managers' participation in listed company governance, including requirements to disclose annual voting records. This landmark move marks a transition for domestic institutional investors from voluntary exploration to institutionalized discipline, bringing A-share governance further into line with global best practices.

The new rules are already helping to build momentum. Institutional investors are becoming more proactive in exercising shareholder rights and engaging with companies on issues such as remuneration, incentives and related-party transactions. At the same time, listed companies are becoming more responsive to investor concerns, including on dividend policies and board diversity.

Looking ahead, every step counts on the long journey ahead. There remains significant scope to deepen governance participation and strengthen the professional exercise of shareholder rights in the A-share market. Responsible stewardship depends on rigorous governance research and sustained, constructive engagement. As an independent proxy advisory firm rooted in the domestic market, ZD Proxy will continue to work with market participants to support better governance and the long-term development of China's capital markets.

Shuwei Tang
Partner, ZD Proxy Shareholder Services

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New mutual fund voting rules and foreign managers' stewardship practices in China

Across previous editions of the China Stewardship Report, we have examined how institutional investors contribute to listed-company governance through voting and engagement. In 2022, we highlighted regulatory support as a key driver of stewardship development in China. As investor participation in voting increased, however, it became apparent that voluntary practices by a relatively small group of institutions alone would be insufficient to fully realise the role of institutional investors in corporate governance. We therefore noted in 2024 that further advancement of stewardship in China would require stronger institutional foundations and policy support.

Two years later, these expectations are increasingly being translated into formal regulatory requirements. In May 2025, the Asset Management Association of China (AMAC) issued the Rules for Mutual Fund Managers' Participation in the Governance of Listed Companies,[3] establishing a more systematic approach to stewardship through requirements covering policies, participation standards, organisational arrangements and engagement methods. The rules also require managers to disclose their voting activity annually from 2026, marking a further shift from market-led practice towards a more institutionalised and rules-based stewardship framework. Importantly, the rules extend beyond voting to include direct engagement, written communications, shareholder proposals and other forms of governance participation, while strengthening transparency and accountability. The first annual voting disclosure cycle therefore provides a useful window into how institutional investors exercise shareholder rights and discharge their fiduciary duties in practice.

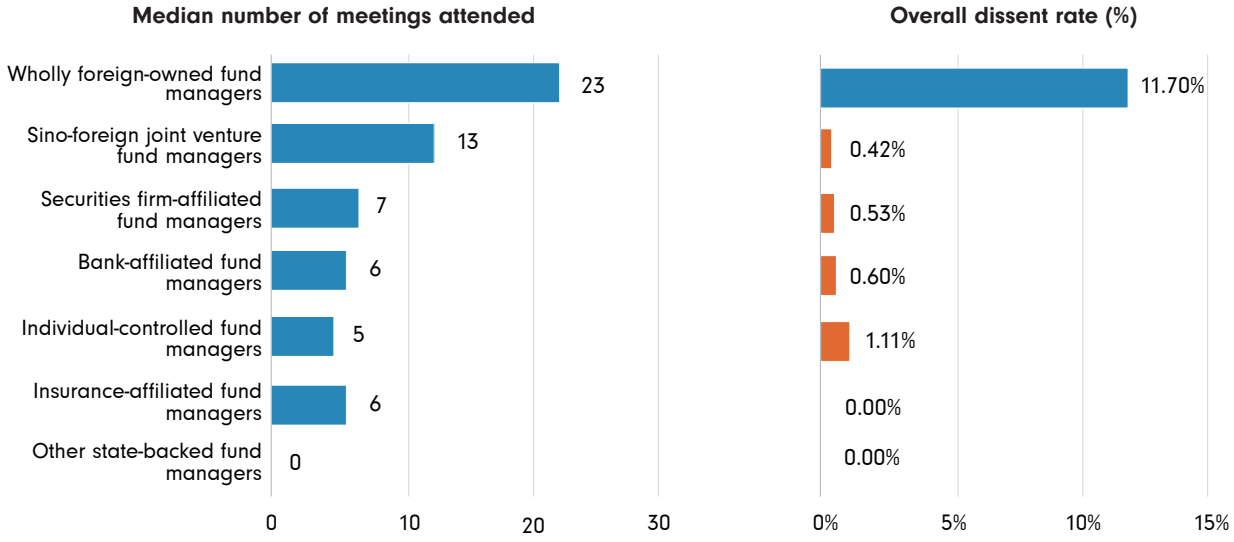
Voting activity remains concentrated, while foreign-owned fund managers show higher participation

Based on our analysis of publicly disclosed voting records for 2025, 121 of the 165 mutual fund managers reported voting activity, generating 11,453 records of managers voting at shareholder meetings during the year, with each manager's voting activity at a given meeting counted separately. Among them, 29 managers cast at least one vote against or abstained on a resolution. The ten most active managers accounted for 69.7% of all voting records (7,983 records), indicating a relatively high concentration of voting activity.

Viewed through the ownership structure of fund managers, wholly foreign-owned firms have established a notable record of voting participation. In 2025, the nine managers in this group attended a median of 23 shareholder meetings and recorded 618 votes against or abstentions across 5,281 disclosed voting records, representing a dissent rate of 11.7%. The data suggest relatively high levels of engagement, and a greater willingness to express dissent, offering a useful perspective on application of how international stewardship practices are being applied in the Chinese market.

[3]Rules for Mutual Fund Managers' Participation in the Governance of Listed Companies, May 2025.

Chart 1: Meeting attendance and dissent rate by type of mutual fund manager, 2025

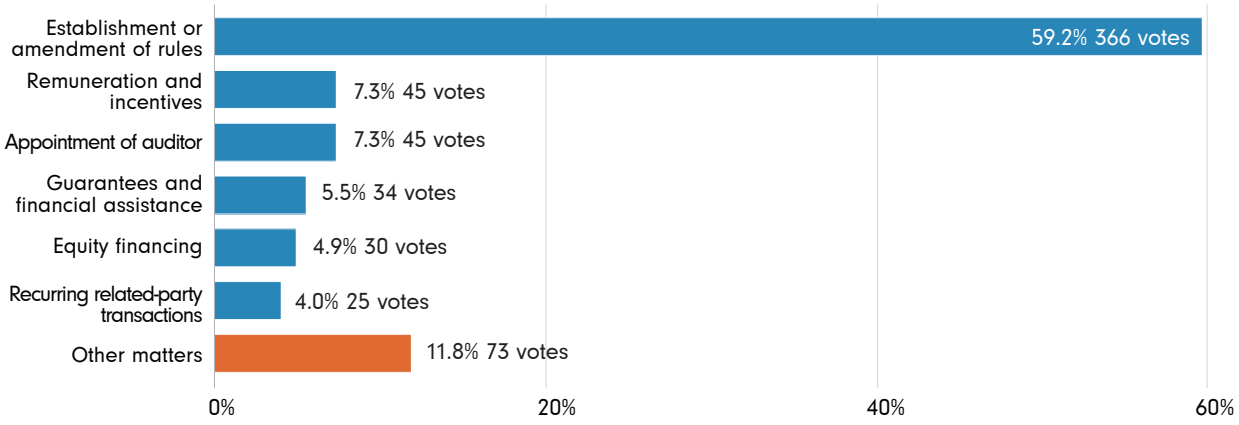


Source: Fidelity International, ZD Proxy, June 2026. Note: Overall dissent rate = total number of votes against and abstentions cast by managers in a given category divided by the total number of disclosed voting records for that category.

Governance priorities reflected in dissenting votes by foreign-owned managers

A closer look at dissenting votes shows that wholly foreign-owned fund managers focused primarily on corporate rules and bylaws amendments, remuneration and incentives, audit-related matters and capital allocation. In 2025, this cohort cast 618 dissenting votes, of which 366, or 59.2%, related to the establishment or amendment of company rules and policies. Remuneration and incentives matters and auditor-related matters each accounted for 45 votes, or 7.3%. Dissent was also recorded on guarantees and financial assistance, equity financing and related-party transactions.

Chart 2: Distribution of dissenting votes by wholly foreign-owned fund managers, 2025



Source: Fidelity International and ZD Proxy, June 2026. Note: Dissenting votes refer to votes against or abstentions.

By comparison, dissent among fund managers with other ownership backgrounds was more broadly distributed. Equity financing accounted for the largest share at 28.8%, followed by elections at 13.9% and periodic reports and business plans at 12.7%. Establishment or amendment of rules and asset acquisitions and disposals accounted for 8.7% and 6.5%, respectively.

Overall, dissent among these managers was spread across a wide range of issues, including financing, elections, operating matters and asset transactions, while dissent among wholly foreign-owned managers was more concentrated on governance-related issues.

