

2023

CHINA MERCHANTS SECURITIES CO., LTD.

**ENVIRONMENTAL SOCIAL AND
GOVERNANCE REPORT**



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Contents

About this Report	01
Board Statement	03
ABOUT THE COMPANY	05
Overview	07
Core Business and Services	10
Annual ESG Highlights	11
Awards and Honors	11
Appendix	
Appendix I Policies Reference	131
Appendix II Quantitative Performance Table	133
Appendix III Index of the <i>Guidelines for Environmental, Social and Governance Report</i> issued by Hong Kong Stock Exchange	139

1	ESG Governance System	13	4	Practicing Green Development	69
	ESG Strategic System	15		Coping with Climate Risks	71
	ESG Governance System	17		Practicing Green Operations	78
	Stakeholder Identification and Communication	18		Developing Green Finance	82
	Identification and Analysis of Materiality	20			
2	Delivering High-Quality Services	23	5	Take Social Responsibility	97
	Empowerment through Fintech Innovation	25		Protect the Rights and Interests of Employees	99
	Data and Privacy Protection	31		Supporting Talent Development	103
	Protect Clients' Rights and Interests	35		Practice Public Welfare and Charity	109
	Contribution to Investor Education	39			
3	Creating Capital Impact	43	6	Ensuring Steady and Sound Operation	117
	Strengthening ESG Risk Management	45		Enhancing Corporate Governance	119
	Implement Responsible Investment	51		Risk and Internal Control Management	122
	Creating Sustainable Value	60		Integrity and Compliance Management	125

About this Report

This report is the 8th ESG Report issued by China Merchants Securities Co., Ltd. (“CMS”, the “Company” or “We”) since 2017. It aims to disclose to the stakeholders the actions taken by the Company to fulfill its social responsibilities and commit to sustainable development.

Scope of the Report

The scope of 2023 annual report: China Merchants Securities Corporation headquarters, 13 branches, 265 securities branches, 5 wholly-owned subsidiaries.

Reporting period: January 1,2023 to December 31,2023 (some contents are retrospective and prospective as appropriate).

Reporting frequency: This is an annually disclosed report.

Reference of the Report

The Report is prepared in accordance with the principles set out in *Appendix C2 - Environmental, Social and Governance Guidelines of the Listing Rules on the Main Board of The Stock Exchange of Hong Kong Limited*.

Reporting Principles

Given the principle of importance, the Report identifies and responds to important ESG issues that affect the sustainable development of the Company based on data analysis and other work. See “ESG Governance System” herein for the process and results of significance analysis.

Given the principle of quantification, the Report discloses the Company’s quantitative key performance in ESG. See “Appendix II Quantitative Performance Table” for details.

Given the principle of consistency, the indicators used herein for different reporting periods are consistent as far as possible to reflect the performance trend. For the performance indicators to be calculated, the relevant calculation basis and reference standards are indicated herein.

Given the principle of balance, the Report reflects objective facts and discloses positive and negative indicators.

Report Data Description

The data in the Report are mainly derived from the original records of the actual operation of the Company. Unless otherwise specified, the financial data presented in the Report are denominated in Chinese Yuan (RMB).

Report Assurance Method

The Company makes a public commitment to the trustworthiness and reliability of the Report, which is self-published and will be subject to third-party review when appropriate.

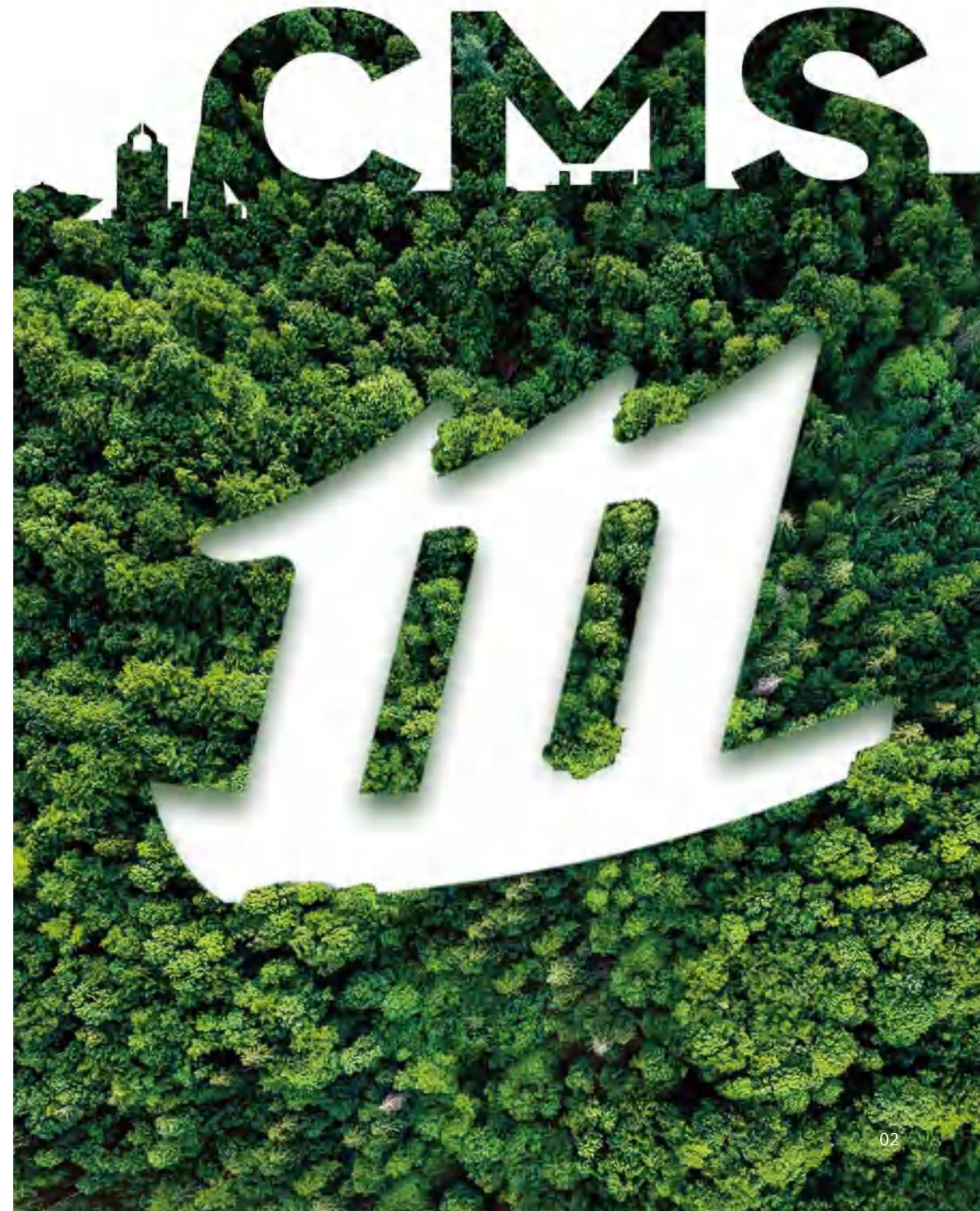
Access to the Report

The Report is published in digital form and can be downloaded from:

The Hong Kong Exchange (<http://www.hkexnews.hk>)

The Company’s website (<http://www.cmschina.com>)

All contents and data disclosed in the Report have been reviewed and approved by the Board of Directors of China Merchants Securities Co., Ltd.



Board Statement

The ESG management strategy of China Merchants Securities is governed by decisions made by the Board of Directors, with implementation coordinated by the management team and executed in collaboration across all departments and subsidiaries. The Board has established a Strategy and Sustainability Committee to deliberate on, make decisions about, and oversee the progress of significant matters related to the Company's environmental, social, and governance (ESG) objectives, plans, strategies, and risks. A Sustainability Leading Group has been constituted by the Company's management to oversee the formulation of the overall ESG strategy, identify and evaluate ESG risks, and review ESG management policies, plans and objectives. Under the Sustainability Leading Group, a Sustainability Task Force coordinates the implementation of ESG initiatives across headquarter departments and wholly-owned subsidiaries.

In 2023, guided by external policies, market trends, and the Company's strategic development, and taking into account the concerns of stakeholders, the Company formulated its Sustainable Development (ESG) strategy, and will review the annual goal achievement according to the four practice areas.

Creating Sustainable Capital

The Company focuses on creating sustainable capital value by optimizing responsible investment, serving the real economy's development, and vigorously promoting green finance. We have developed a responsible investment policy statement, and made proactive efforts to join the initiatives related to responsible investment, such as UNPRI. The Company continues to provide high-quality financial services to support industrial transformation and upgrading, support infrastructure construction, promote coordinated development across regions, and empower corporate sustainable development. Integrating "carbon peaking and carbon neutrality goals" into the business development strategy, the Company supports green enterprises by issuing green financial products and investing in green industries, thereby assisting in their strategic planning, business development, and industrial upgrading.

Supporting Low-Carbon Transition

The Company acknowledges the impact of climate risk on its operations and assists clients in addressing climate change through the development of climate and financing environmental risk management systems, thereby mitigating the effects of climate risks. The Company has developed an ESG risk management policy to identify climate risks and devise

mitigation strategies, raised client awareness of climate risks, offered customized climate risk management solutions through financial products and services such as derivatives, improved resources utilization, and organized environmental protection activities to strengthen employees' awareness.

Enhancing Technology Empowerment

Digital transformation is prioritized as a key strategic direction to facilitate business and service innovation, leading to more efficient operations. The Company accelerates the application of digital technology across various business scenarios, significantly enhancing business growth and operational efficiency. Alongside digital transformation efforts, the Company continues to improve its information security management system, focusing on data and IT system security, aiming to provide a more secure and reliable information environment for clients and business operations. By enhancing its capabilities serving the tech-companies, the Company strives to become a "tech investment bank", which fosters a positive cycle between technology, industry, and finance and provides financial support for technological innovations through equity investment.

Improving Public Welfare

Committed to creating social value, the Company continuously pays attention to the needs of different stakeholders and fulfills its social responsibilities actively. Emphasizing the management of the entire clients' experience journey, the Company builds customer-centric wealth management teams to ensure customer satisfaction throughout the whole process. The Company continually improves its employee management systems to protect employees' legal rights and improve their sense of happiness and belonging. Practicing the principles of inclusive finance, the Company leverages its strengths as a comprehensive service provider of "capital + capital intermediary" to serve more small and micro enterprises and constantly contribute to rural revitalization. Additionally, the Company explores the pension financial product system, steadily advancing the personal pension investment in public funds business, supporting the development of national pension finance.

This report comprehensively discloses China Merchants Securities' management and practical progress on the aforementioned and other ESG issues, having been reviewed and approved by the Board of Directors in March 2024.



CHINA MERCHANTS SECURITIES

ABOUT THE COMPANY



Overview

Core Business and Services

Annual ESG Highlights

Awards and Honors





About the Company

Overview

Founded in Shenzhen in August 1991, China Merchants Securities Company Limited, as the core financial enterprise under the century-old China Merchants Group, is the largest integrated securities company operating within the system of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). In November 2009, the Company was listed in the Shanghai Stock Exchange, and in October 2016, the Company was listed in the Hong Kong Stock Exchange, thereby becoming the seventh securities company in the industry to achieve listing of both A and H shares. In August 2020, the Company successfully completed the allotment of A+H shares. Since then, the Company has become the first securities company to implement the allotment of A+H shares, with a net asset size of over RMB 100 billion.

China Merchants Securities demonstrates stable and sustainable profitability, scientific and reasonable risk management structure, and comprehensive and professional service capability. It has also been persistent and steady in its operation. The Company, characterized by a balanced business structure and a solid foundation for overall development, has developed significantly competitive advantages in the business areas of agency trading, custody outsourcing, bond and derivatives investment, etc. In addition, the Company has a solid foundation and growing competitiveness in retail brokerage business, excellent comprehensive service capability in institutional client business, and steadily improving service capability in the whole industry chain for corporate client business. After more than 30 years of development, the Company has gradually grown into a first-class comprehensive listed brokerage firm in China, with its overall strength leading the industry.

1991

Founded in Shenzhen

2009

Listed in the Shanghai Stock Exchange

2016

Listed in the Hong Kong Stock Exchange

2020

Successfully completed the allotment of A+H shares. Since then, the Company has become the first securities company to implement the allotment of A+H shares.

China Merchants Securities (CMS) has five first-class wholly-owned subsidiaries, including China Merchants Securities International Company Limited ("CMSI"), China Merchants Futures Co., Limited ("CMF"), China Merchants Securities Asset Management Co., Ltd. ("CMS Asset Management"), China Merchants Securities Zhiyuan Capital Investment Co., Ltd. ("CMS Zhiyuan Capital") and China Merchants Securities Investment Co., Ltd. ("CMS Investment"); 265 securities branches and 13 branches in China; and business agencies in Hong Kong SAR, the United Kingdom, Korea, etc. The Company also holds equity interest in Bosera Asset Management Co., Limited and China Merchants Fund Management Co., Ltd., to build a comprehensive securities service platform with integrated domestic and international business.

With the mission of "helping China's economic restructuring and upgrading, and helping to preserve and increase the value of social wealth", China Merchants Securities abides by the core values of "National Identity, Responsibility of the Times; Pursuit for Innovation and Strength, Commitment to Practice" and is committed to building "the best investment bank in China with distinctive features, innovation and leadership, quality first, and excellent contribution". The Company will achieve customer value growth with excellent financial services, promote the progress of the securities industry, and strive to become an outstanding enterprise with customer trust, employee pride, shareholder satisfaction and social respect.



Core Business and Services

Adhering to a client-oriented approach, we provide clients with all-round professional services of Wealth-Management and Institutional business, Investment Banking, Investment Management, Investment and Trading. Our core business and services are as follows:



- The Company trades stocks, funds, bonds, futures and other derivatives on behalf of our clients and provides them with other value-added services such as investment consultancy, investment portfolio recommendation, sales of products, account assessment and assets allocation;
- Provides capital-based intermediary services (including margin financing and securities lending as well as stock pledge repo) to clients ;
- Provides investment research, sales and trading, prime brokerage and other services for a variety of institutions such as funds and insurance companies



- The Company provides one-stop domestic and international investment banking services to corporate clients, including domestic and international equity financing, debt financing, structured financing, over-the-counter (OTC) listing, financial advisory and other services.



- The Company provides investment management services, including collective asset management, separately managed account, specialized asset management, equity investment fund management.