Disclosure of voting rationales provides greater insight into investor concerns

Beyond voting outcomes themselves, disclosure of voting rationales provides greater insight into the considerations behind investors' decisions. In 2025, 19 of the 29 fund managers that cast at least one dissenting vote disclosed a specific rationale for at least one such vote, representing 65.5% of the group. Fidelity China was among them. Compared with disclosing only whether a vote was cast for, against or as an abstention, rationale disclosure helps fund unitholders and listed companies better understand investors' concerns and provides a clearer basis for subsequent engagement.

According to Fidelity China's 2025 disclosures, all 56 votes against were accompanied by specific rationales. These covered issues including the adequacy of company disclosure, shareholder rights, risk management and conflicts of interest, performance conditions under incentive plans, and greenhouse gas reduction commitments. Such disclosure helps translate broader governance and sustainability considerations into specific voting decisions on individual resolutions.



From framework building to voting decisions: Fidelity China's local practice

Publicly disclosed voting outcomes represent only the visible expression of investor participation in corporate governance. Behind them sits a broader stewardship framework integrating governance policies, research and analysis, company engagement and voting decisions. Fidelity China's approach in China provides a practical example of how international stewardship experience can be adapted to local regulatory requirements and embedded in day-to-day governance participation.

Fidelity China integrates sustainable investing considerations throughout its investment process. Upon obtaining its China mutual fund license in December 2022, the firm began establishing its local stewardship framework and commenced company engagement and proxy voting after the launch of its first fund in January 2023. It has also participated in industry research and regulatory reporting initiatives, sharing practical experience and contributing insights into the development of market standards.

At the policy level, Fidelity China developed its Policy on Participation in Listed Company Governance with reference to Chinese regulatory requirements, Fidelity International's Sustainable Investing Voting Principles and Guidelines, and its broader governance engagement policies. The policy is reviewed and updated regularly to remain aligned with evolving regulations, governance standards and sustainability expectations, helping connect Fidelity International's broader stewardship experience with local market requirements.

In practice, designated personnel initiate the voting process, while the local Sustainable Investing team leads resolution analysis in collaboration with fundamental analysts and portfolio managers. Drawing on Fidelity International's research and stewardship practices, the team assesses matters including shareholder rights, corporate actions, climate, environmental and social issues. For significant resolutions where a vote against may be considered, the team may engage with the company ahead of the shareholder meeting to better understand the proposal and communicate specific concerns before forming an independent voting recommendation. Combining company research, resolution analysis and pre-meeting engagement helps ensure that voting decisions reflect company-specific circumstances while also ensuring issuers an opportunity to understand investor concerns and potential areas for improvement.

The new rules provide a clearer institutional framework for public mutual fund managers to participate in listed-company governance and allow the market to gain greater insight into how investors exercise shareholder rights through disclosures on meeting attendance, voting activity and voting rationales. As the first annual disclosure cycle under the new regime, the available data reflects the governance participation of only a subset of public fund managers at this stage.

The next chapter extends Fidelity's market observations since 2020 and takes a longer-term view of shareholder participation and voting practices in China. It examines trends in meeting attendance, dissenting votes and governance priorities to better understand how stewardship is evolving from broader participation towards higher-quality engagement.



Part 1: Voting participation stabilises as dissent becomes more focused



Participation remains stable, with a stronger governance focus and increasing attention to how shareholders vote and what they value.

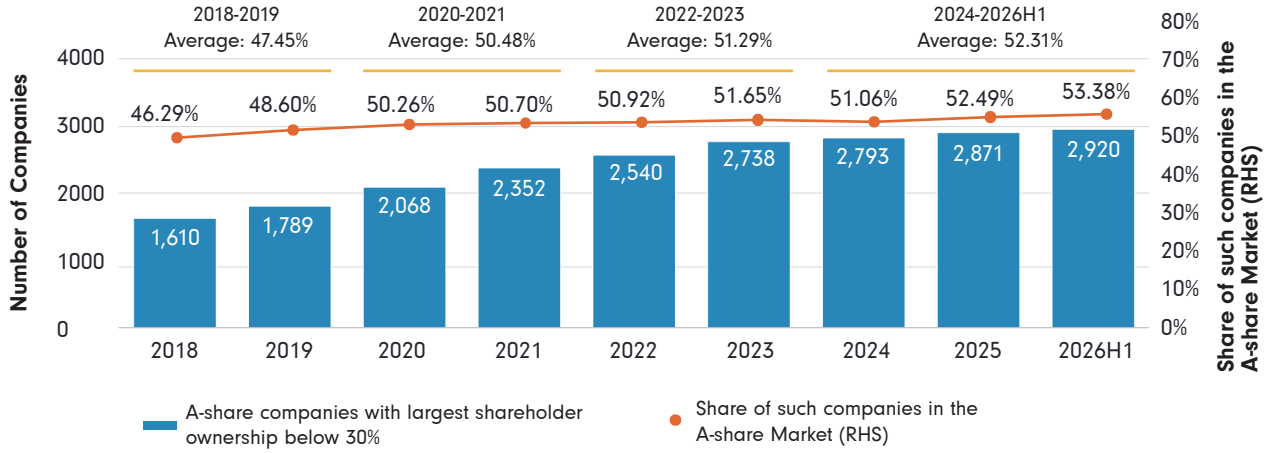
Previous editions of the China Stewardship Report have tracked how A-share investors participate in shareholder meetings and exercise their voting rights. Our research shows that, after rising in earlier years, meeting participation has gradually entered a more stable phase. At the same time, minority shareholders are showing greater focus and selectivity in expressing dissent on corporate governance matters. The latest data suggest that this trend is continuing.

Note: The analysis comprises 569 constituents of the MSCI China A Onshore Index as of end-June 2026, covering the period from 2024 to the first half of 2026. The previous three editions of the China Stewardship Report used the same benchmark index.

Continued ownership dispersion and stabilising voting participation

A-share ownership structures continue to become gradually more dispersed. Using the proportion of listed companies where the largest shareholder owns less than 30% as an indicator, the figure increased from an average of 47.45% in 2018-2019 to 52.31% in 2024-2026H1 (Chart 3). Greater ownership dispersion increases the relative importance of other shareholders in certain corporate decisions and voting matters, creating a more supportive environment for minority shareholders to participate in governance and exercise their rights.

Chart 3: Ownership dispersion in the A-share market continues to increase

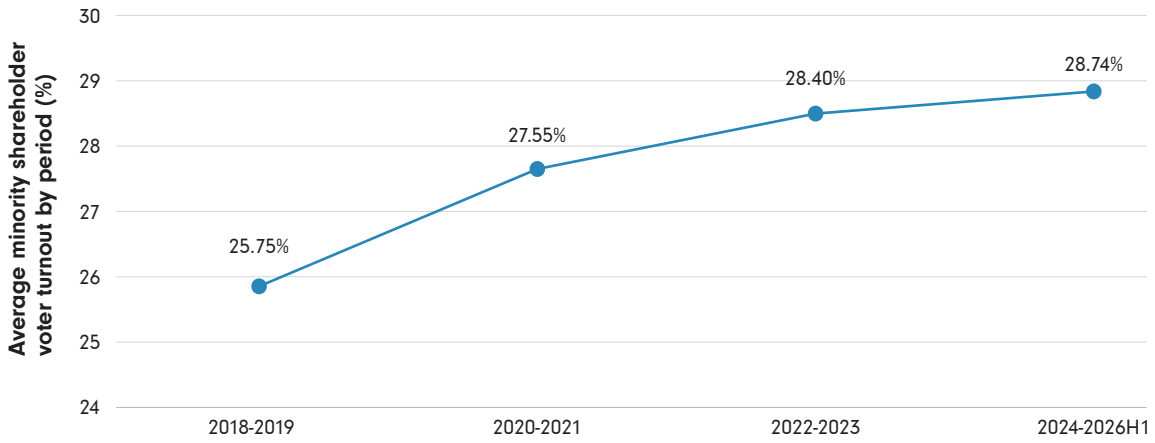


Source: Fidelity International, ZD Proxy, June 2026.

Voter turnout stabilizing

Over the past two years, voter turnout by shareholders other than the largest shareholder has continued to increase, but at a slower pace. On a period-average basis, participation rose from 25.75% in 2018-2019 to 27.55% in 2020-2021 and 28.40% in 2022-2023, before edging up to 28.74% in 2024-2026H1 (Chart 4). Using a consistent sample of companies covered in both reporting periods,[4] voter turnout across the full years from 2022 to 2025 also remained broadly stable at around 29%, suggesting that minority shareholder participation has moved from a period of sustained growth into a more stable phase.

Chart 4: Voter turnout of minority shareholders at shareholder meetings



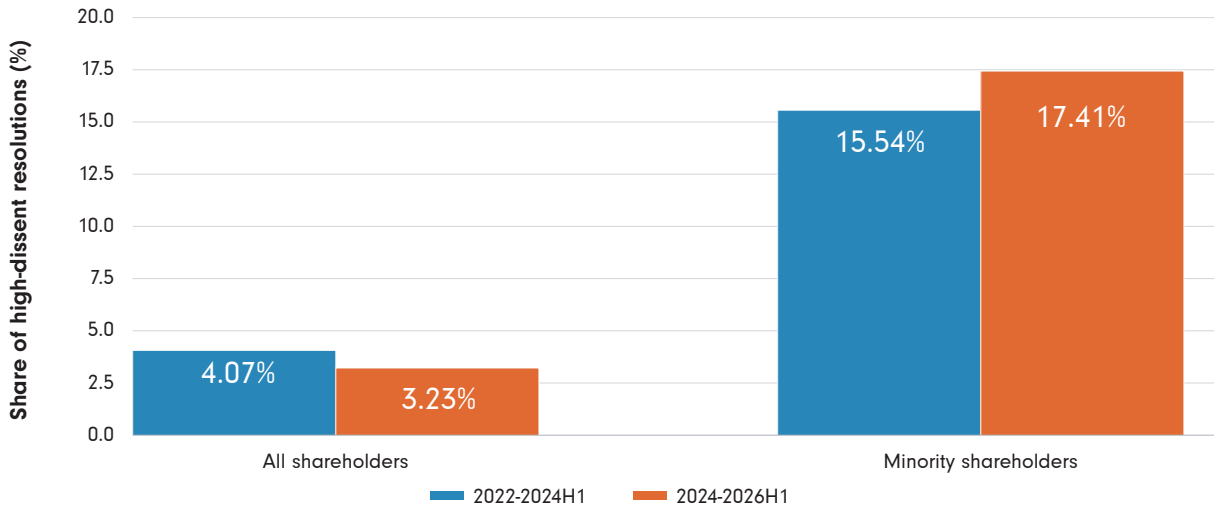
Source: Fidelity International, ZD Proxy, June 2026.

[4]The comparable-company sample comprises the 478 companies that overlap between the 569 companies included in this study and the constituents of the MSCI China A Onshore Index as of June 2024. The sample is used to facilitate consistent cross-period comparisons

Minority shareholder dissent becomes more pronounced

Voting outcomes reveal a widening gap between minority shareholders and the broader shareholder base. Across a comparable sample of 478 companies, the proportion of high-dissent resolutions among all shareholders declined from 4.07% in 2022-H1 2024 to 3.23% in 2024-H1 2026,[5] while the proportion among minority shareholders rose from 15.54% to 17.41%, peaking at 20.77% in 2025. This suggests that although overall shareholder dissent has become less common, minority shareholders remain vocal on selected governance concerns.

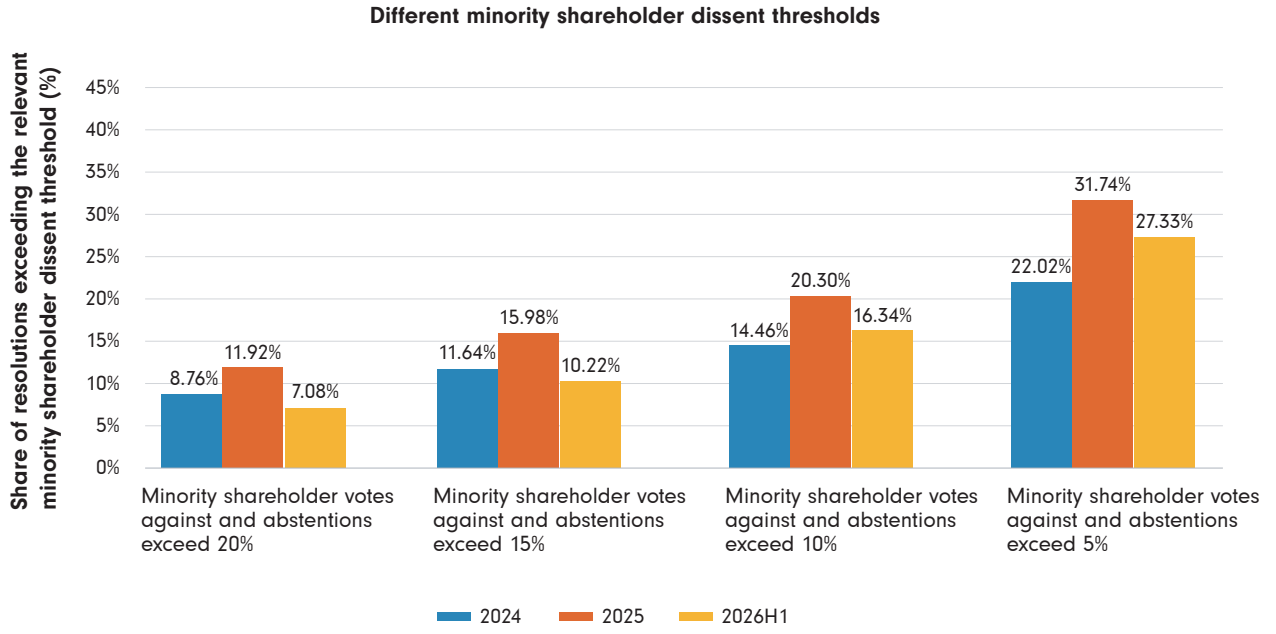
Chart 5: Proportion of high-dissent resolutions among all shareholders and minority shareholders



Source: Fidelity International, ZD Proxy, June 2026. Note: The proportion of high-dissent resolutions is calculated as the number of resolutions where the combined rate of votes against and abstentions exceeds 10%, divided by the total number of resolutions with valid voting records for the relevant shareholder group.

[5] In this report, a "high-dissent resolution" is defined as a resolution where the combined proportion of votes against and abstentions exceeds 10%.

Chart 6: The proportion of minority shareholder dissent increased across all dissent levels

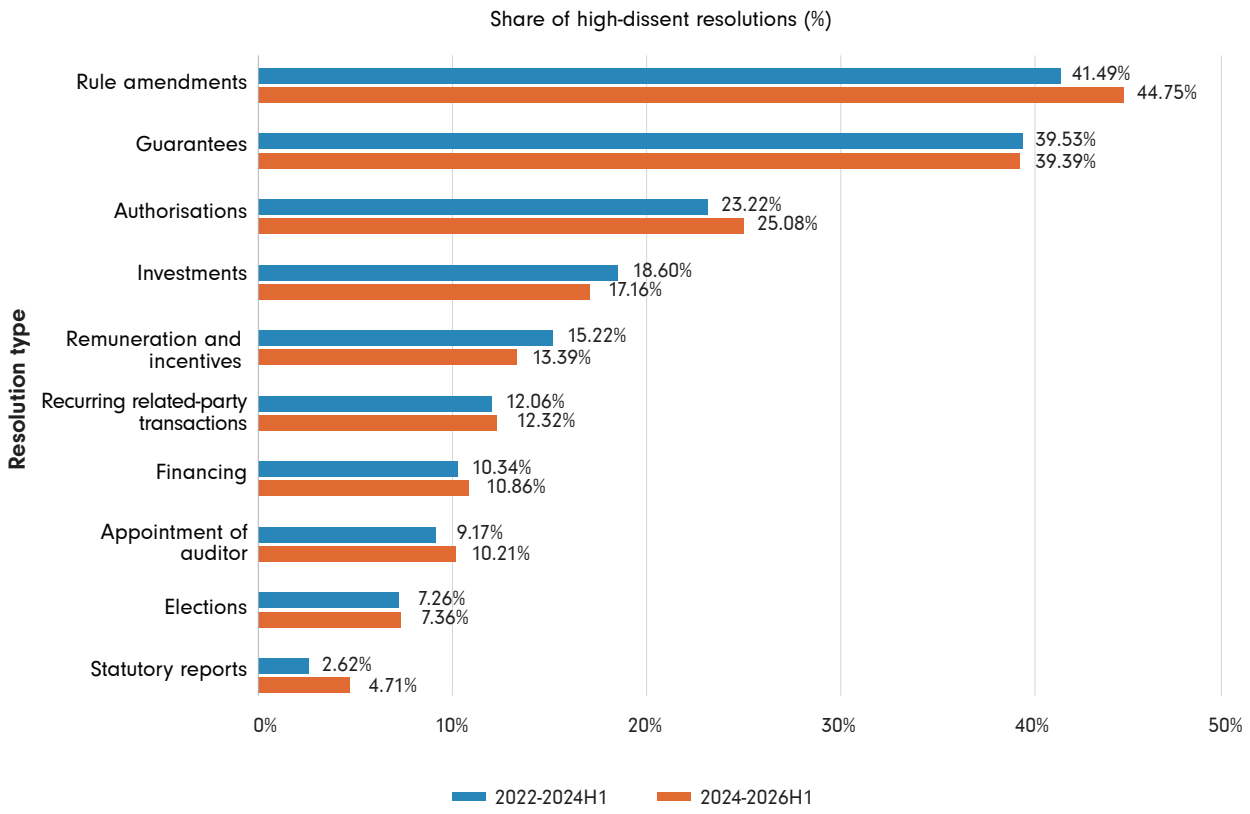


Source: Fidelity International, ZD Proxy, June 2026. Note: The 2026 H1 sample consists primarily of annual general meeting (AGM) resolutions, whereas the full-year 2024 and 2025 samples include a larger proportion of extraordinary general meeting (EGM) resolutions. As EGM resolutions generally attract higher levels of shareholder dissent, differences in sample composition may affect direct comparisons across periods.