- The Company engages in proprietary trading and market-making business in relation to equity and fixed-income securities, commodities, foreign exchange, alternative investment and other derivatives as well as OTC financial products

Annual ESG Highlights

Economics

IT investment of parent company **1.554** billion | Tax payment RMB **4.207** billion

Customer satisfaction of the teaching base **99.60%**

Environmental

Compared to 2022, office waste produced decreased by **3.43** tons | Compared to 2022, the total gasoline consumption decreased by **27%** | Compared to 2022, the total diesel consumption decreased by **23%**

Amount of green investment banking projects underwritten RMB **19.663** billion | Market value of green bond hold till the end of the period RMB **3.214** billion

Social

Cumulative number of enterprises enrolled in the Gazelle Incubator Project **441**

Total scale of issued rural revitalization and "Agriculture,Rural areas and Farmers" related bonds RMB **36.180** billion

Total amount of donations from China Merchants Securities Public Welfare Foundation RMB **4.0056** million

Coverage of employee training **100%** | Volunteer participation hours **2,456** hours

Awards and Honors



Awards / Honors	Awarding Institution
The Best ESG FinancialServices Agency Award	13th Hong Kong International Finance Forum
The Green Financial GovernanceModel Award	Shenzhen Green Finance Association
The Best Securities Company forResponsible Investment Award	Sina Finance Golden Kirin ESG Forum
Brokerage ESG Pioneer Award	National Business Daily
ESG Green Company Star	Investment Times
2023 ESG Excellent Enterprise	China Times
The Best ESG Practice Research & Development Center	New Fortune
The Best Practice of ESG Investment Banks	New Fortune
Member of the "Beautiful China ESG Research Alliance	Research Institute of Listed Company in Financial Sector
Best Rural Revitalization Service and Social Responsibility Public Welfare Award	Futures Daily & Securities Times



ESG Governance System



ESG Strategic System

ESG Governance System

Stakeholder Identification and Communication

Identification and Analysis of Materiality

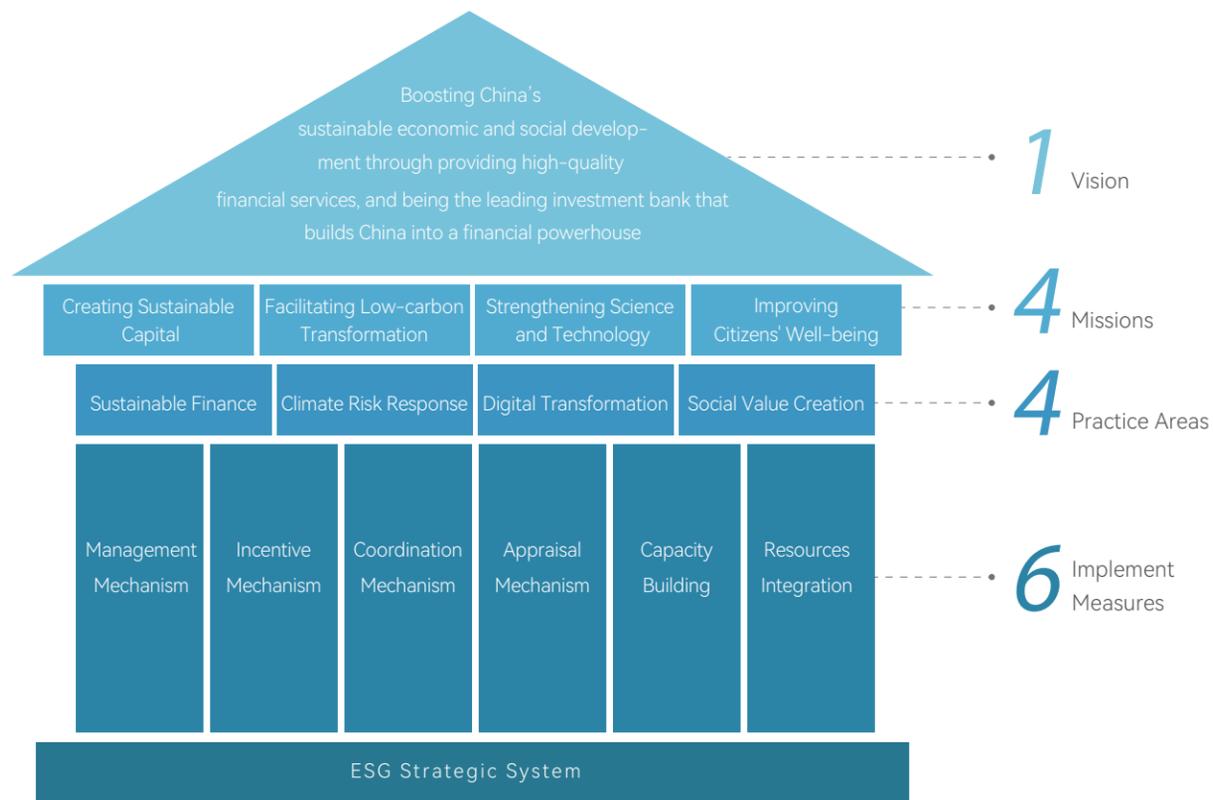


01 ESG Governance System

With the mission of “boosting China’s economic transformation and upgrading, and helping to preserve and increase the value of social wealth”, the Company insists on the path of scientific development, innovative development, harmonious development, and green development, based on our own operation and management practices. In the actual operation process, the Company demonstrates the height of responsibility awareness, implements the strategy of responsibility work, realizes the value of responsibility and enhances the ability to fulfill our responsibilities, thereby achieving a coordinated and balanced development of quality, efficiency and scale of the Company

1.1 ESG Strategic System

In 2023, China Merchants Securities has formulated the Company’s ESG strategies, Our vision is “ Boosting China’s sustainable economic and social development through providing high-quality financial services, and being the leading investment bank that builds China into a financial powerhouse” Our mission is “Creating sustainable capital, facilitating low-carbon transformation, strengthening science and technology, and improving citizens’ well-being”. The four practice areas are “Sustainable Finance”, “Climate Risk Response”, “Digital Transformation” and “Social Value Creation”. We will formulate management, incentive, coordination, and appraisal mechanisms, and develop capacities and resources, to implement the Company’s ESG strategic plan.



4 Practice Areas	13 Material Issues	16 Core Actions	Corresponding SDGs
 <p>Sustainable Finance Supporting economic transformation and upgrading</p>	<ul style="list-style-type: none"> · Green Finance · Responsible Investment · Serving the Real Economy 	<ul style="list-style-type: none"> · Serve the real economy · Develop green financial products · Improve green financing service system · Improve responsible investment system 	
 <p>Climate Risk Response Improving resilience to climate change</p>	<ul style="list-style-type: none"> · Climate Strategies · Financing Environmental Impact · Operational Eco-efficiency 	<ul style="list-style-type: none"> · Develop a climate risk management system · Build a financing environmental risk management system · Help clients to cope with climate change · Achieve carbon neutrality in operations 	
 <p>Digital Transformation Business sustainable development driven by technologies</p>	<ul style="list-style-type: none"> · Technology Finance · Digital Finance · Data and Privacy Protection 	<ul style="list-style-type: none"> · Improve the capacity to provide services to tech companies · Reduce costs and increase efficiency through digital transformation · Improve the information security management system 	
 <p>Social Value Creation Provide financial services to meet social needs</p>	<ul style="list-style-type: none"> · Human Capital Management · Clients' Rights and Interests Protection · Pension Finance · Inclusive finance 	<ul style="list-style-type: none"> · Support rural revitalization · Protect clients' rights and interests · Promote employee sustainable development · Develop "Gazelle Incubator Project" · Develop the pension financial product system 	

1.2 ESG Governance System

The Company has always attached great importance to ESG management, established and continuously improved ESG management structure, integrated ESG concept into all aspects of daily operation and management, and continuously promoted the integration of sustainability concept and business development to ensure that ESG management is put into practice. The ESG management strategies of the Company are decided by the Board of Directors, and coordinated and implemented by the Management Board. All departments and subsidiaries should collaborate and cooperate with each other to carry out and promote the ESG work. The Company organizes the sustainability leading group and task force regular meetings, reports the ESG milestones and reviews the goal, discusses and decides the major ESG issues, and defines the priority for the next phase.

Governance Structure	Role
Supervisory Level	
 Board of Directors	Supervise and review the major ESG issues of China Merchants Securities, evaluate the potential impact and risks of ESG work on the Company's business model, and propose improvement suggestions; listen to the annual ESG work report and review the Company's annual ESG report.
 Strategy and Sustainability Committee	Research, make decisions on and supervise the implementation of major ESG issues, including target, planning, strategies and risks, and effectively integrate ESG functions into the Board governance.
Management Level	
 Sustainability Leading Group	<p>Strategies development and review: formulate ESG management policies and strategies, and set and update ESG related goals based on the Company's operation reality;</p> <p>Policies formulation: lead, coordinate and approve the Company's ESG policies formulation, and supervise the policy implementation;</p> <p>Annual disclosure: coordinate and lead ESG annual reporting, and promote the ESG disclosure work.</p>
 Sustainability Task Force	<p>Overall implementation: Led by the manager of The Office department and consists of representatives from headquarter departments and wholly-owned subsidiaries. The Office department undertakes the coordinator role and promotes specific ESG efforts.;</p> <p>Performance appraisal: clarify ESG related management responsibilities, coordinate and urge all headquarter departments and wholly-owned subsidiaries to implement ESG related work;</p> <p>Training and promotion: organize internal ESG and sustainability professional training and promotion.</p>

Implement Level	
 Headquarter Departments and Wholly-owned Subsidiaries	<p>Function integration: integrate the ESG related role into the departments and subsidiaries' function, and specify the responsible person;</p> <p>Work implementation: Further implement the ESG work led by the Sustainability Task Force, and report regularly;</p> <p>Data governance: implement data collection mechanism, and assist the ESG data and information collection, restoration and submission for ESG annual report;</p> <p>External engagement: join the external initiatives, and participate in relevant professional activities.</p>

1.3 Stakeholder Identification and Communication

The Company identified and analysis its stakeholders from six dimensions: "Responsibility" "Impact" "Accessible" "Dependency" "Representativeness" "Strategies", and defined the Company's main stakeholders as government and regulatory bodies, shareholders and investors, clients, employees, suppliers and partners, communities, and other stakeholders.



The Company has always attached importance to communication with various stake holders, and has established a comprehensive service and communication system of stakeholders, formulated correspond key performance indicators and adopted effective communication methods and actions in response to the concerns of stakeholders.

Stakeholders	Concerns	Communication channels	Responses
 Government and regulatory authorities	<ul style="list-style-type: none"> • Tax compliance • Robust and compliant operations • Disclosure transparency • Support national strategies 	<ul style="list-style-type: none"> • Meetings and training for government and regulatory authorities • Collaboration projects between local government and enterprise • Regular reports 	<ul style="list-style-type: none"> • Improve corporate governance structure • Improve information disclosure policies • Support national real economy development • Develop green finance
 Shareholders and investors	<ul style="list-style-type: none"> • Corporate governance • Risk management system • Business ethics • Protect the rights and interests of minority shareholders 	<ul style="list-style-type: none"> • Exchange official websites and other media channels • Investor Relations section on the official websites • General Meeting of Shareholders • Investor conference • Investors-related survey • IR E-mail 	<ul style="list-style-type: none"> • Improve corporate governance structure • Improve the risk control system • Facilitate investor communication
 clients	<ul style="list-style-type: none"> • Privacy and information security • Client service improvement • Diversified products and services • Practice responsible investment • Investor education 	<ul style="list-style-type: none"> • 95565 Client Hotlines • Clients' demand research • Client satisfaction survey • Official website, official microblog, Zhiyuan financial services platform(PC, mobile) and other channels • Investor education activities 	<ul style="list-style-type: none"> • Conduct business in compliance with the law • Implement suitability management • Protect clients' privacy • Improve the complaint mechanism • Create innovative products and services • Improve the responsible investment system
 Employees	<ul style="list-style-type: none"> • Protect employees' rights and interests • Equal and diversified employment • Career training and development • Work and life balance • Physical and mental health 	<ul style="list-style-type: none"> • Enterprise WeChat account • Trade union • Office mobile App • OA platform • E-learning platform 	<ul style="list-style-type: none"> • Create an equal and diversified workplace • Create a healthy and safe working environment • Enrich employees' spare time • Build a multi-level training system

 Suppliers and other partners	<ul style="list-style-type: none"> • Integrity and compliance • Cooperation in finding win-win solutions 	<ul style="list-style-type: none"> • Procurement and supplier management • Industry networking events 	<ul style="list-style-type: none"> • Participate in industry research and standards development • Improve the supplier management policies
 Community	<ul style="list-style-type: none"> • Combating climate change • Support community construction • Launch public welfare and Charity programs 	<ul style="list-style-type: none"> • Public welfare activities • Community research and training 	<ul style="list-style-type: none"> • Green operation • Support rural revitalization • Charity donation

1.4 Identification and Analysis of Materiality

During the preparation of the Report, we have taken into account the identification and analysis results of materiality issues of China Merchants Securities in previous years, and the key issues of concern in the industry at home and abroad, and comprehensively considered the Company's strategy and the focus and expectations of stakeholders. Through the two dimensions of "importance to stakeholders" and "importance to the sustainability of China Merchants Securities", the materiality issues are comprehensively analyzed and ranked to form a materiality matrix, and information is disclosed in different sections of the Report to respond to the concerns of stakeholders and to continuously improve the Company's sustainability management.





Materiality Matrix of China Merchants Securities



CHINA MERCHANTS SECURITIES

Delivering High-Quality Services



Empowerment through Fintech Innovation

Data and Privacy Protection

Protect Clients' Rights and Interests

Contribution to Investor Education

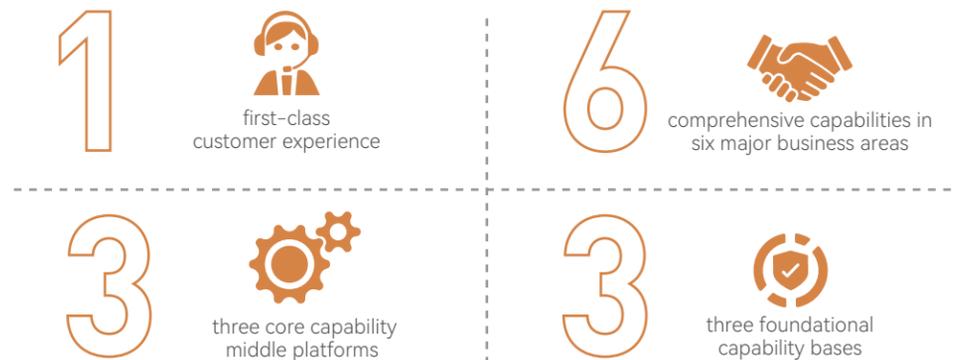


02 Delivering High-Quality Services

China Merchants Securities regards service optimization as a central strategy for business growth and market competitiveness, as well as a cornerstone for the Company's long-term and stable development. The Company focuses on leveraging financial technology innovations to improve services and efficiency, strengthening information security measures to protect clients' rights, managing the full customer experience cycle to meet clients' diverse demands, and enhancing clients' financial knowledge by engaging in public investment education initiatives. All of these efforts demonstrate China Merchants Securities' unwavering commitment to maximize its service value for the clients.

2.1 Empowerment through Fintech Innovation

China Merchants Securities has established the distinctive "1633 & 14th Five-Year Plan" for the Company's digital strategy. The Company strives to be "the client-centric digital investment bank" that serves corporate, institutional and retail clients. It aims to develop the digitalization capacities matrix through delivering first-class customer experience, providing comprehensive capabilities in six major business areas, and building a robust infrastructure across three core capability middle platforms and three foundational capability bases, thereby helping to increase business value and building a solid Fintech foundation. In 2023, the Company actively advanced its digital strategy, focusing on key business sectors such as wealth management, institutional services, and investment banking, with a commitment to driving business growth and operational efficiency through digitalization. In 2023, the parent company has invested RMB 1.554 billion in digital technology development.



Fintech Innovation and Digital Transformation Framework

Strategic Elements	Specifics
 Goals	Aim to create a "digital China Merchants Securities" with "one client's ID, one-stop service", maintaining strategic focus over the long term and transforming into a "digitally supported agile organization".
 Structure	Establish a Digital Transformation Committee within the Company to serve as the central decision-making body for digital transformation, process re-engineering, data governance, innovation management, and IT management. This includes setting up an IT Governance Committee, a Fintech Innovation Fund Committee, a Financial Standardization Committee, and a Digital Transformation Task-force to oversee the digital committees and working groups across all business lines.

In 2023, China Merchants Securities received multiple recognitions for its Fintech innovations



The FPGA-based Market-making Trading System for Shanghai and Shenzhen Stock Options was awarded by the People's Bank of China in 2024:
2022 Financial Technology Development Prize - 'Second Prize'

The Cloud-native Full-stack Trusted Computing Distributed Database Application Pilot in the Core Trading System and the Cloud-native Technology-based Comprehensive OTC Derivatives Trading Platform were awarded by the People's Bank of China in 2023:
2021 Financial Technology Development Prize - 'Third Prize'

The Key Intelligent Technology and Application for Knowledge Acquisition and Cognition of Large-scale Complex Documents was awarded by the People's Government of Guangdong Province in 2023:
2022 Guangdong Province Science and Technology Progress Prize - 'Second Prize'

2.1.1 Enhancing Service Scenarios

Wealth Management Business

Iterative improvements to service terminals have led to a more efficient and comprehensive service system.



The launch of China Merchants Securities App 9.0 introduced 11 innovative trading features, significantly enhancing customer trading experience and efficiency, with a nearly 30% increase in average visit duration for wealth management services in Q4. The new releases of CMSI App 3.0 and PC 2.0 successfully replaced traditional service channels, leading to significant growth in user activity and transaction volume. Additionally, the launch of the overseas fund middle platform has effectively promoted online trading, with online transactions accounting for up to 94%.



China Merchants Securities has broadened the coverage of its service terminals to support multiple operating system platforms including Apple, Android, HarmonyOS, and Microsoft, encompassing multiple markets such as A-shares, Hong Kong stocks, and U.S. stocks, and offering a variety of product types including stocks, bonds, funds, and futures. This has resulted in a comprehensive product service system that is cross-platform, cross-market, covering all varieties, scenarios, and forms.

Large Institutional Business

By innovating trading platforms, the Company provides more diverse and flexible trading services.



The platform supports dozens of trading scenarios, including innovative and mainstream market trading services. The innovative services integrated include China Merchant Securities Financing E-platform, DMA, Institutional Wealth Pass, Wealth Management Special Commission Trading, T0 Strategy Mid-end, and Algorithm Bus.



The platform offers a range of trading functionalities such as baskets, algorithms, directives, preset orders, and conditional orders. For asset risk management during trading, it has designed a unified risk control and comprehensive securities processing logic. For large-volume trading scenarios, a direct market access (DMA) order submission model is adopted to significantly enhance order efficiency and throughput.



Starting with "supporting derivatives business," the Company evolved and upgraded towards "supporting proprietary, market making, and client-driven business platform capabilities", creating an OTC derivatives platform and building large-scale neutral quantitative and customer-driven investment strategies. Through end-to-end latency optimization, integration of intelligent hedging modules, business variety expansion, and system horizontal scaling, the Company gradually achieves the goal of "large and stable" investment business.

By making research services intelligent, the Company creates a more advanced and precise research system.



The Company accelerates the solidification of research capabilities and innovates in the productization of research services, aiming for service process standardization, detailed process management, core capability platformization, quality control and compliance intelligence, and personalized scenario services. It has implemented a series of digital research products, completed the digital upgrade of 7 traditional research services, and created 6 intelligent research products. These have been pilot tested with several external institutional clients, continuously refining product capabilities based on client feedback



Leveraging the China Merchants Securities research platform, a comprehensive "macro-micro" company-level research system has been successfully built. The Tianyan Fixed Income Quantitative Research Platform enables end-to-end quantitative research from the early stages to the later stages of investment, capable of processing and analyzing diverse data curves and numerous indicators. It features flexible and efficient interaction capabilities, responding quickly to the changing market demands, supporting millisecond-level real-time pricing and minute-level full-scale intraday real-time risk calculation capabilities, enhancing the efficiency of large-scale risk-neutral strategy analysis.



2.1.2 Enhancing Operational Efficiency

Business Level

Wealth Management

Exploring an integrated and digitized business model to enhance marketing effectiveness.

Digitization of Marketing Scenarios: The Wealth Management content platform and smart marketing platforms are progressively platforming common marketing tools and service functionalities; modules like ETF zones and account opening have been modularized for rapid deployment across various marketing and service scenarios. The *Smart Marketing Platform Project* has been recognized with the 'China Best Big Data Project (Asset Management)' by the Asian Banker and the highest level three certification for 'Enterprise Digital Marketing Capability Maturity' by the China Academy of Information and Communications Technology.

Institutional Business

Developing a digital service platform for the entire lifecycle to improve the efficiency of business expansion.

Comprehensive Information Management: the Company connect the professional trading systems including asset management systems, quantitative trading systems, counter trading systems, and quote management system. All 79 professional trading systems are dynamically managed, incorporating multidimensional and multilevel information and operational management data, enhancing the full-link information capability for institutional trading, and assisting institutional client managers in efficient business conduct.

Investment Banking

Constructing an intelligent business management platform to aid in business collaboration.

Platform for Business Management: Through developing a intelligent business management platform, the Company standardizes underwriting, creates industry chain maps, advances intelligent deal sourcing, and achieves the delicacy management for quality control and performance evaluation in the whole process, supporting client managers to expand business. Innovative features, such as industry chain maps, market opportunity exploration, demand squares, and enterprise CRM newsletters, strengthen 'the synergy between investment banking, investment and research'. Through standardizing the process, structuring due diligence data, and integrating knowledge, the undertaking business supporting platform standardized due diligence process of related-party and cash flow, enabling online collaboration and enhancing project quality and efficiency.

Custody Business

Upgrading service modes to solve business challenges through digitization and technological innovation.

Digitization and Technological Innovation: the Company implemented a digital transformation of custody business systems, applied technologies, including application microservices architecture, database partitioning, message flow control, and intelligent distribution, to enhance digital service capabilities. New generation custody investment supervision and capital clearing systems launched in 2023 have greatly increased service efficiency. The use of OCR, NLP, RPA, and web data collection technologies in 52 scenarios, such as the auto-generation of supplementary agreements and corporate WeChat group messaging, has significantly improved the customer service experience and work efficiency.

Platform Development and Service Innovation: The industry's first 'Channel+' platform addresses five major challenges between channels and capital owner. It offers functionalities such as industry dynamics, private equity evaluations, intelligent authorization, data collection, due diligence investment decisions, public opinion warnings, customized risk control reports, and performance analysis. By pioneering large model and digital assistant application scenarios, it assists clients in efficiently completing fund operations, creating a new model of ultimate customer service.

Environmental Protection and Sustainable Development: the Company launched an electronic contract system and engaged nearly 60,000 investors to sign contracts via the platform. In 2023, about 73% of new products applied electronic contract, with 60,000 fund contracts and 10,000 supplementary agreements signed online, saving an estimated 6 million pieces of paper. Moreover, the Company's original electronic inquiry platform allows accounting firms to send and respond to inquiries electronically, improving efficiency and promoting low-carbon practices.

Management Level

Digitalization of Business Management Enhances Decision Accuracy

In the aspect of business analysis, the Company has established the "China Merchants Securities BeiDou Digital Business Management Compass", serving the senior management, middle management, and frontline staffs. This Compass includes over 20 data management dashboards. In addition, the Company promoted cultivation of the data analyst team, enhanced the depth of dashboard contents, improved data mining capabilities, and continuously upgraded user experience.

Digitalization of Middle and Back Office Management Workflows Increases Operational Efficiency

In 2023, the Company specifically supported the digital platform construction for finance and office functions.

In terms of operational management, an unified operational management system was established to meet the operational collaboration needs across businesses and roles. At the meanwhile, the system also integrates positive operational statistics and negative early warning and monitoring indicators, and thus achieves a full lifecycle management of those indicators.

In terms of financial management, the *New Generation Expense Reimbursement Management Platform* was launched, enabling scenario-based reimbursements and significantly improving the reimbursement experience and efficiency.

In terms of office management, the Company optimized the structure for office application capabilities, achieving re-usability of business components such as finance, human resources management, and process management. The "China Merchants Securities Juli Platform" reached a new high in daily active users within the year. The active groups exceeds 30,900, over 4.67 million group messages were sent, and online meetings and voice calls reaches 134,200 times, effectively enhancing internal communication and collaboration efficiency.

2.1.3 Enhancing Technological Capabilities

Technological Innovation Breakthroughs, Building a Cloud-Native Digital Infrastructure Base

Embracing cloud-native technology to tackle digital challenges, the Company has developed a comprehensive cloud-native multi-cloud platform, encompassing cloud-native IaaS, PaaS, and data middleware. The phase three project of the New-Generation Core Trading System, based on cloud-native architecture, has been successfully launched, achieving significant milestone results.

Intelligent Transformation, Exploration of Large Model Application Scenarios

The Company keeps abreast of developments in generative AI technology, completed initial breakthroughs in large model technology, and realized self-independent design and development of the large-scale AI model application framework. The Company is also keenly exploring innovative application scenarios grounded in its core securities business, such as establishing a one-stop analyst workstation centered around an AI research institute.



2.2 Data and Privacy Protection

China Merchants Securities places a high emphasis on information security, and is dedicated to constructing a more robust and efficient information protection system. In 2023, the Company focused on data security and system security, and strive to establish a safer and more reliable information environment for the clients and business operations.

2.2.1 Maintaining Information Security

🌀 Policies and Management

Continual updates and standardization. According to the *Securities Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Information Technology Management Measures for Securities and Fund Institutions* and the *Technical Specification for Personal Financial Information Protection*, the Company constantly develops and updates information and data securities management norms, including the *China Merchants Securities Co., Ltd. Data Security Classification and Grading Management Measures*, the *China Merchants Securities Co., Ltd. Data Security Management Measures*, the *China Merchants Securities Co., Ltd. Cybersecurity Management Measures*, and the *China Merchants Securities Co., Ltd. Information System Account and Password Management Measures*, as well as privacy protection standards, including the *China Merchants Securities Co., Ltd. Investor Personal Information Protection Management Measures* and the *China Merchants Securities Co., Ltd. Investor Personal Information Protection Special Working Group Rules of Procedure*. These policies are applicable across all business departments, branches, and subsidiaries, which also adhere to local laws and regulations.

Governance Structure. To better implement the following policies, the Company has improved its governance structure and responsibility allocation mechanism, establishing a top-down, clear-responsibility framework for information security and privacy protection. The structure consists of decision-making, management, execution, and supervision levels: the decision-making level is formed by the Company's IT Governance Committee, led by Chairman and CEO; the management level consists of the Investor Personal Information Protection Leading Group and Task-force, as well as a Secretariat under the Wealth Management Department; the implement level consists of the Task-force for Investor Personal Information Protection, Fintech Center, headquarter departments, and wholly-owned subsidiaries to ensure effective personal information protection; the supervision level consists of the Audit Department, Legal and Compliance Department, and Risk Management Department, performing supervisory functions for information security and privacy protection.

🌀 Technical Protection and Operational Management

In terms of system security, China Merchants Securities has established a comprehensive information security protection system through boundary, application, and host security, host fortification, security infrastructure and log platforms, and a verification platform, as well as traffic collection and analysis technologies, to effectively prevent malicious attacks such as system breaches and data theft.

For data security, based on the full lifecycle of data security control, China Merchants Securities set strict governance mechanisms for each phases, including development, collection, processing, transmission, use, storage, and destruction.

For data access, the Company has established an account access permission application and authorization mechanism and approval process, strictly limited the authorization of critical system functions and superuser accounts, and applied the principle of "least privilege" that allows data access within the authorization scope only by approval. The Company conducts regular reviews on user permission of important business systems and bulk data query download to ensure the effectiveness and rationality of accounts permissions and to make timely adjustments.

For data protection, on one hand, the Company prevents the risk of data leakage and misuse by implementing principle of "least privilege", defines personnel relationships based on business needs, standardizes data collection processes and

methods, anonymizes testing data, and controls big data platform permissions. On the other hand, the Company strengthened data protection measures, including encrypted data transmission, anonymized display and access control, tiered and encrypted storage, and reliable data destruction.

Employee Awareness Enhancement

In terms of information security training, guided by the *China Merchants Securities Co., Ltd. Information Technology Emergency Plan and Drill Management Measures*, the Company conducts annual security awareness training and examinations, including cybersecurity and data security, for all employees to enhance their awareness and capabilities in information security.

Supplier Management

In terms of supplier management, based on the *China Merchants Group Procurement and Partner Compliance Management Measures* and the *China Merchants Securities Co., Ltd. Supplier Management Detailed Rules*, all IT suppliers are required to sign confidentiality agreements, and onsite outsourcing personnel are required to sign confidentiality commitments to ensure strict adherence to data confidentiality requirements in the confidentiality agreements and not disclose personal data to third parties.

Regular assessments and reviews. the Company's compliance and risk management departments regularly review and assess IT service providers as necessary, and constrained service institutions and personnel's access rights, data use, confidentiality obligations, and responsibilities through contract review, fulfillment acceptance tracking.

Strict control measures. If IT service providers or related parties are found to store or use company operational data and customer information in violation of regulations, the Company will order immediate correction and destruction of the obtained operational data and customer information and list them on the misconduct list. If the supplier refuses to cooperate with rectification, the Company will immediately cease cooperation, blacklist them, and take measures according to contract terms to protect its own and its customers' legal rights. The Company also requires IT service providers to establish internal quality control mechanisms and regularly monitor products or services. If an IT service provider experiences abnormal situations, the Company will conduct internal assessments and reviews, and disposal work according to emergency plans based on legal and regulatory requirements, internal systems, and management needs.

Emergency Event Management

Establishing emergency mechanisms. To enhance the capacity for emergency handling of information security incidents, China Merchants Securities has set up an IT Emergency Management Leading Group responsible for implementing the Company's information security emergency management work. The Company has developed policies includes the *China Merchants Securities Co., Ltd. Cybersecurity Incident Emergency Management Measures* and the *China Merchants Securities Co., Ltd. Information Technology Emergency Plan and Drill Management Measures*, classified security incidents based on the scope of impact, number of affected customers, economic loss, etc., and clearly defined the handling time requirements and escalation mechanisms for each level of security incidents, forming a closed-loop handling model from information security prevention and early warning to emergency response.

Continuous pre-event prevention and drills. The Company has developed a comprehensive IT emergency plan, standardizing the reporting and handling processes for emergency disposal. We conducted Regular IT emergency drills, and emphasizes practical cybersecurity offense and defense exercises. Based on an integrated security operation system, the Company builds a security defense line, promotes intelligent security operation practices, and implements new technologies such as traffic holography, phishing protection, and efficacy verification. In 2023, the Company successfully completed key protection tasks for the Two Sessions and the Hangzhou Asian Games, ensuring network security during the critical protection period.

Compliance Assurance

For external reviews, based on the needs for internal control self-assessment, cybersecurity protection levels, and ISO20000 certification, the Company organized external audits to implement information security audit management requirements. For cybersecurity protection level work, the Company conducts annual cybersecurity protection level assessment work, ensuring regular assessments, discoveries, and rectifications. Additionally, according to regulatory requirements, the Company hires professional third-party institutions every three years to conduct special audits of IT management work, covering IT governance, compliance risk management, security management, and other aspects.

For internal reviews, based on the requirements of the China Securities Regulatory Commission and other relevant laws and regulations, the Company conducts various forms of internal reviews annually to supervise internal IT management work, including special audits, evaluations, and investigations. The internal reviews aim to evaluate the effectiveness of IT internal controls and are included in the annual internal control assessment to encourage further strengthening of the Company's IT internal control level. The content of internal audits in the past three years has covered IT governance, compliance risk management, security management, important system development testing, and emergency management. In 2023, according to the *Cybersecurity Law*, the *Data Security Law*, and the *Personal Information Protection Law*, the Company conducted a specific audit of information security management, which comprehensively assesses the Company's information security management's standardization and effectiveness, covering cybersecurity, data security, and personal information protection.

Intellectual Property Protection

China Merchants Securities is keenly aware of the importance of intellectual property in information security and data protection, paying special attention to copyrights and trademarks, involving computer software and the Company's name and related product trademarks. the Company has developed the *China Merchants Securities Co., Ltd. Intellectual Property Management Measures* and the *China Merchants Securities Co., Ltd. Information Technology Asset Management Measures* to ensure the standardized and scientific management of intellectual property. These measures not only involve trademark registration and copyright registration of self-developed software but also include timely responses to infringement acts, taking legal action to protect the Company's rights when necessary. Specific measures include:

Protection of intellectual property for self-developed IT systems. The Company conducts Copyright registration for self-developed software systems (such as apps) and continuously maintains copyright management.

Intellectual property review for externally purchased systems. The Company pays special attention to intellectual property requirements during external system procurement, and ensures related clauses are included in contracts and reviewed by the Legal and Compliance Department.