Rule amendments, guarantees and authorisation resolutions remain key areas of dissent

Minority shareholder dissent is not evenly distributed across resolution types. It remains concentrated in matters involving governance arrangements, allocation of decision-making authority and shareholder protection, particularly governance rule amendments, guarantees and authorisations. Across the comparable-company sample, the share of high-dissent resolutions relating to rule amendments increased from 41.49% to 44.75%, remaining the category with the highest level of dissent. Guarantees remained elevated at around 39%, while authorisations also increased slightly. By contrast, changes in investment, financing and recurring related-party transaction resolutions were more moderate.

Chart 7: Proportion of high-dissent resolutions by resolution type among minority shareholders



Source: Fidelity International, ZD Proxy, June 2026. Note: The sample comprises the 478 companies covered in both reporting periods. High-dissent resolutions are defined as those where the combined rate of votes against and abstentions cast by minority shareholders exceeds 10%.

Overall, while most resolutions continue to receive high levels of support, minority shareholders' differing views on certain matters are becoming more visible once the influence of major shareholders is excluded. The rise in high-dissent resolutions, together with the continued concentration of dissent on rule amendments, guarantees and authorisations, suggests that minority shareholders are increasingly using voting to express their views and participate in corporate governance. As participation rates stabilise, voting positions on key matters and expressing dissent is becoming an increasingly important indicator of how governance participation is evolving.



Part 2: Corporate governance trends and thematic research

Corporate governance reform in China's capital markets has accelerated in the past two to three years. Since the State Council issued the 2024 Opinions on Strengthening Regulation, Preventing Risks and Promoting the High-Quality Development of the Capital Market - commonly referred to as the new "Nine-Point Guideline" - regulators have continued to refine the broader "1+N" policy framework, with a focus on improving listed company quality, strengthening investor protection and encouraging long-term capital participation. From top-level policies issued by the State Council and central authorities to detailed rules introduced by the China Securities Regulatory Commission (CSRC) and other government agencies, reform efforts have expanded beyond statutory governance requirements to areas such as board effectiveness, disclosure, market value management, M&A, use of proceeds and institutional investor participation in corporate governance.

A defining feature of the current wave of governance reform is the growing emphasis on governance quality, capital efficiency and investor returns, alongside continued efforts to strengthen foundational governance frameworks. Regulators have strengthened board and management accountability while promoting long-term value creation through measures on market value management, dividends and share buybacks, refinancing and M&A. At the same time, the institutional foundations for long-term capital participation have continued to strengthen, with institutional investors playing an increasingly important role in corporate governance through voting, engagement and other stewardship activities.

Against this backdrop, market attention is increasingly focused on shareholder returns and alignment of interests. Dividends, share buybacks, capital allocation and executive remuneration have become important indicators of governance quality and long-term value creation. This section therefore examines two governance themes: shareholder returns and director and executive remuneration. Drawing on recent regulatory developments, corporate practices and shareholder meeting proposals, it explores how governance arrangements can strengthen alignment between management and shareholders, and how investors can use engagement, voting and other stewardship activities to support better governance outcomes.



Theme 1: Shareholder Returns - From dividend payouts to enhanced return framework

Cash dividends are a key component of shareholder returns in China's capital markets. In recent years, regulators have continued to strengthen the policy framework around dividends, market value management and investor returns. The 2023 revision of the CSRC Guidelines No. 3 on Cash Dividends of Listed Companies enhanced the stability and transparency of dividend policies by requiring listed companies to establish clear shareholder return plans and encouraging more frequent distributions where appropriate.[6] In 2024, the CSRC Guidelines No. 10 on Market Value Management brought cash dividends, share buybacks and investor relations management under a unified market value management framework.[7] Meanwhile, the Shanghai and Shenzhen stock exchanges launched initiatives such as "Improving Quality, Efficiency and Investor Returns" and "Enhancing Quality and Returns" to promote more stable, timely and predictable shareholder returns. Taken together, the regulatory focus has evolved from encouraging dividend payments to fostering stable, transparent and predictable long-term shareholder return frameworks.

Dividend capacity and payout commitment have improved, while distributions remain concentrated

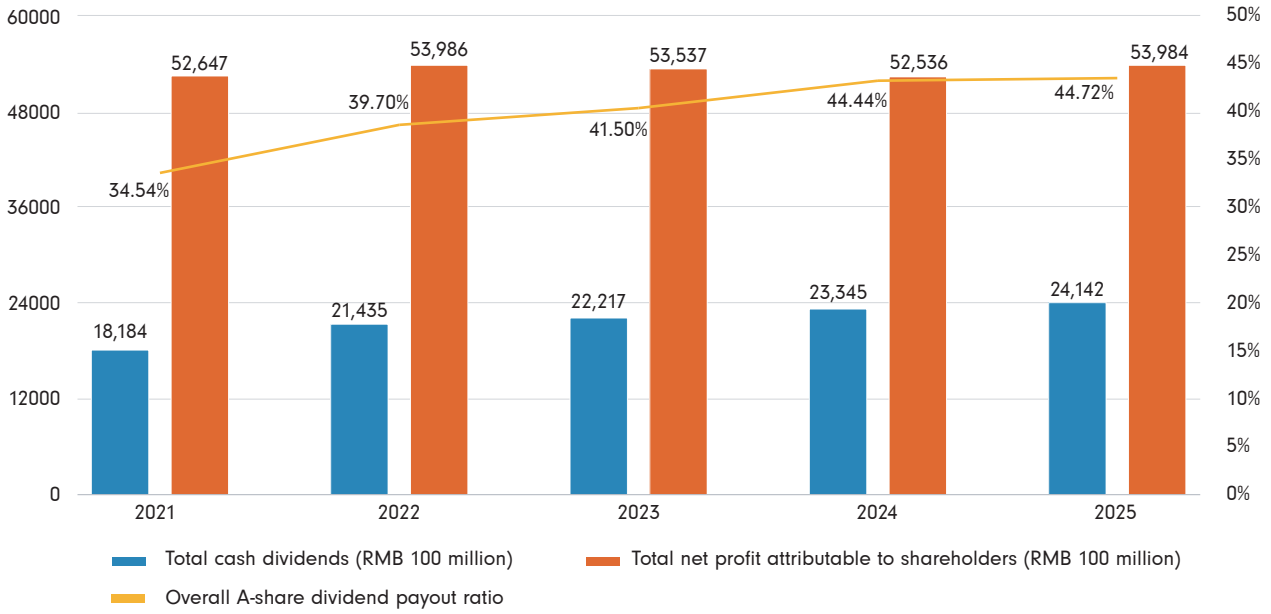
Across the A-share market, total annual cash dividends increased from around RMB1.8 trillion in 2021 to around RMB2.4 trillion in 2025, outpacing the growth in aggregate net profit attributable to shareholders over the same period. The market-wide dividend payout ratio rose from around 34.54% to 44.72%, while the payout ratio among profitable companies increased from 31.38% to 38.97%. This suggests that, despite relatively stable earnings growth, listed companies are allocating a greater share of profits to shareholder returns, reflecting both a stronger capacity and willingness to return capital through cash dividends.

Structurally, dividend payments remain highly concentrated among large-cap companies and mature sectors. Companies with market capitalisations above RMB 100 billion represent less than 4% of listed companies but contribute nearly 70% of total cash dividends, with the highest payout ratios typically found in food and beverages, textiles and apparel, and telecommunications.

[6]CSRC Guidelines No. 3 on Cash Dividends of Listed Companies (2023 Revision), December 2023.

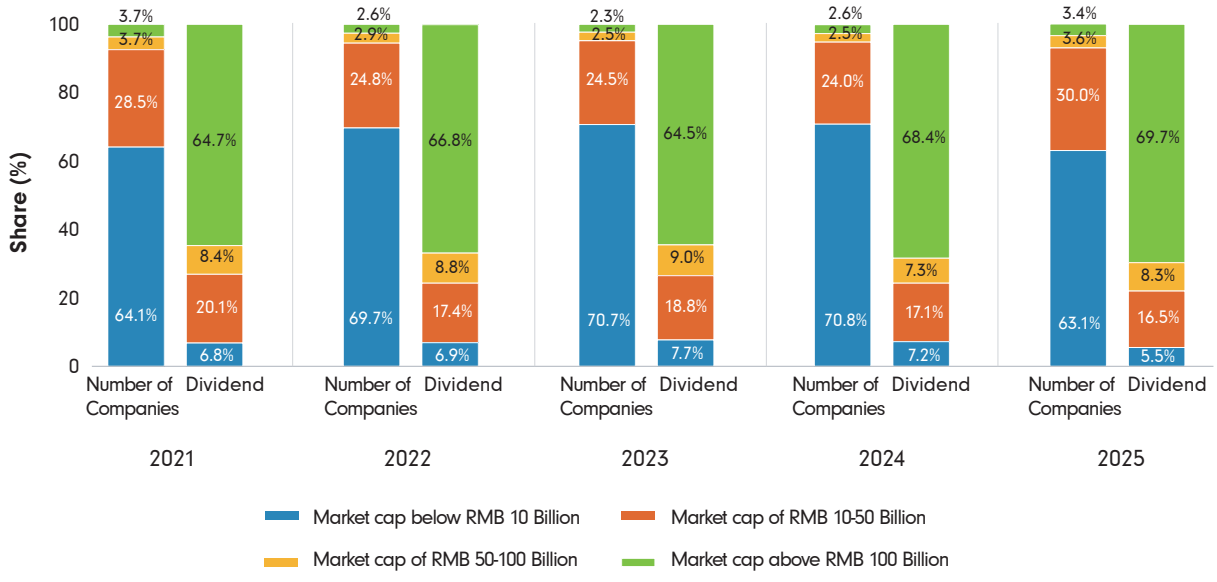
[7]CSRC Guidelines No. 10 on Market Value Management, November 2024.

Chart 8: Dividend distribution of A-share listed companies (2021–2025)



Source: Fidelity International, ZD Proxy, June 2026. Note: Data cover Shanghai and Shenzhen listed A-share companies only. Dividend figures include special dividends; the same applies below.

Chart 9: A-Share Dividend Payers and Dividends by Market Cap (2021–2025)



Source: Fidelity International, ZD Proxy, June 2026.

Shareholder influence in dividend decisions: Resolution types and key considerations

Shareholder returns at listed companies are determined and implemented through formal corporate governance processes. In most cases, the board proposes profit distribution plans, dividend policies or related authorizations, which are then submitted to shareholders for approval. In assessing changes in shareholder returns, it is therefore important to consider not only the level of distributions, but also how dividend arrangements are formulated, reviewed and implemented. For shareholders, dividend resolutions affect not only near-term cash returns but also provide an important channel for participating in capital allocation decisions and overseeing a company's shareholder return policy.

What types of dividend resolutions can shareholders vote on?

Dividend-related resolutions in the A-share market can broadly be divided into two categories: those that determine the actual amount to be distributed in the current period, and those that establish how future distributions will be governed, approved and implemented.

The most common dividend-related resolutions are annual or year-end profit distribution proposals, typically submitted alongside the annual report and relating to distributable profits from the previous financial year. These proposals determine whether profits will be distributed through cash dividends, bonus shares or the capitalization of reserves. Where no cash dividend is proposed, companies are generally expected to explain the reasons. As these resolutions directly determine shareholders' cash returns, they remain the most common type of dividend resolution submitted for shareholder approval at A-share annual general meetings.

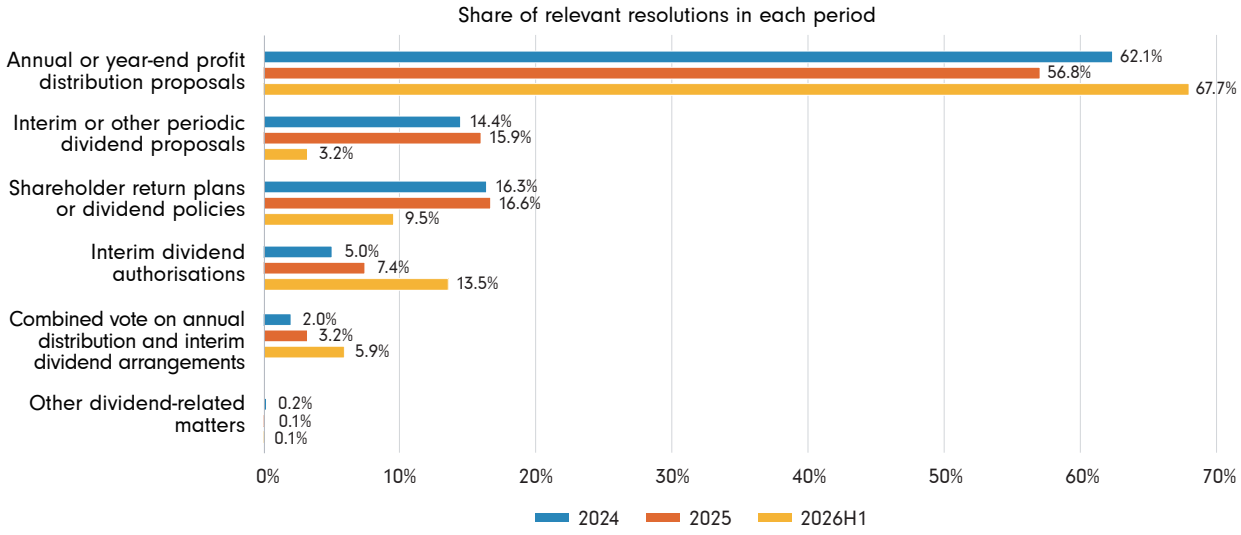
As companies increase dividend frequency and strengthen long-term shareholder return arrangements, shareholder meetings are increasingly considering matters beyond annual profit distribution proposals. Shareholder return plans and dividend policies typically span multiple years and set out principles governing dividend conditions, payout ratios, distribution frequency and policy adjustments. Although these resolutions do not determine specific dividend payments, they establish an important framework for future distribution decisions.

Beyond regular annual dividends, companies may submit interim, quarterly or special dividend proposals for direct shareholder approval, or seek advance authorisation for interim dividends. Under the latter approach, shareholders approve the conditions, maximum amount and validity period of the authorisation, while the board is granted discretion to determine the specific distribution within those parameters. The key distinction lies in the allocation of decision-making authority: in the former case, shareholders vote directly on a specific dividend proposal, whereas in the latter, the board is given a degree of flexibility. Investors should therefore pay particular attention to the scope, duration and payout limits of such authorisations, as well as the associated disclosure requirements. In practice, some companies also combine annual profit distribution proposals with future interim dividend arrangements in a single resolution.

Looking at dividend-related resolutions over the past three years, annual profit distribution proposals have remained the dominant category, while arrangements for interim dividends have become increasingly common. As the 2026 data cover only the first half of the year, they primarily capture interim dividend authorisations rather than actual interim dividend proposals, which are typically considered after interim results are announced. Even so, on a comparable first-

half basis, the proportion of interim dividend authorisation resolutions increased from 5.71% to 9.10% and then to 13.50%, indicating that more listed companies are putting in place formal frameworks for regular interim distributions.

Chart 10: Distribution of dividend- and shareholder return-related resolutions by type (2024–2026H1)



Share of relevant resolutions in each period；2024:n=898| 2025:n=962 | 2026H1:n=778

Source: Fidelity International, ZD Proxy, June 2026. Note: The sample comprises 569 constituents of the MSCI China A Onshore Index as of 30 June 2026, covering 2,090 shareholder meetings and 2,638 voting records.

From dividend levels to dividend design: What do investors focus on?

When reviewing dividend policies or longer-term shareholder return plans, investors typically consider several key factors. First, the basis for calculating dividends should be clearly defined. Whether payouts are linked to net profit attributable to shareholders, distributable profits at the parent-company level or free cash flow can have different implications for the sustainability and flexibility of shareholder returns. Second, policies should balance payout ratios, distribution frequency and stability in a way that helps investors form clearer expectations for future returns. Third, any adjustment mechanism should be transparent. When operating conditions or capital requirements change, companies should clearly explain the rationale for any revisions and their implications for shareholder returns. Finally, investors should consider whether shareholder views, particularly those of minority shareholders, are adequately reflected in decision-making and addressed during the formulation or revision of dividend policies.

From this perspective, dividend resolutions are not merely decisions on profit distribution, but also an important mechanism through which shareholders participate in corporate governance, oversee capital allocation and support long-term value creation. As shareholder return frameworks continue to evolve, investor attention is increasingly extending beyond "how much is distributed" to "how distributions are structured", "whether they are sustainable" and "how decisions are made", placing greater emphasis on the transparency and governance quality of shareholder return policies.

Case study: A higher payout ratio does not necessarily mean more stable shareholder returns

ZD Proxy identified the revised dividend framework of a consumer company as a useful example of how shareholder return policies evolve in response to changing business conditions while seeking to balance investor expectations. Under the company's 2024-2026 shareholder return plan, annual cash dividends were set at no less than 70% of net profit attributable to shareholders and a minimum of RMB 7 billion. As industry challenges persisted and operating pressures increased, the company introduced a revised 2025-2027 plan in early 2026, raising the payout ratio commitment to no less than 100% of attributable net profit while removing the RMB 7 billion minimum distribution threshold.