2.2.2 Protecting Customer Privacy

 <p>User Information Collection</p>	<p>Based on legal requirements and business needs, China Merchants Securities collects and retains the minimum personal information only for necessary, and commits not to collect personal data from the third parties (except as required by law). Additionally, the Company adheres to the <i>China Merchants Securities APP Privacy Agreement</i>, which clearly informs users the scope, purpose, and rights regarding data collection. For more details, please refer to the <i>China Merchants Securities Information Security and Customer Privacy Protection Management Statement</i>.</p>
 <p>User Information Storage</p>	<p>In strict accordance with the <i>China Merchants Securities APP Privacy Agreement</i>, relevant laws, regulations, and regulatory guidelines, China Merchants Securities retains personal user information only within the necessary period. the Company adopts a strategy of separating backend data from historical databases. For new customers at account opening phase, the Company preserves customer information for at least 20 years, which is in compliance with the <i>Securities Law</i>; For non-transactional users, if a customer cancels the APP account, the Company commits to deleting the customer's related data within 15 days unless otherwise required by specific legal provisions.</p>
 <p>User Data Access and Use</p>	<p>China Merchants Securities and its subsidiaries strictly follow the <i>Investor Personal Information Protection Management Measures</i> to ensure personal information security. the Company has established strict data access permission application and approval processes, restricts account authorizations, and regularly reviews user permissions of critical business systems to confirm the validity and rationality of accounts and permissions. The Company categorized and graded information, enhanced recognition of the sensitivity of personal information, and implements corresponding security strategies and protection measures for different categories and levels of personal information. When employing third-party services, the personal information protection capabilities of investors are considered an essential assessment criterion.</p>
 <p>User Rights Protection</p>	<p>The China Merchants Securities APP grants users full control over their personal information, including access, correction, deletion, and management of information usage permissions. Users can adjust personal information usage permissions, including viewing, withdrawing authorization, and canceling accounts. Once a user requests information deletion or account cancellation, China Merchants Securities will comply with legal provisions, cease using and sharing the user's relevant information, and execute the user's deletion request within the legally specified timeframe.</p>

2.3 Protect Clients' Rights and Interests

To ensure clients' trust and satisfaction with China Merchants Securities' services, the Company is committed to protecting and safeguarding client interests throughout the whole service cycle.

2.3.1 Compliance Marketing Management

Strictly followed by the policy requirements such as the *Administrative Measures for the Sale of Securities Investment Funds* and the *Provisions on the Administration of Proxy Sale of Financial Products by Securities Companies*, the Company has formulated the *Administrative Measures for the Proxy Sale of Financial Products by Wealth Management Business of China Merchants Securities* to regulate the Company's financial product sales business, ensure that clients understand the true and complete product information and effectively safeguard the legitimate rights and interests of investors.

As required by the Company, when promoting financial products, the staffs should disclose information such as financial product contracts and prospectuses provided by the trustees, introduce financial product information comprehensively, fairly, and accurately, and explain the main risk characteristics includes credit, market, and liquidity risks. Branch sales staffs should follow these requirements while carrying out offline promotional activities .

To enhance the compliance awareness of marketing personnel, the Company conducts compliance marketing training for all wealth advisors and service personnel during the monthly meetings of the Wealth Management Center. Training covers key compliance promotion, anti-money laundering, product sales compliance, customer service quality complaint case warnings, investor suitability management rules, investor personal information protection management measures, and strengthening product sales behavior compliance control training. Additional targeted training sessions include special training for enhancing cultural brand building and customer service quality, compliance business key issues training for Wealth Management Center heads, compliance business training for new wealth advisors, and special training on investor personal information protection. Training sessions are held approximately once a month, and all the wealth advisors are required to participate. In 2023, there are over 10,000 participants.

2.3.2 Building Service Teams

The Company focuses on building customer-centric wealth management teams, emphasizing "customer outreach capability," "advisory and accompaniment capability," and "product and allocation capability". This team consists of over 1,400 highly educated and qualified wealth advisors.

China Merchants Securities implements campus recruitment, social recruitment, and internal training to select the advisor talents. Through strict selection criteria, tiered empowerment strategies, and optimized assessment systems, the Company continuously cultivates professional wealth advisor talents. In terms of training and empowerment, the Company found a tiered training system of "new recruits - backbone - elite - navigator" to supports wealth advisors' career development. The training includes customer needs understanding, asset allocation diagnosis, and post-investment management to ensure wealth advisors provide quality service from the customer's perspective. In terms of the service model, the Company focuses on summarizing and inheriting excellent service experiences to form a company-characteristic service model, and comprehensively improves the overall team service quality.

In 2023, the Company conducted 37 online and offline training sessions, covering over 11,553 participants. The wealth management team has been recognized with several awards, including:



- 2023 Golden Bull Award for Securities Companies — Golden Bull Wealth Management Team**
China Securities Journal
- 2023 Golden Bull Award for Securities Companies — Golden Bull Securities Company**
China Securities Journal
- 2023 China Securities Industry Omnichannel Wealth Broker Junding Award**
Securities Times
- 2023 China Securities Industry Wealth Service Brand Junding Award**
Securities Times
- 2023 China Brokerage Yinghua Award — Outstanding Wealth Management Brokerage Model Institution**
China Fund News
- 2023 China Securities Industry Jinding Award — Best Comprehensive Strength Brokerage in Wealth Management**
Daily Economic News

2.3.3 Upgrading Interactive Systems



Enhanced Experience on Mobile Platforms

The Company significantly improved the trading and wealth management experience through new trading functionalities and UI design improvements in its APP, including more intuitive interfaces and more efficient trading operations, further enhancing user satisfaction.



Comprehensive Wealth Management Platform Construction

The China Merchants Securities APP, focusing on "Smart Stock Market Strategies", "Smart Wealth Management", and "Smart Wealth Creation", has built a comprehensive wealth management platform. This platform not only offers rich stock market strategies and tools, optimizing the stock trading experience, but also enhances the overall wealth management service experience by refining wealth management service scenarios and guiding investment philosophies.



Promoting Rational Investment Culture

In the aspect of "Smart Wealth Creation", China Merchants Securities advocates for rational investment through content advocacy and functional guidance. This method helps investors make more informed decisions through education and information provision.



Content Production and Dissemination

To further enhance the customer experience, China Merchants Securities focuses on content production and dissemination. The Company has established a company-level content platform and community functions, along with collaborative research platform services, aiming to provide customers with richer, more personalized information and services.

In 2023, the satisfaction rate for China Merchants Securities' customer service hotline reached **99.51%**. According to Qianfan's statistics, the China Merchants Securities APP ranked **fifth** among the top ten brokers in terms of average monthly active users and **first** in daily average usage time.

2.3.4 Strengthening Feedback Mechanisms

Committed to a "customer-centered" philosophy and providing excellent customer experiences, the Company takes customer feedback seriously, continuously enhances customer service capabilities, and implements effective issue tracking and demand feedback mechanisms. To improve complaint handling efficiency and collaboration, the Company has established a long-term mechanism for complaint handling, continuously followed up on the progress of complaint resolution, regularly summarized and implemented mechanisms related to retrospective inspection, strengthened in-depth analysis and carried out source management to reduce complaint matters and curb the high incidence of complaints.

The Company's Online Operation Service Center closely monitors customer feedback to ensure the complaint channels is accessible. The Company opened complaint acceptance channels, such as phone, email, and on-site service, on the official website, WeChat, trading systems, and branches, and received customer inquiries and feedback through the "Online Customer Service" and "Feedback" functions in the China Merchants Securities APP. In addition, the national unified customer service hotline 95565 also provides comprehensive support to customers through phone and online text services.

The Company's complaint handling process includes all-channel complaint reception, verification, feedback, revisit, rectification accountability, and summary archiving, forming a clear division of labor and a closed-loop customer complaint handling system. For customer evaluations and suggestions, the Company continuously improves service quality through internal feedback, training reinforcement, and service system optimization. These measures have significantly shortened the customer complaint resolution cycle and enhanced customer satisfaction.

The Company commits to processing complaints within 3 trading days of receipt and making a decision within 10 trading days. In 2023, the brokerage business received a total of 1,029 complaints, with a 100% complaint handling response rate.

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2.4 Contribution to Investor Education

In 2023, China Merchants Securities strictly implemented relevant regulatory requirements for investor education, revising the *Management Measures for Investor Education Work of China Merchants Securities* and the *Management Measures for Investor Education Base of China Merchants Securities Co., Ltd.* to further standardize the Company's investor education management. As an advocate for the protection and education of investors' rights, China Merchants Securities adheres to a service philosophy centered on investor needs and provides customized education services for investors at different stages. This includes educating investors on securities knowledge, legal regulations, and revealing investment risks, fostering a value investment philosophy.



For Primary and Secondary School Students

- China Merchants Securities launched the "Wealth Navigator" series of financial literacy courses, collaborating with Shenzhen High School, Yuanling Experimental School, Xuefu Primary School, Beijing Normal University Affiliated Elementary School, and other primary and secondary schools to conduct related activities aimed at cultivating students' financial thinking.
- The Xi'an Branch of China Merchants Securities Investor Education Base worked with Xi'an Qujiang Twelfth Primary School and Cui Ruixue Teacher's Studio to create a youth financial literacy education base, extending financial education to surrounding schools, including Qujiang Nanhu Primary School, Qujiang Tenth Primary School, and Qujiang Fifth Primary School, to conduct financial literacy lectures.



For Universities Students

- The Company established a specific investor education cooperation mechanism in collaboration with Jinan University, Shenzhen Securities Regulatory Bureau, and Shenzhen Stock Exchange. Through curriculum co-creation and research projects collaboration, the Company builds a financial knowledge popularization mechanism with schools, integrating the resources of industry, academia, and research. Aligning with the shared educational goals, the Company gave a series of "Capital Market Practice" lectures to 110 master's students in the Fintech Department of Jinan University.
- In partnership with Shanghai Jiao Tong University, the Company provided elective courses such as "Quantitative Strategy Analysis" for Southern University of Science and Technology.
- Jointly with Harbin Institute of Technology (Shenzhen) and Shenzhen Polytechnic University, the Company organized the "China Merchants Futures Cup" Futures Training Camp, helping students solidify their financial foundations and integrating investment education into national education.



For New Market Investors

- The Company organized activities such as visits to listed companies, playing a pivotal role in connecting the capital market with the real economy. The Company actively organized investors visits to Shenzhen Phoenix Telecom Technology Co., Ltd., CIMC, Shenzhen Expressway, HSC Corporation, and Snibe Diagnostic, allowing investors to understand the operating status, industrial layout, future growth, and strategic planning of listed companies, thus helping investors establish rational and value investment concepts.
- Integrating expert resources, the Company conducted various investor education activities for investors. We launched original investor education products and created diverse course series to assist investors to better absorb the knowledge of securities investment and to strengthen their financial risk prevention awareness.



For Residents and Elderly Groups

- During the themed events, the China Merchants Securities investor education team brought dramas to the public spaces, helping residents and the elderly strengthen their understanding of financial investment, enhance the risk prevention awareness, and protect their rights legally.



In 2023, China Merchants Securities made significant achievements in investor education.

In terms of educational outcomes, the Company compiled **4** sets of professional textbooks and collaborated with **80** schools to offer **14** elective courses related to investment, benefiting **1,342** students.

In terms of outreach activities, the Company held **566** online investor education events, attracting nearly **520,000** participants, and organized **1,193** offline events with over **240,000** participants.

Additionally, for student groups, the Company carried out **249** activities including lectures, knowledge contests, and social practices, directly impacting nearly **14,000** students.

The Company's efforts and achievements were widely recognized and honored with the following awards:

Awards	Awarding Institution
"Shareholders Are Coming" (2023) Investor Knowledge Competition Zhejiang Area Shenzhen Division "Excellent Organization Award"	Shenzhen Securities Investor Services Center
"Shareholders Are Coming & Protecting Investors" Excellent Insurance Case Collection Activity (2023) Excellent Insurance Case "Text Case Award", "Video Case Award"	China Securities Small and Medium Investors Service Center, Tencent Financial Consumer Rights Protection Department

Awards	Awarding Institution
2023 Instantly Understand Finance Annual Investment Education Works Exhibition Selection "Best Creativity Award", "Excellence Award"	Yicai
China Fund News Investment Education Alliance Partner China Merchants Securities Investment Education Base	China Fund News Investor Base
Shenzhen Area "Learning Traditional Culture, Enhancing Investment Literacy" Investor Education Product Selection "Excellent Production Award", "Best Work Award"	Shenzhen Securities Investor Services Center
"Little Financial Advisor" Investment Education Product Excellence Award	Shenzhen Securities Investor Services Center
"Securities Market Practice" Series Courses Investment Education Product Gold Award	Shenzhen Securities Investor Services Center
2023 Annual Outstanding Organization Award for Investor Education Work	Shenzhen Securities Investor Services Center
2023 Best Investor Education Base in Shenzhen Area	Shenzhen Securities Investor Services Center

CHINA MERCHANTS SECURITIES

Creating Capital Impact



Strengthening ESG Risk Management

Implement Responsible Investment

Creating Sustainable Value

—



03 Creating Capital Impact

3.1 Strengthening ESG Risk Management

As global attention to climate change and sustainable development intensifies, strengthening ESG (Environmental, Social, and Governance) risk management has become an important and necessary strategic choice for businesses adapting to this trend. For China Merchants Securities, this is not only a global responsibility but also a key to ensuring long-term success and stability for the enterprise. Through effective ESG risk management, China Merchants Securities can identify and avoid potential legal, operational, credit, and reputation risks related to environmental protection, social responsibility, and corporate governance, achieving sustainable development on multiple levels.

3.1.1 Establishing an ESG Risk Governance System

China Merchants Securities has established a comprehensive ESG risk management system that encompasses a multi-tiered structure and management measures from the Board of Directors, the management level to the implement level, effectively integrating ESG risk considerations into its business decision-making and risk management processes.

ESG Risk Governance Structure

China Merchants Securities has established a multi-level ESG management system that spans from the Board of Directors to the management level and the implement level (comprising various business departments and subsidiaries), with clear responsibilities assigned at each level.



At the Board level, the Strategy and Sustainability Committee is established, responsible for researching, deciding, and supervising the implementation of ESG risk management; at the management level, the Sustainability Leading Group is set up, led by the Company's chairman, to deploy specific measures and requirements for the Board's significant ESG decisions, including guiding the development of ESG risk management systems, assessing potential ESG risks, and supervising and inspecting the ESG risk management; at the implement level, the Sustainability Task Force is formed,

consisting of the members from the Risk Management Department, Legal Compliance Department, Audit Department, and other internal control departments at the headquarter, as well as the Investment Banking Committee, Wealth Management and Institutional Business Headquarter–Securities Finance Department, Financial Markets Investment Headquarter, CMS Zhiyuan Capital, CMS Investment, CMF, CMS Asset Management, CMSI, and other business headquarter departments or wholly-owned subsidiaries. In terms of credit risk management, the Risk Management Department is responsible for the Company's comprehensive risk management, considering ESG-related risks when assessing customer credit risk; departments involved in financing activities, such as investment banking, margin trading and securities repurchasing, are responsible for implementing the Company's ESG risk management policies and systems, establishing and developing the department's ESG risk management systems according to business needs, and reporting the ESG risk management and implementation regularly based on internal needs.

ESG Risk Management Measures

Developing Binding Policies for ESG High-risk Industries

The Company has identified ESG high-risk industries in its investment banking and other credit businesses, paying attention to high-pollution and high-emission industries that have a significant impact on biodiversity, such as agriculture, thermal power, petrochemicals, chemicals, steel, building materials, mining, non-ferrous metals, and has developed corresponding binding credit policies.

Investment Banking Business

The Company's investment banking business units pay special attention to environmentally sensitive and high-pollution, high-emission industries such as agriculture, thermal power, petrochemicals, chemicals, steel, building materials, non-ferrous metals during project initiation, due diligence, and project review. It avoids projects with potentially significant negative environmental impacts, controls the concentration of high-risk industries, standardizes the due diligence requirements for related projects, and pays special attention to environmental issues during the project review process.

Other Credit Businesses

The Company's stock pledge business units pay special attention to environmentally sensitive industries such as agriculture, energy, mining, oil, and natural gas during the due diligence and review process. It avoids projects that may have a significant potential negative impact on the environment and specifies in the due diligence system that stock pledge funds "shall not be invested in industries included in the elimination category published by national relevant ministries, or projects that violate national macro-control policies or environmental protection policies."