On the surface, the new plan appeared to represent a stronger payout commitment. However, without a minimum distribution requirement, shareholders' actual cash returns could decline materially if earnings weakened. In 2025, the company's attributable net profit fell to RMB 2.206 billion, while its proposed cash dividend was RMB 2.214 billion, implying a payout ratio of more than 100%. Yet total cash dividends were approximately 68% lower than the RMB 7 billion distributed in the previous year.

Notably, although the revised dividend plan was approved at the shareholder meeting, votes against and abstentions among minority shareholders together exceeded 8%, indicating a degree of divergence in investor views on the adjustment.

This case highlights the importance of balancing sustainability and predictability in shareholder return policies. While companies may have legitimate reasons to adjust dividend arrangements in response to changing business conditions, significant revisions can also reshape investors' expectations. Investors should therefore assess not only payout ratios and distribution amounts, but also the underlying business fundamentals and policy adjustment mechanisms. For companies, clear communication of the rationale for changes, capital allocation priorities and future return plans, supported by ongoing shareholder engagement, can help narrow expectation gaps and enhance the transparency and credibility of long-term shareholder return policies.

Stewardship in practice: Enhancing shareholder returns through multi-channel engagement

Dividend-related resolutions generally receive strong shareholder support, but high approval rates do not necessarily imply consensus among investors. Dissenting votes often reflect concerns not about dividends themselves, but about dividend policy design, capital allocation, capital efficiency, or the process for revising return policies. In companies with concentrated ownership structures, voting outcomes may also not fully reflect the views of minority shareholders. Voting at shareholder meetings is therefore only one component of investor participation in shareholder return policies and corporate governance. On issues such as capital allocation, capital efficiency and long-term shareholder return frameworks, investors often engage in ongoing dialogue with boards and management teams to communicate concerns and encourage improvements. Compared with voting on individual resolutions alone, sustained stewardship activities can provide a more effective means of supporting governance improvements and helping translate long-term value creation into shareholder returns.

In China, Fidelity International regularly engages with investee companies on governance topics including investor rights, capital allocation, controlling shareholder quality and executive remuneration.[8] These governance topics were discussed more than 250 times in engagements with investee companies during 2024-2025 and over 100 times in the first half of 2026 alone, underscoring the growing importance of governance within the stewardship process. Depending on the issue and company circumstances, Fidelity engages through a range of channels, including written correspondence with boards and senior management, one-to-one meetings, calls, emails and participation at shareholder meetings. We have also observed instances where engagement efforts, alongside broader market and regulatory developments, have contributed to positive outcomes.

One example involved a consumer goods company to which Fidelity wrote in early 2024, encouraging management to improve capital allocation efficiency, enhance shareholder return arrangements and establish a more stable, transparent and long-term capital allocation framework, while continuing to support long-term business development and appropriate capital expenditure. Since then, the company has continued to strengthen its shareholder return policy. Its dividend payout ratio increased from approximately 30% in FY2022 to 40% in FY2023 and 45% in FY2024, before rising to around 50% of core earnings in FY2025. At the same time, the company indicated its intention to maintain a dividend payout ratio of around 45% over the following three years and, together with share buybacks, target a combined shareholder return of approximately 4%. As the shareholder return framework has become clearer, the stability and predictability of shareholder returns have also improved.

[8]Engagements are conducted in accordance with established compliance and internal control requirements, focuses on publicly available information, governance practices and investor concerns, and strictly avoids any discussion of inside information or other material non-public information.



Theme 2: Director and executive remuneration - From incentive design to value creation

Director and executive remuneration has become an increasingly important area of corporate governance reform in China. The revised Code of Corporate Governance for Listed Companies, effective from 2026,[9] introduces enhanced requirements on remuneration structures, performance assessment, deferred compensation and clawback mechanisms, extending remuneration governance beyond disclosure to the full remuneration process. In the same year, the CSRC launched a corporate governance initiative that identified the recovery of excess performance-based pay linked to financial misconduct as a key focus, further strengthening accountability. Together, these developments reflect a broader shift from remuneration disclosure to remuneration governance, with greater emphasis on aligning executive incentives with long-term performance, risk accountability and shareholder interests.

Shareholder influence in remuneration decisions: Resolution types and key considerations

Like shareholder returns, executive remuneration arrangements are established and implemented through formal corporate governance processes. The revised Code of Corporate Governance for Listed Companies further clarifies that the Remuneration and Appraisal Committee is responsible for formulating and reviewing remuneration policies and proposals for directors and senior executives. Director remuneration is subject to shareholder approval, while executive remuneration is approved by the board and reported to shareholders. Although shareholders do not directly determine all executive remuneration, many listed companies submit remuneration matters relating to both directors and executives for shareholder consideration. As a result, shareholder meetings remain an important channel through which investors can assess remuneration policies, board oversight and the alignment of management and shareholder interests.

What types of remuneration resolutions can shareholders vote on?

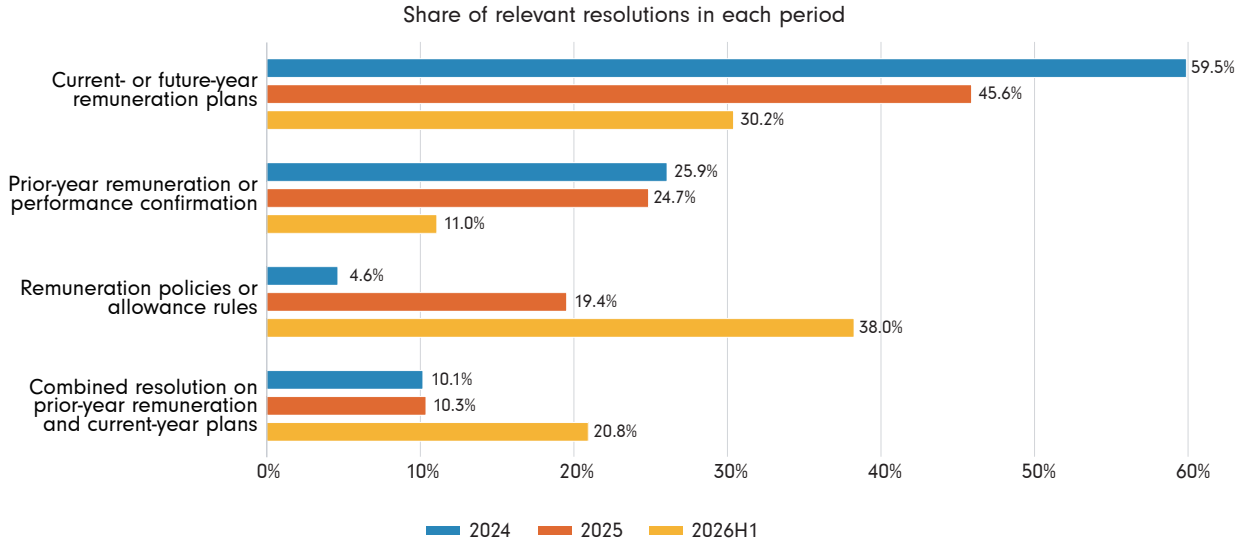
Remuneration-related resolutions in the A-share market generally serve three purposes: confirming past outcomes, setting future arrangements and establishing governance frameworks. The most common category relates to current or

[9] Code of Corporate Governance for Listed Companies, October 2025.

future remuneration plans, covering director remuneration, independent director fees, and remuneration arrangements for the coming year or term of office, including fixed pay, performance-based compensation and other benefits. A second category involves the approval of prior-year remuneration and performance outcomes, allowing shareholders to assess whether actual pay is aligned with company performance and individual responsibilities. Some companies combine the approval of prior-year remuneration with future remuneration proposals in a single resolution. A third category covers remuneration governance frameworks, including remuneration policies, performance evaluation systems, fee arrangements, and longer-term mechanisms such as deferred compensation and clawback provisions. While these resolutions do not necessarily determine remuneration levels in a specific year, they shape how remuneration is structured, assessed and constrained over time, giving them broader long-term governance significance.

In the first half of 2026, the number of remuneration-related resolutions in the A-share market increased significantly from 606 in the same period of the previous year to 1,217. Resolutions concerning remuneration policies and allowance schemes were the primary driver, accounting for approximately 71% of the net increase. The timing and nature of these proposals are broadly consistent with the remuneration governance requirements introduced under the revised Code of Corporate Governance for Listed Companies, which came into effect on 1 January 2026. As regulatory expectations have become more explicit, listed companies have generally strengthened their remuneration frameworks for directors and senior executives, undertaking systematic enhancements to pay structures, performance evaluation systems, and incentive mechanisms, thereby contributing to the substantial increase in related resolutions.