Establishing an ESG Risk Identification and Management Mechanism

The investment banking and other credit business departments are required to carry out ESG risk identification work and integrates ESG risk management into the business risk control process mechanism, and set corresponding ESG risk management requirements at different process stages.

Investment Banking Business

At the project initiation stage, through the equity business initiation system, high-pollution industries are listed as cautious projects for IPOs, mergers, and acquisitions. Projects are prudently advanced through offline initiation review and collective decision-making, guiding business departments to prudently undertake high-pollution industry projects at the front end. For fixed income financing business, entry thresholds for high-pollution and high-emission industries that are part of overcapacity industries (such as coal, steel, cement, electrolytic aluminum) are raised.

During the due diligence stage, by formulating due diligence guidelines for underwriting business of high energy-consuming and high-emission projects (referred to as "two-high" projects), the project team is guided to fully understand the regulatory policies and due diligence requirements for "two-high" projects, and to increase the scrutiny sensitivity to "high environmental risk" products and production. For corporate bond and enterprise asset securitization, additional due diligence is required for overcapacity industries during the due diligence stage, checking policies and measures related to the resolution of overcapacity.

During the project review process, particular attention is paid to whether the sponsored project's production and operation comply with national industrial policies, and whether the issuer has completed the environmental assessment procedures for the projects already built and the ongoing projects that have already started construction. Special attention is given to whether the issuer has been subjected to environmental administrative penalties in the past 36 months or has committed major illegal acts. If the project involves negative circumstances, the Company will make a collective decision on whether to proceed with the project after comprehensive evaluation. For corporate bond and enterprise asset securitization business, the resolution of overcapacity is a focus during the review.

Other Credit Businesses

During the due diligence stage, investigate the purpose of the capital, and whether involved in restrictive or prohibited industries; search for the public sentiment and announcements of the listed companies related to environmental assessments, government regulation, and penalties, which may affect project admission.

During the business review stage, according to the State Council's *Industrial Structure Adjustment Guidance Catalog (2019 Version)*, the Company would not consider the projects that involved in the industries on the elimination category, and pay attention to the negative environmental assessment information of the listed companies.

In the post-loan monitoring stage, the Company regularly monitor the announcements related to social responsibility and negative public sentiment of the listed companies of pledged securities. If any critical negative events are found, the Company will report and assess the related risks promptly.

Conducting ESG Due Diligence

The Company has integrate ESG risks in its credit risk assessment system to prevent ESG risks from turning into credit risks.

Investment Banking Business

For IPO business, a special due diligence is conducted regarding the issuer or project's ESG-related circumstances, including environmental policy and qualifications, production and internal control conditions, product quality, labor relations, and more. The Company continues to monitor the issuer's involvement in negative environmental, social public sentiment, and penalties, employing escalation mechanisms when necessary. The due diligence is conducted as follows:



We Investigate the environmental laws, regulations, local rules applicable to the issuer, and the specific environmental standards to be implemented, and check whether the issuer's production process complies with environmental protection regulations, etc.



For high pollution industries, we obtain information related to the issuer's production and operations involving environmental pollution treatment, and check the expenditure and investment in environmental protection during the reporting period, etc.



We Investigate the issuer and its subsidiaries for any environmental accidents or administrative penalties during the reporting period, and assess whether they constitute major illegal acts. During due diligence, if we find that the issuer does not comply with national and local environmental regulations and requirements, or has had environmental accidents or been penalized for environmental issues that constitute major illegal acts, the Company will make a collective decision on whether to terminate the project's advancement.



We review the issuer's quality control systems and standards, quality control measures, quality certification, and get detail information of the issuer's solutions to quality disputes. We obtain explanations and materials on whether the issuer has had disputes or penalties caused by quality issues, and check whether the issuer has major litigation or significant administrative penalties related to product quality.



We obtain employee rosters, labor contracts, payroll, and social security expense details, understanding the composition of employees, and get detail information of the issuer's social security system implementation. We get explanations on whether the issuer has had disputes or penalties for violating employee labor protection regulations, and investigate whether the issuer has significant litigation or significant administrative penalties related to labor and employment.

Other Credit Businesses

In the practice of credit business, the Company has incorporated ESG factors into the due diligence, decision-making approval, and subsequent management stages of stock pledge-related projects. Due diligence reports, compliance review checklists, and other due diligence annexes include related indicator requirements, and projects involving companies with environmental violations or major environmental litigation are given special attention.

During the repurchase period of stock pledge, the Company evaluates and analyzes the severity of different ESG risk events based on impact level. If significant business risks are assessed, measures such as requiring the client to rectify, negotiating with the client for early repurchase of stock business, or vetoing new business related to the subject can be taken.

The Company will further refine the ESG due diligence requirements for stock pledge, focusing on the impact of ESG factors on the future competitiveness of the subject securities, corporate valuation, and other aspects.

3.1.2 Exploring New Opportunities Amidst Risks

With the backdrop of climate change and the objectives of "carbon peak and carbon neutrality", the green industry is set to undergo rapid expansion, bringing substantial investment and financing demands. This will present more opportunities for investment banking services and also offer more opportunities for financial product innovation. Following the Central Financial Work Conference, China Merchants Securities promptly formulated the *Special Work Plan for Implementing the Spirit of the Central Financial Work Conference*, solidly driving the implementation of various tasks to effectuate significant achievements, focusing on green finance among five major areas. The Company not only formulated a special low-carbon strategic plan, considering "carbon peak and carbon neutrality" goals as a key direction for business development, but also established professional teams across multiple departments to provide high-quality financial services for low-carbon projects.

The Company has marked "carbon peak and carbon neutrality" as a priority direction for the development of investment banking business, included in the "Fourteenth Five-Year" sub-planning for investment banking, with a proactive layout in crucial technological tracks such as new energy.

By carrying out domestic and international equity financing, bond financing, mergers and acquisitions, and other investment banking services, the Investment Banking Committee aids green enterprises in optimizing strategic layouts, innovating business development, and promoting industrial upgrading. At the same time, it provides comprehensive financial solutions for traditional enterprises facing green transformation challenges; actively cultivates high-quality unlisted companies in the industry through the "Gazelle Incubator Project", and explores domestic and foreign green enterprise listing financing and refinancing business, planning ahead in key industry tracks; relies on specialized industry teams and "carbon peak and carbon neutrality industry group mechanisms to focus on green investment banking business expansion, channel laying, and professional capability building, enhancing service capabilities for carbon peak and carbon neutrality industry clients; strengthens "investment banking-investment-research" linkage, focusing on quality targets related to "carbon peak and carbon neutrality" for business collaboration, offering clients high-quality comprehensive financial services. Simultaneously, through strategic leadership and performance evaluation, internal expansion of green finance-related businesses is encouraged, with extra input given to green business in performance evaluations and incentives, fully reflecting the orientation towards green finance.



Hosting China Merchants Securities "Gazelle Incubator Project TMT and Green Industry Network Event

Moreover, the Investment Banking Committee strictly follows the guidelines GL86-16 of the Hong Kong Stock Exchange, ensuring that IPO applicant companies comply with the exchange's governance, environmental, social responsibility, and management (ESG) compliance and management requirements before listing.

In terms of ESG Corporate Governance, the Company assists enterprises in clarifying the common responsibilities of the Board of Directors, establishing ESG-related governance structures, operating mechanisms, and policies, and ensuring active participation by the directors.

Regarding ESG Information Disclosure, the Company comprehensively presents the compliance and management measures of each applicant enterprise in ESG aspects. In the prospectus for Yuehua Entertainment, the Company showcased how the enterprise achieves sustainable development in the entertainment industry through artist management and product content social responsibility practices. In the prospectus for Zhong An Intelligent Living, the Company elaborated on how the Company uses innovative technology in smart city construction to promote environmental protection and social welfare, reflecting the combination of technological innovation and social responsibility. In the prospectus for Pu'er Lancang Ancient Tea, the Company emphasized how the enterprise promotes ecological protection and harmonious development with the local community through sustainable cultivation and protection of ancient tea trees, highlighting a business model that benefits both ecology and economy.

CMF diligently implements the requirements of the Central Financial Work Conference, continuously exerting the functions of the futures market in areas such as rural revitalization and green and low-carbon development.



Developing "Agricultural Insurance + Weather Derivatives" Project

This project serves as a financial innovation aid for farmers under extreme weather conditions. As the first domestic cold wave index derivative and precipitation index derivative, it uses futures and other derivative instruments to transfer and hedge risks, helping farmers hedge against adverse weather risks.



Launching "China Merchants Wind ESG Sustainable Development Index"

In conjunction with Wind Information Group, CMF researched and released the China Merchants Wind Info ESG Sustainable Development series index. This index reflects the overall price performance of commodities related to sustainable development and leading ESG companies from both commodity futures and stocks asset directions, providing effective tools and performance benchmarks for researching and investing in commodities and enterprises related to sustainable development.



Launching Industry Networking Spaces

CMF Successfully hosted the "Futures ESG Sustainable Development Forum" at the 17th Shenzhen FINEXPO, organized the keynote speech about "Corporate ESG Strategy Under the Carbon Peak and Carbon Neutrality Goals," and held roundtable forums on "ESG and Rural Revitalization Experience Case Sharing" and "ESG and Carbon Peak and Carbon Neutrality Strategy Experience Case Sharing".



Focusing on Research and Exploration

CMF established the Futures ESG Sustainable Development Research Institute, focusing on research and exploration of topics such as futures service in green finance, rural revitalization, real economy, and "Belt and Road" initiative. The institute has released the *China Merchants ESG Derivatives Monthly Observation* series reports, developed the first domestic commodity ESG index, and will continue to release ESG-related research results in the future.



3.2 Implement Responsible Investment

Responsible investment is increasingly becoming a key trend in global financial markets. Through responsible investment strategies, China Merchants Securities aims to achieve business objectives while generating a positive impact on society and the environment. This aligns with the principles of corporate social responsibility and contributes to wider societal and environmental goals.

3.2.1 Establishing a Responsible Investment Governance Structure

To implement a comprehensive responsible investment strategy, China Merchants Securities has improved its ESG governance structure, ensured effective implementation of ESG goals and strategies, created responsible investment mechanisms, and adapted the ESG investment system to China's specific context.

Responsible Investment Governance Structure

China Merchants Securities continues to refine its three layer ESG governance structure, enhancing the integration of ESG considerations into investment decision-making and elevating the ESG management standard, including responsible investment.

The Company has established a Strategy and Sustainability Committee under its Board of Directors, which deliberates, decides, and supervises major ESG-related goals, plans, strategies, and risks. At the management level, there's a Sustainability Leading Group, led by the Chairman and CEO. This group directs specific deployments and requirements for the Board's ESG decisions. At the implement level, a Sustainability Task Force consists of heads from functional departments at headquarter, including Office department, human resources, risk management, legal compliance, and other business units or wholly-owned subsidiaries. They provide a foundation for incorporating ESG factors into investment management, investment banking, asset management, wealth management, and other business activities.

Under the guidance of the Sustainability Task Force, every department assigned an staff who was responsible for ESG communication and implementation in the department. The Office department established an ESG management team that promotes the ESG practice and disclosure within the Company. These coordinators work to promote ESG practices, enhance training, and incorporate ESG factors into business development. Each department and subsidiary assigned an ESG coordinator to develop ESG talent capacity and to promote the ESG integration in business activities. Additionally, some business units found specialized research teams to support the ESG integration in business activities, including the research and development center, CMS Asset Management, CMF, CMS Investment, and CMS Zhiyuan Capital. The research topics include ESG methodology application, ESG investment research and related business development.

Responsible Investment Mechanisms

The Company has conducted in-depth research into the ESG investment system, integrating policies related to financial services for the real economy, inclusive finance, and green finance. It has made improvements and innovations to ESG investments that are tailored to China's national conditions. Adhering to the concept of responsible investment and the CMS core value, the Company commits to align its investments with China's industrial policies and development trends. In terms of the environment, the Company focuses on industries that align with ESG principles, such as PV, new energy, and environmental governance, while also considering the impact of investment targets on Carbon Peak and Carbon Neutrality policies. In terms of social responsibility, the Company prioritizes the investment targets' contribution to national and social development through its business activities, and considers whether they prioritize social benefits and align with the concept of common prosperity, with an investment focus on enterprises contributed to infrastructure construction and social security. Regarding corporate governance, the Company emphasizes the enterprises' commitments and practice of anti-corruption, anti-money laundering, and antitrust, as well as the related internal policies and governance structure development.

China Merchants Securities' various departments have established corresponding investment mechanisms based on asset categories.

CMS Asset Management

Asset Category	Investment Strategy
Listed Equity	ESG Integration
Investment Process	
<p>The investment process involves regularly updating and interpreting the ESG performance of industries and targets, identifying key ESG factors, combining ESG factors with fundamental industry views for valuation, stock selection, and portfolio construction, and employing strategies such as negative screening to refine the risk control system and prevent ESG risks from translating into financial risks. The detailed process is as follows:</p> <p>Industry Screening: We prefer the industries highly alignment with ESG concept, such as new energy, environmental governance, and new materials. For investments in industries with high environmental risk, such as agriculture, biodiversity, energy use, forestry, mining, oil and gas, transportation, raw materials and chemicals, we consider the factors including energy consumption, environmental pollution, and safe production and only invest in the projects with higher energy efficiency, less environmental impacts, and lower safety production risks.</p> <p>Target Selection: We assess and track whether investment targets meet ESG evaluation standards. Firstly, we use negative screening, according to regulatory announcements and penalties, industry news, company disclosures, and negative public sentiment, to eliminate the companies with significant negative impacts, such as major pollution, safety production accidents, or product quality issues. Secondly, We integrate ESG factors into traditional credit rating and investment methods, combining quantitative and qualitative approaches to incorporate ESG factors into target review and credit analysis. ESG-related factors include, but are not limited to, alignment with national industrial policy directions, significant illegal or non-compliant activities, environmental violations, non-compliant employment, safety production accidents, and product quality incidents.</p> <p>Target Reporting: Following the selection processes, we finally select the companies with higher comprehensive values and complete the investment decisions or reports, which would be submitted to the Investment Decision Committee according to the Company's authorization as the situation demands.</p> <p>Post-Investment Management: We continuously monitor the ESG performance of invested enterprises, incorporate ESG risk assessment results into post-investment reports, and identify, assess, and address these issues timely.</p>	

Asset Category	Investment Strategy
Fixed Income	ESG Integration
Investment Process	
<p>We incorporated environmental, social, and governance as key evaluation factors in ESG assessments, and progressively integrated these factors into credit research and investment strategies to develop responsible investment solutions distinctive to the Fixed Income Department. The main considerations include:</p> <p>Environmental: We concern about whether target companies have implemented an environmental friendly production strategies, their practices in sustainable production and the use of renewable energy, and their progress in achieving low carbon emissions. For fixed-income operations, we will emphasis on financial products issued by debt entities that meet the above standards, including but not limited to green bonds, blue bonds, and carbon-neutral bonds.</p> <p>Social: The Company prioritizes support for national governance policies and social development needs, actively engaging in enterprises that contribute to the social construction of ideological infrastructure, promote the concept of common prosperity, rural revitalization, and support public transportation infrastructure, which including but not limited to the bonds related to the Belt and Road initiative, relief bonds, inclusive finance bonds, rural revitalization, and green public infrastructure bonds.</p> <p>Corporate Governance: The Company integrates information on anti-corruption initiatives and anti-money laundering governance into the fixed-income investment framework, conducting comprehensive admission assessments of target companies.</p> <p>In the target selection phase, taking into account the above aspects, a comprehensive evaluation is made regarding whether the invested enterprises' business philosophy is against with national strategies, whether the illegal or disciplinary actions are found. We also give a negative assessment across multiple dimensions for certain industries, including energy consumption efficiency, environmental impact, safety accidents, and product quality incidents. Integrating with ESG ratings of invested enterprises, a methodology or evaluation model related to credit ratings of entities and bonds is gradually established.</p>	

Financial Market Investment Headquarter

Asset Category	Investment Strategy
Fixed Income	ESG Integration, Negative Screening
Investment Process	
<p>We incorporated environmental, social, and governance as key evaluation factors in investment decision making mechanism. The main considerations include:</p> <p>Environmental: We concern about whether target companies have implemented an environmental friendly production strategies, their practices in sustainable production and the use of renewable energy, and their progress in achieving low carbon emissions. For fixed-income operations, we will emphasis on financial products issued by debt entities that meet the above standards, including but not limited to green bonds, blue bonds, and carbon-neutral bonds.</p>	

Asset Category	Investment Strategy
Fixed Income	ESG Integration, Negative Screening
Investment Process	
<p>Social: The Company prioritizes support for national governance policies and social development needs, actively engaging in enterprises that contribute to the social construction of ideological infrastructure, promote the concept of common prosperity, rural revitalization, and support public transportation infrastructure, which including but not limited to the bonds related to the Belt and Road initiative, relief bonds, inclusive finance bonds, rural revitalization, and green public infrastructure bonds.</p> <p>Corporate Governance: The Company integrates information on anti-corruption initiatives and anti-money laundering governance into the fixed-income investment framework, conducting comprehensive admission assessments of target companies.</p> <p>In the target selection phase, taking into account the above aspects, a comprehensive evaluation is made regarding whether the invested enterprises' business philosophy is against with national strategies, whether the illegal or disciplinary actions are found. We also give a negative assessment across multiple dimensions for certain industries, including energy consumption efficiency, environmental impact, safety accidents, and product quality incidents. According to the ESG ratings of target companies, the targets with a lower rating would be subjected to a focused consideration in the investment decision-making process.</p>	

Asset Category	Investment Strategy
Listed Equity	ESG Integration, Negative Screening
Investment Process	
<p>Industry Screening: We prefer the industries highly alignment with ESG concept, such as new energy vehicle, AI, PV and wind power, and biological medicine. For investments in industries with high environmental risk, such as agriculture, biodiversity, energy use, forestry, mining, oil and gas, transportation, raw materials and chemicals, we will evaluate and monitor whether the investment targets fulfill the ESG standards.</p> <p>Target Selection: We evaluate the ESG performance of investment targets from energy consumption, environmental pollution, and safe production aspects, get detailed information that whether the investment targets align with national industrial strategies and involved in pollution, safety accidents, and product quality incident cases, to avoid targets with significant ESG deficiencies.</p> <p>Post-Investment Management: We implement shareholder activism to lead invested enterprises towards a positive impact on the environment and society through investigation, communication with the management board, and voting at shareholders' meetings. We continuously track and assess whether investment targets meet ESG standards, re-evaluate investment decisions for those that do not meet ESG evaluation criteria.</p>	

Asset Category	Investment Strategy
Derivatives or Other Alternative	Thematic investing
Investment Process	
<p>The Derivatives Investment Department actively applies for qualification of carbon emissions trading. As participants in the national carbon emissions trading market, securities companies can increase market trading volume and liquidity through trading, attracting other investors and thereby improving market transaction volume, price discovery efficiency, and market activity. Currently, the Derivatives Investment Department has already submitted the application for trading permission.</p>	

CMS Zhiyuan Capital

Asset Category	Investment Strategy
Private Equity Funds	Thematic investing
Investment Process	
<p>We focus the industries related to advanced structural materials and new energy batteries, establish green-themed funds to participate in green equity investments, and continuously monitor new material applications in advanced manufacturing, integrated circuits, 5G, new energy, etc., seeking investment targets that align with sustainable development concepts.</p> <p>In 2023, CMS Zhiyuan Capital released the <i>CMS Zhiyuan Capital investment strategy implementation plan (trial)</i>, designating new energy materials as one of the focused segments for small enterprise investment projects at the early stage.</p>	

Asset Category	Investment Strategy
Private Equity Funds	ESG Integration
Investment Process	
<p>We incorporate ESG principles into a fund operation lifecycle, including fundraising, management, and exit, continuously guiding invested projects to practice ESG with the following process:</p> <p>Fundraising: We actively communicate with fund LPs to fully respond to their ESG investment needs through clarifying ESG investment goals and matching appropriate investment strategies and industries. We actively promote the value of ESG investment and its connection with long-term value creation to potential LP clients, guiding the practice of ESG investment principles.</p> <p>Investment: In selecting investment targets, we assess whether the target company's development is align with national ESG-related strategies and whether there are adverse impacts on society or the environment. We integrate ESG principles throughout the investment decision-making process, evaluate target companies from environmental, social and governance aspects, and eliminate the projects not meeting the standards.</p>	

Asset Category	Investment Strategy
Private Equity Funds	ESG Integration
Investment Process	
<p>Post-Investment: We continuously monitor the situation of invested enterprises and help them to improve their corporate governance. We assist in establishing effective ESG management and oversight mechanisms of invested enterprises, supervise the project's ESG performance, and provide necessary support and guidance. During exiting period, we fully consider the ESG factors of the invested enterprises and comprehensively evaluate the enterprise's status to ensure a smooth exit process.</p>	

Asset Category	Investment Strategy
Private Equity Funds	Company Engagement
Investment Process	
<p>We fulfill the duties of private fund managers, represent the interests of fund investors, actively exercise voting rights at shareholder meetings of invested enterprises, and guide invested enterprises to improve corporate governance and ESG performance, thereby enhancing the investment value of invested enterprises.</p> <p>We conduct ESG material issues identification and analysis for invested enterprises in different industries, and guide them to improve ESG performance based on industry development visions, goals, and indicator systems. For example, we consider indicators such as the frequency of medical incidents and medical waste disposal methods for pharmaceutical companies, and emphasize the mutual benefits of ESG and economics. For traditional processing industries, we pay attention to whether the enterprise has established clear factory sewage systems and purification devices, occupational disease prevention indicators for workers, etc., and consider these factors when exercising voting rights.</p>	

CMS Investment

Asset Category	Investment Strategy
Private Equity Funds	ESG Integration
Investment Process	
<p>CMS Investment focuses on investment opportunities in segments such as healthcare, environmental protection, energy-saving, new energy, green materials, green transportation, and green buildings, and incorporates ESG factors throughout the investment process. The specific process includes:</p> <p>Target Selection: We integrated ESG factors into the pre-investment due diligence process, evaluate a enterprise's ESG performance based on its regulatory actions and penalties, industry information, environmental disclosures, employee relations, working environment, and corporate governance, and reflect the result of due diligence in reports. Projects with negative ESG evaluations will undergo a focused consideration. If significant adverse ESG impacts emerge post-investment, a re-evaluation will be required according to relevant regulations.</p>	

Asset Category	Investment Strategy
Private Equity Funds	ESG Integration
Investment Process	
<p>Post-Investment: We closely monitor the ESG dynamics and performance of post-investment projects, actively exercise shareholder voting rights on the governance issues, including financial audits, board and supervisory board elections, amendments to articles of association, continuously pay attention to the balance between economic, social, and environmental benefits of invested companies, and incorporate ESG factors into post-investment tracking. Significant ESG risks are further assessed for their potential to transform into investment risks, with risk mitigation measures taken as necessary. Additionally, CMS Investment is progressively refining its ESG-related requirements.</p>	
Asset Category	Investment Strategy
Private Equity Funds	Thematic investing
Investment Process	
<p>We continuously focusing on research and investment layout in the green sector, and pay attention to high-quality investment targets involved in new energy, efficient resource recycling, and low-carbon emissions throughout the green industry chain. In 2023, CMS Investment released the <i>Key Track Investment Strategy Guide</i> as a reference for future business practice, which advocates for a focus on industries aligned with ESG principles such as new energy, new materials, and healthcare.</p>	

CMF

Asset Category	Investment Strategy
Listed Equity, Fixed Income	Negative Screening
Investment Process	
<p>We implement negative screening based on regulatory announcements and penalties, industry news, company disclosures, and negative public sentiment to cautiously evaluate companies with significant negative impacts, such as major pollution, safety production accidents, product quality issues, and non-compliant labor practices.</p>	
Asset Category	Investment Strategy
Listed Equity, Fixed Income	ESG Integration
Investment Process	
<p>Target Selection: We concern about ESG factors and take ESG factors into consideration to comprehensively evaluate investment targets' sustainable development capabilities and social responsibility performance. We combine ESG principles with established credit rating methods, and establish an internal ESG rating model by referencing external ESG scores and logic, such as qualitative and quantitative scoring and negative screening. We perform whole-process ESG performance assessments and monitoring of target enterprises through public media monitoring and ESG related return attribution analysis, and integrate ESG factors as a key investment strategy throughout various business processes.</p>	

Asset Category	Investment Strategy
Fixed Income, Fund Product	ESG Integration
Investment Process	
<p>Target Selection: We consider whether investment targets align with national strategies, review regulatory announcements for legal or regulatory violations, identify integrity and credit risks related to ESG, and actively invest in bonds related to sustainable development, energy conservation, emission reduction, and carbon neutrality.</p>	
<p>Post-Investment: We continuously monitor whether bond issuers and fund managers have involved in legal or regulatory violations, default occurrences, and significant credit risks, to ensure effective risk monitoring.</p>	
Asset Category	Investment Strategy
Fixed Income, Fund Product	Negative Screening
Investment Process	
<p>Target Selection: We exclude certain industries or enterprises with significant negative social impacts, fund managers with serious illegal activities, and bonds with high default or credit risks.</p>	

3.2.2 Advancing Responsible Investment

China Merchants Securities has demonstrated notable achievements in promoting responsible investment. At the empowerment level, the Company has strengthened the relevant knowledge and professional skills of employees and business departments through comprehensive training covering green finance and ESG. At the research level, multiple ESG-related reports were published in 2023, and several commissioned topics on ESG investment strategies were undertaken. At the business level, China Merchants Securities successfully custodied the first ESG-themed public mutual fund and actively promoted ESG investment in both public and private product domains.

Training

In recent years, the Company has conducted sustainable finance-related training, including green finance. The training consists of two main aspects: general training on topics such as carbon peak and carbon neutrality goals, new energy, biotechnology, and ESG, and specialized training for professionals in business departments like Investment Banking Committees and Research and Development Center, covering carbon peak and carbon neutrality related business, green bond business, and financial services for new energy sub-industries. Some training sessions include:



- In March 2023, CMS Zhiyuan Capital and CMS Investment conducted a joint training on "Development of the new energy Industry". The Heads of units and relevant department personnel attended the training.
- In November, 2023, the Company conduct a training session titled "The Impact of Sustainable Finance and ESG on the Financial Industry" covering ESG investment, green finance, transition finance, carbon markets, and carbon finance. The Heads of units, ESG coordinators, and relevant department personnel attended the on-site training.
- The Company also organized other trainings. The Financial Market Investment Headquarters organized fixed income, equity investment, and derivative investment departments to participate in sustainable finance-related training and exchanged ideas with external organizations on ESG scoring systems and special bond recognition, providing insights for building an internal ESG investment framework. CMF included ESG, green finance, and rural revitalization-related training courses in the learning system, which covering all the staffs. CMS Asset Management also included ESG-related training courses in the learning system, covering all the research and investment staffs.

Research

In 2023, the Research&Development Center of China Merchants Securities publicly released 17 ESG reports, including three in-depth reports covering topics such as ESG index analysis and ESG investment strategy tracking. Additionally, the Research&Development Center undertook 14 commissioned topics from institutional clients, involving ESG factor analysis, ESG investment strategies, etc., such as researching ESG projects of listed companies like China Yangtze Power Co.,Ltd. The Center was awarded the 6th Best ESG Practice Research Institution by *New Fortune* in 2023.



Practice

In terms of sustainable themed financial product promotion, China Merchants Securities has also achieved significant success. In 2023, custody department successfully managed the Company's first ESG-themed public mutual fund, "China Resources Yuanta ESG Theme Mixed Securities Investment Fund", which has reached a service scale of RMB 200 million since its establishment on June 23th, 2022, and has successfully completed liquidation. Currently, the custody department also manages the "Bohai Huijin Low Carbon Economy One-Year Holding Period Mixed-Type Initiated Securities Investment Fund", with a service scale of RMB 29.08 million. In terms of public product distribution, the financial products department sold 200 ESG-themed products in 2023, accounting for 1.5% of all products, reaching a total scale of RMB 1.3 billion by year-end.

3.3 Creating Sustainable Value

As the largest securities company under the State-owned Assets Supervision and Administration Commission of the State Council, China Merchants Securities is dedicated to "boosting China's economic transformation and upgrading, and helping to preserve and increase the value of social wealth". It plays an active role as a capital market intermediary in serving national strategies and developing the real economy, building China into a financial powerhouse.

3.3.1 Serving the Real Economy

China Merchants Securities is committed to its mission of serving the real economy through financial services, consistently focusing on providing a variety of high-quality investment banking services and capital market solutions to enterprises, supporting the economic structural transformation and upgrade, and bolstering the real economy to become stronger and more competitive. The Company continues to undertake the responsibilities of a central state-owned enterprise, actively participating in critical national infrastructure financing projects, facilitating the implementation of critical infrastructure projects, stimulating the financial innovation, and revitalizing assets. It responds actively to strategy for coordinated regional development, offers customized financial services to enterprises in different regions, and support the achievement of common prosperity.

Supporting Industrial Transformation and Upgrade

In the fiscal year 2023, the Company focused on industries like semiconductors, new energy, new materials, high-end manufacturing, and low-carbon environmental protection, and facilitated technology development and industrial transformation through providing various investment and financing services. Focusing on technological innovation and the low-carbon field, CMS Zhiyuan Capital invested primarily in strategic emerging industries. Through actively invested in high-potential quality enterprises, CMS Zhiyuan Capital drove technological innovation and industrial upgrades. In 2023, the total investment has reached RMB 1.235 billion. CMS Investment conducted research of investment strategies in fields such as low carbon, green technology, new energy, and high-end manufacturing, with new investments totaling approximately RMB 412 million in these areas during 2023. In terms of financing, the Company, acting as a sponsor, lead underwriter, and financial advisor, provided investment banking services to 160 companies, helping to raise a total of RMB 406.454 billion and underwriting RMB 139.223 billion. These achievements reflect China Merchants Securities' firm commitment and effective actions in integrating the real economy with the financial market.



On November 17th, 2023, China Merchants Securities facilitated the IPO of Kangxi Communication Technologies (Shanghai) Co., Ltd. (hereinafter referred to as "Kxcomtech") on the STAR Market, raising a total of RMB 668.64 million. Kxcomtech specializes in the R&D and sales of Wi-Fi RF front-end chips and their modules. Its product line serves home and enterprise wireless communication devices and a variety of IoT applications, playing a key role in the domestic substitution process within the Wi-Fi FEM sector.



New Energy
Sector

On December 22nd, 2023, China Merchants Securities assisted Zhejiang SolaX Power Co., Ltd. (hereinafter referred to as "SolaX Power") in its successful IPO on the STAR Market, raising a total of RMB 2,226.4 million. As a leading company in the field of PV storage, SolaX Power focuses on the R&D of cutting-edge technologies in PV storage, emphasizing the industrialization of innovative products and technologies in the PV storage sector.



New
Materials Field

On October 30th, 2023, China Merchants Securities supported the IPO of Guangdong DECRO Film New Materials Co., Ltd. (hereinafter referred to as "DECRO New Materials") on the Main Board of the Shenzhen Stock Exchange, raising a total of RMB 1,056.0084 million. As a leading company in the functional BOPP film industry in China, DECRO New Materials boasts over twenty years of experience in R&D, production, and sales, holding a technical high ground in the market.



Energy
Conservation
and Environmental
Protection Sector

On April 19th, 2023, China Merchants Securities, serving as the sponsor and lead underwriter, aided Dongjiang Environmental Company Limited (hereinafter referred to as "DongJiang Environment") in its non-public offering of stocks project, raising a total of RMB 1,200 million specifically for the transformation and upgrade of hazardous waste treatment capacity. Focusing on industrial hazardous waste treatment, Dongjiang Environment is dedicated to providing comprehensive environmental management solutions for enterprises and cities, standing as a distinguished player with comprehensive qualifications in the environmental protection industry.