Chart 11: Distribution of director, supervisor and executive remuneration-related resolutions (2024–2026H1)



Share of relevant resolutions in each period 2024:n=676| 2025:n=789 | 2026H1:n=1,217

Source: Fidelity International, ZD Proxy, June 2026. Note: The sample comprises 569 constituents of the MSCI China A Onshore Index as of 30 June 2026, covering 1,463 shareholder meetings and 2,682 voting records. Equity incentive plans and employee share ownership plans are excluded.

From incentive design to accountability: What do investors look for?

As with dividend resolutions, remuneration resolutions are not simply about whether a particular pay package appears high or low, but about how remuneration is determined and whether it is appropriately aligned with business performance.

First, disclosure should provide investors with sufficient information to assess remuneration outcomes. Beyond headline pay figures, investors need visibility into remuneration structures, key performance metrics, targets, weightings and actual performance against those targets. This is particularly important when indicators such as attributable net profit, adjusted net profit, revenue growth and cash flow point in different directions. The choice of performance metrics, and the rationale behind them, can materially influence whether remuneration outcomes are reasonable.

Second, investors increasingly focus on whether incentives and accountability are appropriately balanced. While strong performance may justify higher rewards, performance-based remuneration should also be reduced, deferred or withheld when targets are not met. In cases involving financial restatements, misuse of company funds, improper guarantees or other serious governance failures, the effective application of clawback mechanisms provides an important test of whether remuneration frameworks deliver meaningful accountability.

Finally, investors assess whether one-off awards, remuneration adjustments and long-term incentives are supported by a clear rationale. Where earnings are under pressure or remuneration levels already exceed peer averages, the board's ability to explain the need for additional awards, the associated performance conditions and their implications for long-term shareholder interests provides an important test of effective oversight.

As regulatory expectations continue to evolve, these issues are increasingly reflected in shareholder voting. According to ZD Proxy's ongoing monitoring of A-share shareholder meeting resolutions, 24 remuneration-related proposals failed to pass in the first half of 2026, compared with 10 during the same period in 2025. While individual cases require context-specific analysis, the trend suggests that remuneration is becoming an increasingly important area through which shareholders assess board effectiveness and alignment of interests.

As with shareholder returns, voting at shareholder meetings is only one way through which investors participate in remuneration governance. Given the complexity of remuneration structures, performance metrics and long-term incentive arrangements, investors often supplement voting with pre-meeting engagement and dedicated discussions with boards to better understand incentive structures, accountability mechanisms and alignment of interests.

While a single investor's vote against a resolution may not affect the final voting outcome, it can provide a clear and measurable signal of shareholder sentiment. From a governance perspective, what often matters most is not whether a resolution passes, but how the company responds to investor concerns and whether it subsequently strengthens its remuneration framework, performance assessment mechanisms or disclosure practices.

Case study: Shareholder feedback drives changes to a remuneration proposal

ZD Proxy identified a technology company where shareholder feedback led to changes in the structure and disclosure of remuneration proposals. Despite a 33.48% year-on-year decline in revenue and adjusted net profit turning from profit to loss in 2025, the company submitted a combined resolution at its annual general meeting covering both the confirmation of prior-year remuneration and remuneration arrangements for the following year for five non-independent directors and executives. While the meeting materials disclosed remuneration

amounts and broad remuneration principles, they provided limited insight into how the deterioration in operating performance was reflected in pay outcomes.

When first submitted for shareholder approval, the resolution failed to pass with related shareholders excluded from voting and only 18.21% of the remaining eligible votes cast in favor. In response to shareholder feedback, the company revised and resubmitted the proposal several weeks later, separating the remuneration arrangements for the five individuals into standalone resolutions and providing additional disclosure on the link between business performance and pay. The company also disclosed that remuneration for the individuals concerned had already declined by 11.84% year-on-year and was expected to fall by a further 10%. All five revised resolutions were ultimately approved, receiving approximately 80% support from minority shareholders.

The shift in voting outcomes illustrates how shareholder feedback can translate into tangible changes to remuneration proposals. By separating the resolutions, enhancing disclosure on the link between performance and pay, and adjusting remuneration levels, the company provided investors with a stronger basis on which to assess the proposals. Nevertheless, some minority shareholders continued to vote against the resolutions, suggesting that investors still expect greater transparency and stronger accountability mechanisms. Going forward, increased disclosure of performance metrics and target achievement, together with the effective implementation of deferred compensation and clawback arrangements, will remain important areas to watch.

Case study: Reassessing executive remuneration through the lens of long-term value creation

Over the past two years, Fidelity International has closely monitored the operating performance and remuneration governance of a global consumer company, focusing on whether management incentives remain aligned with long-term value creation.

Ahead of the company's 2025 annual general meeting, Fidelity International's Sustainable Investing team, portfolio managers and fundamental analysts conducted an in-depth review of the CEO's remuneration arrangements. The analysis found that the long-term incentive plan relied primarily on profitability metrics, while limited disclosure of performance targets made it difficult to assess whether they were sufficiently stretching. Given the CEO's already significant shareholding, Fidelity focused on whether additional incentives genuinely reflected a pay-for-performance approach and therefore voted against the relevant equity incentive resolution at the 2025 annual general meeting.

Fidelity continued to monitor the company's governance and operating performance. In 2026, the company revised its long-term incentive plan to incorporate a revenue growth metric, strengthening its performance assessment framework. However, despite continued pressure on operating performance and downward revisions to earnings expectations, the board maintained relatively high remuneration levels and proposed a sizeable one-off equity award. Fidelity considered the board's explanation of the link between the additional incentive and underlying performance to be insufficient and believed that further improvements were needed to strengthen alignment with long-term shareholder interests.

As concerns around both fundamentals and governance accumulated, a portfolio manager gradually reduced and ultimately exited the investment after considering the company's operating outlook alongside governance factors. This case illustrates that remuneration governance is closely linked to business performance and long-term value creation. Where incentive structures, board oversight and operating outcomes remain misaligned over time, investor confidence in management execution and investment value may gradually erode, ultimately influencing investment decisions.



Part 3: Engagement case studies



From green strengths to systemic capabilities through continuous engagement

The chemicals industry is a cornerstone of the modern industrial economy, but it is also one of the more challenging sectors to decarbonise as China works towards its dual-carbon goals. Given the extensive use of chemical products across manufacturing value chains, the sector's green transition affects not only companies' own emissions, but also the Scope 3 greenhouse gas (GHG) emissions of customers through the raw materials and intermediate products they purchase. For chemical companies that already benefit from lower-carbon production processes, an important next step is therefore to turn these technical and operational advantages into broader, long-term sustainability capabilities.

Through extensive fundamental research and multiple company engagements, Fidelity China's Portfolio Manager Eric Nie identified a chemical company with a relatively strong foundation for low-carbon development. Using lighter feedstocks such as ethane and propane, the company has built an integrated light-hydrocarbon value chain that offers advantages in product yield and energy efficiency over some traditional production routes, while continuing to advance greener production practices across the value chain. However, for a company seeking to strengthen its global competitiveness, deepen relationships with international customers and attract long-term capital, decarbonisation efforts and emissions-reduction projects are only the starting point.

Equally important are the governance, target-setting and disclosure practices that support and reinforce these efforts.

In 2024, Fidelity China held its first dedicated ESG engagement with the company. We introduced Fidelity's sustainable investing philosophy and stewardship approach and discussed how the company could further strengthen its sustainability management framework from the perspective of international investors. In particular, we explored how its green investments and sustainability initiatives could better support long-term business resilience while communicating its value more clearly to capital markets. The company responded positively and expressed a willingness to further enhance its sustainability framework.

In February 2025, led by Portfolio Manager Eric Nie, Fidelity China joined a group of institutional investors, industry organisations and experts on a site visit, where we held dedicated discussions with management and the ESG team on the company's low-carbon transition strategy and key ESG issues. At the time, the company had already established a solid management foundation, including incorporating selected ESG metrics into management performance assessments and developing quantitative medium-term targets to support its ambition of achieving carbon neutrality across the value chain by 2050. The company was also leveraging technological innovation and process upgrades to explore cleaner feedstocks

and production pathways, while expanding the use of clean energy and advancing initiatives in carbon reduction, carbon capture, carbon recycling and carbon replacement.

Given the company's stage of development, our engagement was not focused on building ESG practices from scratch but on helping translate its existing sustainability strengths into a more systematic, measurable and transparent management framework. Discussions covered ESG governance, incentives, disclosure, emissions management and low-carbon innovation. Drawing on investor expectations and global market practices, we encouraged the company to consolidate sustainability data that had previously been distributed across different production, project and operational process, establish clearer targets and strengthen monitoring of material ESG issues. The company subsequently adopted several recommendations from Fidelity China and other participating investors, enhancing disclosures, setting more ambitious targets for key sustainability issues identified through the double materiality assessment, and implementing phased action plans. As its management framework and disclosures improved, the company received two-notch upgrades from several domestic and international ESG rating providers in 2025.

The value of long-term stewardship, however, extends beyond ESG rating improvements.