Information
Technology
Services Industry

On May 19th, 2023, China Merchants Securities facilitated the IPO of Shijihengtong Technology Co., Ltd. (hereinafter referred to as "Shijihengtong") on the GEM Board, raising a total of RMB 649.9667 million. As a professional information technology service provider, Shijihengtong has developed three major service systems: vehicle owner information services, life information services, and business process services.

Supporting Infrastructure Construction

In 2023, the Investment Banking Committee of China Merchants Securities insisted on serving the real economy and leading business development with innovation. Leveraging the innovative advantages of bond services, the Company vigorously developed innovative businesses such as public offering REITs for infrastructure and participated in the listing of AVIC Jingneng Photovoltaic REIT (one of the first batch of new energy REITs and the first photovoltaic public offering REITs in China). The Company assisted the follow-on public offering of Shekou Industrial Zone REIT (one of the first batch of public infrastructure REITs to make follow-on public offerings) and also helped with the application of China Merchants Expressway and ESR Group public warehousing logistics REIT, which has been received by the CSRC and the Stock Exchange.

 Case 1

Supporting the Market's First Batch of Publicly Offered Infrastructure REITs Project to make follow-on public offering project-follow-on public offering of Shekou Industrial Zone REIT

On June 16th, 2023, the Bosera China Merchants Shekou Industrial Zone Closed Infrastructure Securities Investment Fund (hereinafter referred to as "Shekou Industrial Zone REIT") officially listed and circulated its expanded shares on the Shenzhen Stock Exchange. China Merchants Securities was fully involved in incorporating the Phase II project of China Merchants Group Guangming Science and Technology Park Technology Enterprise Accelerator as the newly acquired infrastructure project into the Shekou Industrial Zone REIT, and facilitated the successful application, issuance, and listing of this expansion. This expansion not only reinforced CMSK's leading position in the full-cycle development model of industrial parks but also promoted the development of the Guangdong-Hong Kong-Macao Greater Bay Area's technology innovation corridor. China Merchants Securities played a pivotal role in promoting the healthy and stable growth of publicly offered REITs, injecting innovative vitality into the capital market and achieving deep integration between the real economy and financial markets. Going forward, China Merchants Securities will continue to delve deeply into the publicly offered REITs sector, invigorate assets, promote the integration of industry and finance, and revitalization of existing assets, serving the high-quality development of the real economy with financial innovation, and actively supporting the innovation and progress of the public REITs market.

 Case 2

Supporting the Listing of China's First Batch of New Energy and the First Photovoltaic Public Offering REITs Project - AVIC Jingneng Photovoltaic REIT

On March 29th, 2023, China Merchants Securities, acting as the exclusive financial advisor, assisted in the listing of China's first batch of new energy and the first photovoltaic public offering REITs project - AVIC Jingneng Photovoltaic Closed Infrastructure Securities Investment Fund (hereinafter referred to as "AVIC Jingneng Photovoltaic REIT") on the Shanghai Stock Exchange, with an issuance scale of RMB 2.935 billion. The AVIC Jingneng Photovoltaic REIT is based on the 300-megawatt photovoltaic power station in Yulin, Shaanxi, and the 100-megawatt photovoltaic power station in Suizhou, Hubei, owned by Beijing Energy International Holding Co., Ltd. Since its operation, it has cumulatively reduced carbon dioxide emissions by approximately 2.664 million tons, making a significant contribution to China's energy conservation, emissions reduction, and green development goals. The successful listing of AVIC Jingneng Photovoltaic REIT represents a successful exploration of financing model innovation in the capital-intensive industry of the new energy sector, further ensuring the continuous investment capacity of new energy enterprises.

Promoting Coordinated Regional Development

China Merchants Securities maintains its commitment to social responsibility, serving national strategies, and fostering coordinated regional development. The Company has played an active role in economics and society development of strategic regions, including western, northeast, central, and eastern regions.

In terms of fund, CMS Zhiyuan Capital successfully set up 9 new funds in 2023, with a total subscribed capital of RMB 6.225 billion. Funds established for the Xiong'an New Area, the Yangtze River Economic Belt, the Yellow River Basin, and the Guangdong-Hong Kong-Macao Greater Bay Area had subscribed capital scales of RMB 1 billion, RMB 2.5 billion, RMB 1 billion, and RMB 700 million, respectively.

In terms of investment banking business, the Investment Banking Committee actively served national strategies, and forcefully promoted large-scale development in the western region, the full revitalization of the northeast, the rise of the central region, and the trailblazing development of the eastern region.

Large-scale Development in the Western Region

In 2023, China Merchants Securities helped **40** companies in the western region to complete equity and bond financing, with a total amount raised of RMB **88.629** billion and underwritten by the Company for RMB **36.414** billion.

Case Supporting the first issuance of a sci-tech innovation corporate bond in Ningxia

On February 22nd, 2023, China Merchants Securities facilitated the successful issuance of the "2023 Public Offering of Sci-Tech Innovation Corporate Bonds (Phase I) of Ningxia State-owned Capital Operation Group Co., Ltd. " on the Shanghai Stock Exchange. This was the first successful application and issuance of such a bond in the Ningxia province since the Shanghai Stock Exchange introduced the technology innovation corporate bond in 2022. The bond raised a total of RMB 300 million with a maturity of 3 years and an interest rate of 3.73% per annum, receiving an AAA credit rating. As a joint lead underwriter, China Merchants Securities played a vital role in the successful issuance of this bond, injecting new vigor into the regional economic development of Ningxia.

The Full Revitalization of the Northeast

In 2023, China Merchants Securities assisted **7** companies in the Northeast China to complete equity and bond financing, with a total amount raised of RMB **14.68** billion and underwritten by the Company for RMB **4.449** billion.

Case Assisting Changchun Urban Public Transport Development Group Co., Ltd. with the successful issuance of the 2023 non-public green corporate bond (specific for carbon neutrality)(Phase I) .

On August 9th, 2023, as the lead underwriter, China Merchants Securities aided the issuance of "Changchun Urban Public Transport Development Group Co., Ltd.'s 2023 non-public offering of green corporate bonds (specific for carbon neutrality) (Phase I)", raising RMB 1 billion and underwritten by China Merchants Securities for RMB 332 million. The proceeds from these bonds were primarily used to repay the company's mature debt associated with clean transportation carbon neutrality green projects, supporting the rapid development of green rail transportation in Changchun.

The Rise of the Central Region

In 2023, China Merchants Securities assisted **37** companies in the central region to complete equity and bond financing, with a total amount raised of RMB **70.706** billion and underwritten by the Company for RMB **30.193** billion.

Case Assisting Hubei Communications Investment Group Co., Ltd. with the successful issuance of the 2023 sci-tech innovation renewable corporate bond.

On February 20th, 2023, as a joint lead underwriter, China Merchants Securities facilitated the successful issuance of "Hubei Communications Investment Group Co., Ltd.'s 2023 Public Offering of Sci-Tech Innovation Renewable Corporate Bonds (Phase I) (Category One)" on the Shanghai Stock Exchange, with an issue size of RMB 1.5 billion and underwritten by the Company for RMB 150 million. In recent years, Hubei Communications Investment Group has led or participated in nearly 200 research projects in transportation field and completed over 800 research achievements. Hubei Communications Investment Group has made significant research breakthroughs in engineering construction, materials, technical equipment, energy conservation, intelligent transportation, and other fields. From achieving the goal of "expressway connected all the counties" to building the first intelligent expressway in Hubei, Hubei Communications Investment Group will push forward the construction of intelligent transportation throughout the province. It also took efforts to implement five strategies, including digital industry upgrading, nurturing the digital economy, demonstration of transportation technology, quality improvement of route-derived economy, and intelligent collaborative control, striving to become Hubei's pioneer in establishing a new development paradigm at the national level.

The Trailblazing Development of the Eastern Region

In 2023, China Merchants Securities assisted **174** companies in the eastern region to complete equity and bond financing, with a total amount raised of RMB **1.77** trillion and underwritten by the Company for RMB **279.322** billion.

Case Supporting the listing of Leo-King Environmental Group on the ChiNext board.

On July 19th, 2023, acting as the sponsor and lead underwriter, China Merchants Securities supported the successful listing of Shenzhen Leoking Environmental Group Co., Ltd. (hereinafter referred to as "Leo-King Environmental Group") on the ChiNext board of the Shenzhen Stock Exchange. The total funds raised amounted to RMB 15.375407 billion, primarily used for the organic waste resource utilization project at the comprehensive waste treatment base in the southern cluster of Zhongshan City, the R&D center and informatization construction project, and to replenish working capital. As one of the leading enterprises in the field of organic solid waste treatment and circular economy in China, Leo-King Environmental Group is committed to resource regeneration and creating a better living environment.

3.3.2 Inclusive Finance

Guided by the mission of "Finance for the People", China Merchants Securities is committed to enhancing the level of inclusive financial services and dedicated to supporting the development of small and micro enterprises (SMEs). Through issuance of bond and Asset-Backed Securities (ABS) projects, China Merchants Securities provides financing support to SMEs and financial institutions serving them. In 2023, China Merchants Securities supported SME financing by creating credit protection certificates.

In 2019, the Company strategically proposed to build the "Gazelle Incubator Project" to serve growing and innovative enterprises, and give full play to the advantages of "capital + capital intermediary" as an integrated service provider to provide enterprises with all-round customized financial products and services throughout their life cycle, and to help the development of "specialized and sophisticated" SMEs. In 2023, the Company continued to promote the "Gazelle Incubator Project" to enhance the ability of science and technology-based SMEs to provide services. By the end of 2023, 441 enterprises were enrolled in the "Gazelle Incubator Project", of which 84 enterprises were newly enrolled in 2023.



Case 1 Assist Bank of Communications in Issuing Special Financial Bonds for SME Loans

On March 27th, 2023, China Merchants Securities supported the successful issuance of "Bank of Communications Co., Ltd. 2023 First Issue Special Financial Bonds for SME Loans" in the national inter-bank bond market, with an issuance scale of RMB 30 billion, of which China Merchants Securities underwrote RMB 2.325 billion. These three-year bonds, with a coupon rate of 2.80%, aim to specifically fund small and micro enterprise loans, supporting Bank of Communications in enhancing credit allocation to small and micro enterprises, helping them alleviate difficulties.

Case 2 Assist Ping An Bank in Issuing Special Financial Bonds for SME Loans

On April 10th, 2023, China Merchants Securities supported the successful issuance of "Ping An Bank Co., Ltd. 2023 Special Financial Bonds for SME Loans" in the national inter-bank bond market, with an issuance scale of RMB 30 billion, of which China Merchants Securities underwrote RMB 1.601 billion. These three-year fixed-rate bonds, with a coupon rate of 2.77%, will specifically fund small and micro enterprise loans, enhancing credit support for small and micro enterprises and promoting their steady and healthy development.

Case 3 Assist China Construction Bank in Issuing "FITS Jianpu 2023-1 Small and Micro Business Loan Asset Backed Securities"

On August 17th, 2023, China Merchants Securities assisted China Construction Bank in the successful issuance of "FITS Jianpu 2023-1 Small and Micro Business Loan Asset Backed Securities", with a total issuance scale of RMB 10.139 billion, including RMB 7.860 billion for senior A-class and RMB 370 million for senior B-class. As the lead underwriter and bookrunner, China Merchants Securities underwrote RMB 3.650 billion. The issuance rates for senior A-class and B-class set new lows for credit asset securitization products since 2023, showcasing China Merchants Securities' professional strength in the asset securitization field and its commitment to supporting SMEs.

Case 4 Assist Chongqing Meituan Sankuai Micro-loan Co., Ltd. and AVIC Trust Co., Ltd. in issuing MMSY and MMLX series ABS products

In 2023, China Merchants Securities helped Chongqing Meituan Sankuai Micro-loan Co., Ltd. (hereinafter referred to as "Meituan Micro-loan") and AVIC Trust Co., Ltd. (hereinafter referred to as "AVIC Trust") to issue 13 MMSY and MMLX series ABS projects, with a total issue size of RMB 7 billion were underwritten by China Merchants Securities. The underlying asset of MMSY and MMLX series ABS projects is the Business Loan, i.e. a personal business loan issued by Meituan Micro-loan or AVIC Trust in cooperation with Meituan for platform merchants. The Business Loan continued to provide financing services for small and micro merchants on Meituan platform to ensure the supply of their operating capital flow, thereby effectively solving the problem of inaccessible and expensive loans for SMEs in inclusive finance, and providing high-quality loan services for the majority of small and micro merchants. The continuous issuance of MMSY and MMLX series ABS products provided Meituan Micro-loan and AVIC Trust with a channel for continuous financing, secured the supply of funds for credit financing for small and micro merchants on Meituan platform.

3.3.3 Rural Revitalization

The implementation of rural revitalization strategy is an important foundation for building a modern economic system. In 2023, the Company actively responded to the national rural revitalization strategy and resolutely fulfilled its corporate social responsibility by deeply promoting rural revitalization, ecological civilization and economic construction.

Financing Support for Rural Industrial Development

In 2023, China Merchants Securities, as the lead underwriter, participated in the issuance of **7** rural revitalization and "agriculture, rural areas and farmers" themed bond products, including supporting the issuance of the first national cotton-themed corporate bond – "Xinjiang Zhongtai (Group) Co., Ltd. 2023 Non-Public Issuance of Rural Revitalization Special Corporate Bonds (Phase II)" for professional investors, the market's first "agriculture, rural areas and farmers" special financial bond linked to a specific theme – "Agricultural Bank of China Co., Ltd. 2023 'agriculture, rural areas and farmers' Special Financial Bond", and "China Merchants Bank Co., Ltd. 2023 'agriculture, rural areas and farmers' Special Financial Bond", with a total issuance scale of RMB **36.18 billion**, of which China Merchants Securities underwrote RMB **4.54 billion**.

Case 1 Assist Xinjiang Zhongtai Group in Issuing the First Rural Revitalization Special Corporate Bond

On March 14th, 2023, China Merchants Securities supported the successful issuance of "Xinjiang Zhongtai (Group) Co., Ltd. 2023 Non-Public Issuance of Rural Revitalization Special Corporate Bonds (Phase II)" at the Shenzhen Stock Exchange.

This was the first rural revitalization special corporate bond issued by Xinjiang Zhongtai Group and also the first national cotton-themed corporate bond. The issuance scale was RMB 500 million, with a 3-year term and a coupon rate of 4.65%. China Merchants Securities acted as the bookrunner and exclusive lead underwriter, underwriting RMB 500 million. The funds raised from this issuance were mainly used for the construction of the cotton spinning project of subsidiary companies under Lihua Group, a core enterprise of the textile and apparel industry sector of Xinjiang Zhongtai Group, to promote the high-quality development of the textile and apparel industry in Xinjiang.

Case 2 Supporting China Merchants Bank in Issuing "Agriculture,Rural areas and Farmers" Special Financial Bonds

On March 27th, 2023, China Merchants Securities supported the successful issuance of "China Merchants Bank Co., Ltd. 2023 'Agriculture,Rural areas and Farmers' Special Financial Bonds" in the national inter-bank bond market, with an issuance scale of RMB 5 billion and a bond term of 3 years, of which China Merchants Securities underwrote RMB 1.15 billion. This bond was the first commercial bank financial bond to use the ChinaBond Roadshow Platform, further enhancing the transparency and efficiency of the issuance. The funds raised from this issuance were specifically used for agricultural loans to support rural revitalization, receiving widespread recognition in the market and attracting active subscriptions from various investment institutions such as banks, funds, securities firms, and insurance companies, with a subscription ratio of 3.07 times. The issuance rate set a new low at 2.77%, with 33 institutions allocated. The issuance of this bond is a successful example of financial institutions mobilizing market participants' enthusiasm and efficiently allocating financial resources to support rural revitalization, achieving a win-win situation in terms of social value and issuance quality.