In February 2026, Fidelity China led another collaborative on-site engagement focused on sustainability and climate-related issues. As the company's governance structures, targets and disclosure frameworks became more established, the focus of engagement evolved from improving systems and reporting to implementation and business performance, with a greater focus on how sustainability initiatives were being embedded into long-term operational capabilities. During the engagement, the company shared updates on its progress and noted that certain targets had already been achieved ahead of schedule or exceeded expectations. Subsequent ESG disclosures reflected these developments, including further improvements in the accuracy of Scope 1 and Scope 2 greenhouse-gas accounting, while emissions intensity continued to decline. A technical upgrade at a production base involving 90,000 tonnes of acrylic acid and 100,000 tonnes of refined acrylic acid annually became one of the company's flagship energy-efficiency and carbon-reduction examples - by adopting greener production processes, it was able to reduce annual energy consumption by 16,487.4 tonnes of standard coal equivalent. Using 2024 as a baseline, wastewater pollutant intensity fell by 15 per cent in 2025, while air pollutant emissions intensity declined by 17 per cent. These improvements illustrate how the company's sustainability efforts are increasingly progressing beyond governance frameworks and targets into measurable operational outcomes.

This case illustrates that effective stewardship is built not through a single interaction, but through sustained dialogue and the gradual development of mutual trust. Over the past three years, Fidelity China has maintained regular fundamental and ESG-focused engagements with the company, tracking business performance and risk management developments while sharing market practices on governance, target-setting and sustainability data management. These exchanges have helped support the company's efforts to advance financial performance and sustainability objectives in tandem, with this progress increasingly recognised by customers. For chemicals companies, the sustainability transition is not just about individual decarbonization projects, nor are standalone ESG frameworks sufficient. Rather, the challenge lies in the ability to link technological pathways, production efficiency, governance mechanisms, quantitative targets and business outcomes into a coherent strategy so that sustainability becomes embedded in long-term competitiveness. This case provides a useful example of how that can be achieved.



Deepening stewardship outcomes through long-term cross-asset engagement

Fidelity International adopts a cross-asset approach to stewardship, drawing on insights from its equity, fixed income and sustainable investing teams to assess and encourage improvements in corporate sustainability performance. Where we hold both equity and debt positions, we combine the shareholder rights afforded by equity ownership, the long-term risk perspective of credit investing and ESG expertise to build a more comprehensive view of long-term value drivers. Through ongoing engagement and knowledge sharing across teams, stewardship priorities and objectives evolve alongside changes in a company's operating environment, strategy and stage of development. Our five-year engagement with a regional Chinese cement producer pursuing international expansion illustrates this cross-asset approach.

In 2021, Fidelity International's equity research, credit research and sustainable investing teams held their first dedicated engagement with the company's Chief Financial Officer to discuss climate change, GHG emissions management and board diversity. At the time, Fidelity had recently updated its Sustainable Investing Voting Principles and Guidelines, strengthening expectations around climate risk management and gender diversity on boards. We emphasised that companies with significant climate-related exposures should establish robust emissions management systems, disclose relevant emissions data and set clear, measurable decarbonisation targets, while recognising board gender diversity as an important contributor to effective oversight and decision-making. We also made clear that these expectations extend beyond engagement: where companies fail to meet our minimum expectations without a credible plan for improvement, Fidelity may exercise its voting rights and withhold support to signal concerns to the board. Management responded constructively, noting that efforts were already underway to strengthen emissions data collection and governance processes, and that female candidates would be considered in future board succession planning. Fidelity International continued to monitor progress on these issues and, in 2022, voted against the re-election of relevant directors due to insufficient progress on board gender diversity.

Progress gradually followed.

In 2023, the company published, for the first time, GHG emissions data covering 2020-2022, including total emissions and emissions intensity per tonne of clinker, and set an interim carbon-intensity reduction target for 2025. During engagement discussions that year, we encouraged the company to strengthen board oversight of climate-related and other material ESG risks by incorporating sustainability considerations into board-level risk management and strategic discussions. In 2024, the company appointed a female director, ensuring the board does not compose exclusively of a single gender, while further strengthening its board-level climate governance.

As the company's international strategy progressed and overseas capacity continued to expand, the scope of its ESG management gradually extended beyond domestic operations to overseas markets. This required the company to navigate sustainability expectations across diverse regulatory environments, energy systems and resource availability. Beginning in 2024, Fidelity International's credit research and sustainable investing teams increasingly focused their engagement on overseas operations, including energy management, GHG reduction pathways and the practical challenge of implementation across different jurisdictions. From a credit investor's perspective, ESG risk management in overseas projects affects not only sustainability performance but also operational efficiency, capital expenditure needs, regulatory compliance risks and long-term debt-servicing capacity.

For cement producers, improving energy efficiency and increasing the use of alternative fuels are important pathways for reducing carbon emissions. However, overseas markets differ significantly in the availability and reliability of alternative-fuel supply, regulatory requirements and supporting infrastructure. As a result, decarbonisation pathways often need to be tailored to local conditions. Against this backdrop, we encouraged the company to further strengthen ESG management and data systems across its international operations as it continued to expand overseas capacity. This would enhance oversight of sustainability risks and performance across different markets, while helping investors understand not only the group's overall objectives, but also the specific pathways and practical constraints associated with achieving those objectives in different regions.

Over the past two years, the company has continued to strengthen ESG management and disclosure across its overseas operations, including broadening alternative fuel sources, increasing alternative fuel utilisation rates and gradually enhancing its governance framework for international businesses. Most recently, it established 2028 interim target to reduce both carbon-emissions intensity and energy-consumption intensity in clinker production, providing clearer medium-term milestones and greater visibility into its longer-term decarbonisation pathway.

This case highlights that the value of long-term stewardship lies not only in addressing specific ESG issues, but also in helping companies identify evolving risks and capability needs as their businesses develop. Through ongoing engagement, improvements can gradually become embedded within business operations and governance processes. For companies pursuing international expansion, these capabilities are increasingly important in strengthening operational resilience, adapting to a more complex risk landscape and supporting long-term value creation.

Outlook – Advancing effective stewardship



Over the past decade, stewardship in China has progressed from a nascent concept to a more institutionalised market practice. Evolving regulatory and governance frameworks have strengthened the foundations for institutional investors to play an active role in the oversight of listed companies. With stewardship increasingly recognised as an integral part of investors' fiduciary duty, the focus has shifted from whether investors engage to how effectively they do so. Looking ahead, the continued maturation of the stewardship framework will be defined not only by broader participation, but also by stronger outcomes, including the extent to which voting, engagement and other stewardship activities contribute to sound governance and sustainable long-term value creation.

Against this backdrop, a key priority for the next stage of development will be translating regulatory expectations into meaningful stewardship practices. More mature and sustainable practices are needed across proxy voting, engagement, escalation, conflict management and disclosure. At the same time, case studies, knowledge sharing, stewardship assessments and ongoing monitoring can help reinforce accountability and incentive mechanisms, encouraging greater focus on the quality and impact of stewardship activities. Only then can stewardship more effectively contribute to stronger corporate governance and companies' long-term development.

Industry associations and investor protection organisations also play an important role in advancing stewardship and supporting the implementation of market standards. In recent years, the China Securities Investor Services Centre ("ISC") has actively contributed to listed company governance by exercising shareholder rights through shareholder recommendations and enquiry letters, director nominations, dispute mediation and litigation support, providing valuable examples for the broader market. Between 2022 and the first half of 2026, the ISC issued 316 shareholder recommendation and enquiry letters and participated in 25 independent director nominations. As institutional investors become increasingly active in corporate governance, greater collaboration among market participants could further strengthen China's stewardship ecosystem.

International experience suggests that stewardship frameworks typically evolve from institution-building and implementation towards a greater focus on outcomes and governance impact. In recent years, markets such as the UK, the European Union and Japan have increasingly looked beyond policy development and disclosure to assess the effectiveness of stewardship activities. These developments provide useful reference points for China. As stewardship continues to mature, China is likely to further refine its own approach based on its market structure, investor characteristics and corporate governance environment, gradually developing a stewardship model with distinct Chinese characteristics that supports stronger governance and long-term corporate value creation.

Looking ahead, Fidelity will continue to engage constructively with investee companies on corporate governance, risk management and sustainability issues, while further integrating stewardship into its research and investment processes across asset classes. Through research, engagement, voting and ongoing monitoring, Fidelity seeks to fulfil its fiduciary duties, deepen its understanding of companies' long-term risks and value-creation potential, and support improvements in governance and sustainability practices, with the aim of delivering long-term value for clients.

As the Chinese proverb goes, "A single tree cannot make a forest." The continued advancement of stewardship in China depends on the collective efforts of all market participants. We look forward to working alongside stakeholders across the market to strengthen stewardship, support the effective fulfilment of fiduciary responsibilities, promote higher standards of corporate governance, and contribute to the long-term, healthy and high-quality development of China's capital markets.

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