Case 3 Assist Agricultural Bank of China in Issuing "Agriculture,Rural areas and Farmers" Special Financial Bonds

On June 2nd, 2023, China Merchants Securities supported the Agricultural Bank of China in successfully issuing RMB 20 billion "Agriculture,Rural areas and Farmers" special financial bonds, setting a record for the largest issuance scale of this type of bond, with an issuance rate of 2.65%. This bond, linked to the theme of "serving the construction of an agricultural powerhouse", was the market's first "Agriculture,Rural areas and Farmers" special financial bond linked to a specific theme, with the funds raised mainly used in areas such as food security and the integrated development of rural primary, secondary, and tertiary industries. China Merchants Securities, as a joint lead underwriter, participated in the issuance of this bond, underwriting RMB 2.2 billion. The bond's distinct theme attracted numerous investors, with a subscription ratio of 2.1 times and investor types including state-owned large commercial banks, joint-stock banks, city commercial banks, rural commercial banks, securities companies, and fund companies. The successful issuance of this bond will help the Agricultural Bank of China fully play its role as a financial service powerhouse for "Agriculture, Rural areas and Farmers", guiding and driving more capital to serve rural revitalization and accelerating the modernization of agriculture and rural areas.

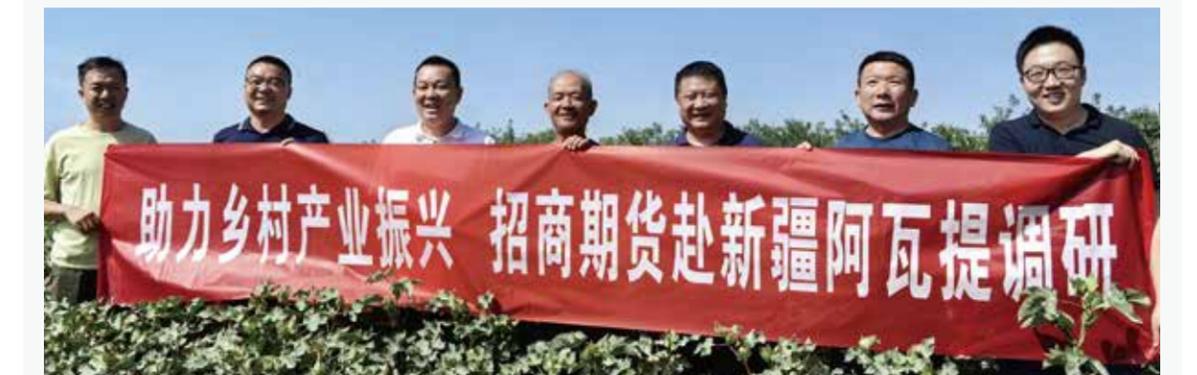
Actively Promoting "Insurance + Futures"

In 2023, CMF developed financial products to assist rural economies in risk avoidance and promote the sustainable development of agricultural economies. CMF actively participated in "Insurance + Futures" pilot projects, undertaking over 50 projects across more than 10 provinces and cities including Guangdong, Guangxi, Hebei, Hainan, Xinjiang, Yunnan, Hunan, Shandong, Henan, Gansu, Chongqing, Inner Mongolia, Heilongjiang, etc., involving a variety of commodities such as live pigs, eggs, corn, soybean meal, white sugar, peanuts, rubber, cotton, jujubes, apples, etc. The projects provided price risk protection for over 30,000 households in rural revitalization areas, playing a positive role in consolidating poverty alleviation achievements.



Case the "Insurance + Futures + Bank + Order" Project for Cotton in Awat County, Xinjiang

In December 2022, CMF collaborated with the Agricultural Development Bank of China, PICC Property and Casualty Co., Ltd. Xinjiang Branch, Shanghai International Cotton Exchange, and China National Cotton Group Corporation to launch the "Insurance + Futures + Bank + Order" project for cotton in Awat County, Xinjiang. The project insured entities were new agricultural business entities and cotton farmers in Awat County, with an insurance coverage of approximately RMB 20.7 million, covering 4,000 tons of seed cotton and 1,500 tons of lint cotton, corresponding to about 10,000 acres of cotton fields. This model helped local cotton farmers avoid price risks, improve income stability, and deepen the role of innovative futures models in supporting rural revitalization and promoting the high-quality development of the cotton industry.



In August 2023, CMF promoted the "Insurance + Futures + Bank + Order" financial assistance model for farmers in Awat County, known as the "hometown of long-staple cotton".

CHINA MERCHANTS SECURITIES

Practicing Green Development

CMS

Coping with Climate Risks

Practicing Green Operations

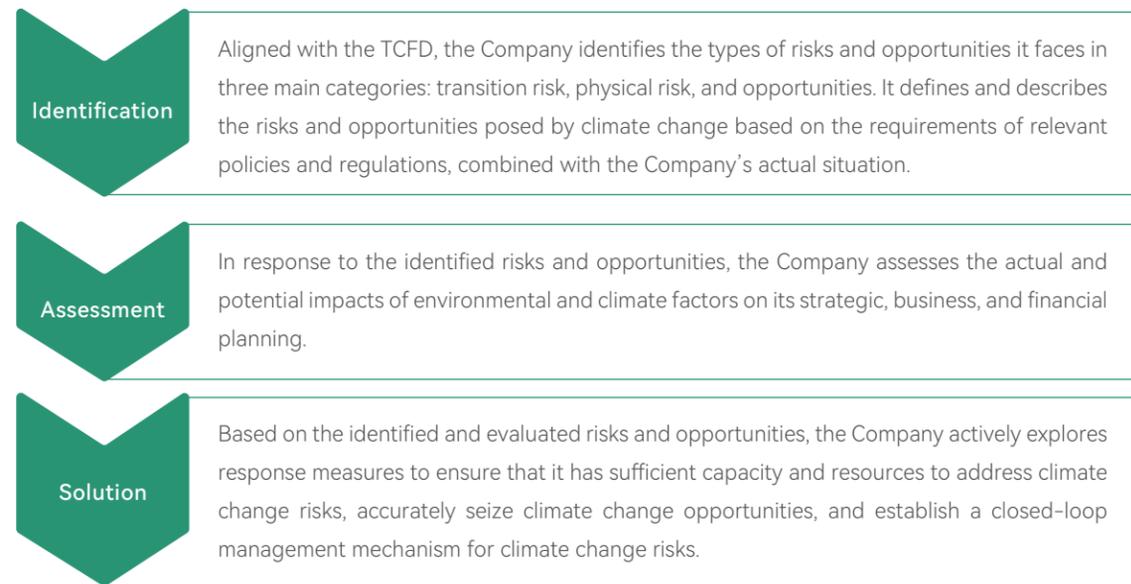
Developing Green Finance



04 Practicing Green Development

4.1 Coping with Climate Risks

To effectively manage climate risks in business development and operations and seize climate opportunities, the Company actively identifies, evaluates, and addresses climate risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the G20 Financial Stability Board. It continues to improve China Merchants Securities' management level of climate risks. The management process is summarized as follows:



4.1.1 Climate Risk and Opportunity Management System

Improving Climate Risk Governance Structure

Board Level: the Company has established a Strategy and Sustainability Committee under the Board of Directors, which is responsible for researching, deciding, and supervising the progress of significant ESG issues management, as well as climate risks management. Departments and subsidiaries involved in financing businesses, such as investment banking, financing securities, and stock pledge repurchase business, are responsible for implementing the Company's climate risk management requirements.

Business Department Level: the Investment Banking Committee has already established a department in 2021, which focuses on expanding businesses in the green and low carbon areas. In September 2023, the Committee officially established the low-carbon industry group mechanism that focuses on business expansion, channel construction, and professional capability cultivation in the low-carbon fields and strengthen specialized research and service capabilities in the green industries.

Setting Climate Goals and Strategy

Combining the analysis of the impact of climate risks, the Company has formulated the 14th Five-Year "carbon peak and carbon neutrality" Special Strategic Planning Tasks, which took climate risk response as a major task, defined long and short-term strategic goals for green finance. In terms of business activities, the Company was committed to develop green finance and serve the green transformation. In terms of business operational, the Company advocated low-carbon operations and conducted environmentally friendly activities. Additionally, the Company has set specific environmental performance targets, planning to continuously reduce the energy consumption at workplaces by 2025 based on the baseline year of 2019, enhance the effect of green operations, and disclose environmental data, including emissions, waste, and natural resource consumption, in the annual CSR and ESG reports.

Identifying and Assessing Climate Risks

Aligned with the TCFD and China Merchants Group's "carbon peak and carbon neutrality" goals and action plans, the Company identifies the types of risks and opportunities it faces in three main categories: transition risk, physical risk, and opportunities. It defines and describes the risks and opportunities that climate change brings to the Company. For identified climate risks and opportunities, on one hand, the Company evaluated the climate risk impact on its strategy, business, and finance according to the business reality. On the other hand, the Company actively explores the solutions in line with the *China Merchants Group's Carbon Peak and Carbon Neutrality Action Plan* and other Group policies, ensuring the Company has sufficient capabilities and resources to address climate change risks, seize climate change opportunities, and form a closed-loop management mechanism for climate change risks.

Strengthening Climate Risk Management in Investment and Financing Businesses

The Company has incorporated climate risks into the business risk management. In terms of project initiation, CMS Investment Banking Committee classifies high-pollution industries as cautious projects for IPOs and mergers and acquisitions, and prudently advances projects through offline initiation reviews and collective decision-making, guiding internal business departments of the Investment Banking Committee to prudently undertake high-pollution industry projects at the front end. In terms of due diligence, the project team is guided to fully understand the regulatory policies and due diligence requirements of high-pollution projects, enhance the sensitivity of checking for "high environmental risk" products and production links, and improve the standardization of the checking process.

4.1.2 Identifying and Responding to Climate Risks

China Merchants Securities places high importance on environmental risk management. Combining TCFD recommendations and its business characteristics, the Company has identified climate-related risks and its related financial impacts and developed solutions to enhance its adaptability to climate change.

Physical Risks



“Acute” Physical Risk

Description "Acute" physical risks mainly refer to the severe economic losses caused by climate change, the increased frequency of extreme weather disasters, and the severity of their impacts.

- Impacts**
- **Short-term impacts:**The physical damage to the Company's physical operations sites and online service back-end can affect employee attendance and subsequently disrupt the Company's business continuity, leading to financial instability and increased operating costs.
 - **Medium-term impact:**"Acute" physical risks may have adverse effects on the business operations and activities of some of the Company's clients and investment targets, and may even lead to bankruptcy and other risks.

- Measures**
- 1.Strengthening Risk Management Systems:** the Company is gradually establishing and improving its environmental risk emergency management system, strengthening its attention to weather forecasts, preventing risks in advance, and continuously enhancing its ability to resist physical risks caused by climate change.
 - 2.Considering Climate Factors in Business Operations:**When carrying out business operations, the Company fully considers the impact of physical risks on its clients and investment targets.
 - 3.Developing Climate Emergency Plans:** the Company formulates risk emergency plans, conducts climate emergency drills and training, etc., to improve emergency disaster resilience capabilities.



“Chronic” Physical Risk

Description "Chronic" physical risks mainly refer to economic losses caused by the gradual increase of temperature, accelerated depreciation of certain assets, land and capital stock loss due to rising sea levels

- Impacts**
- **Long-term impacts:**
 - "Chronic" physical risks cause damage to the Company's physical operating sites and online service back-end, affecting employee attendance rates. Deteriorating environmental conditions such as climate warming will affect the comfort of employees' work;
 - Rising sea levels may bring about asset impairment losses for the Company. "Chronic" physical risks may have adverse effects on the business development and operational activities of some of the Company's clients and investment targets, affecting the Company's strategic positioning and business direction.

- Measures**
- 1.Implementing Energy Management:** the Company continuously monitors the energy consumption structure in its operating areas, promotes electricity conservation measures, and applies energy-saving and emission reduction technologies to enhance energy efficiency in workplaces and to reduce operational costs.
 - 2.Enhancing Environmental Risk Management in Investment and Financing:** the Company fully integrates environmental and climate-related factors into the investment process to increase asset volatility sensitivity.

Transition Risks



Policy and Legal Risks

Description Since China proposed its carbon peak and carbon neutrality targets, the country has successively introduced policies, regulations, and relevant standards to address climate change. If the Company fails to strictly comply with and implement the requirements for climate risk management and related information disclosure, it may face the risk of being ordered to correct, fined or sued by regulatory authorities. China is promoting the establishment of a "1+N" policy system for carbon peak and carbon neutrality, and the Company's clients and investment targets are also subject to the "carbon peak and carbon neutrality" policy and regulations.

- Impacts**
- Medium and long term impacts:**
- the Company itself may face the risk of rising operating costs;
 - the Company's clients and investment targets may also face regulatory penalties, financial losses due to the tightening of policies, resulting in increased management costs for the Company.

- Measures**
- 1.Continuously Monitor the Policies and Regulations:** To effectively respond to the policy and regulatory requirements related to the carbon peak and carbon neutrality targets set by the country and regulatory authorities, the Company should comprehensively study the legal and regulatory content related to climate change and green finance.
 - 2.Develop Green Finance:** the Company implements the spirit of the Central Economic Work Conference, develops low-carbon strategic plans, and provides high-quality financial services for green projects, making substantial efforts in green finance.
 - 3.Strengthening Information Disclosure:** Keeping pace with policies, the Company regularly discloses environmental information and improves the quality of environmental information disclosure.



Market Risks

Description To achieve the carbon peak and carbon neutrality targets, China is promoting energy conservation, carbon reduction, and green transformation through energy efficiency constraints, firmly curbing the blind development of high-energy-consuming and high-emission projects. This may affect the views of investors and consumers, leading to market changes such as a decline in demand for high-carbon products and services and an increase in costs for some raw materials and services.

- Impacts**
- Medium and long term impacts:**
- Some of the Company's clients would prefer services and products with environmental attributes.
 - Some of the Company's clients and investment targets may face an uncertain market environment, resulting in increased production and operating costs, asset depreciation, and default risks, which may be transmitted to the Company through the business chain.
- Such risks will affect the Company's business development strategy and risk management system.

- Measures**
- 1.Increasing Investment in Green Industries:** When making investment decisions, the Company should fully consider such risks, increase investment in green industries, and gradually reduce financial support for high-carbon industries.
 - 2.Strengthen Risk Prevention Measures for Enterprises with High Energy Consumption and Emission :** the Company conducts risk review and monitors the risk effectively.

Transition Risks



Technology Risk

Description

- Some cutting-edge and disruptive technologies may face the risk of investment failure. Rapid technological iteration may lead to cost reductions, enterprise obsolescence, etc.
- Some of the Company's clients and investment targets may face challenges in upgrading their energy-efficient and environmentally friendly technologies during the process of technological transformation.

Impacts

Medium and long term impacts:

- The digital transformation may increase the Company's operating costs in the short term, such as the cost of staff training, the cost of using energy-saving and emission-reducing technologies in data centers, etc.
- Technology upgrading may increase the operating costs of some of the Company's clients and investment targets.

Measures

1. Increase Investment in Technology R&D:

the Company will increase investment in business digitalization to control the process of digital transformation and adopt advanced low-carbon technologies in operations.

2. Monitor the Industry Technology Updates: the Company will support enterprises with high R&D investment, strong technical R&D and iteration capabilities, and keen market insight. The Company will also consider the technology risks associated with low-carbon transformation when making investment decisions.



Reputation Risks

Description

Negative comments from stakeholders, caused by the institution itself, its employee behavior, or external events, may harm the Company's brand value, adversely affect its normal operations, and even impact market stability.

Impacts

Medium and long term impacts:

In the context of a low-carbon trend, more clients prefer to cooperate with companies with environmentally friendly concept. On the opposite, failure in managing climate change could harm the Company's reputation and lose attraction to the clients, thereby affecting business development and market value management.

Measures

1. Actively Participate in ESG-Related Activities and Initiatives:

the Company will disclose its ESG investment practices and performances to clients to maintain the Company's branding and reputation.

2. Establish Reputation Risk Monitoring and Public Opinion Response Mechanisms:

the Company keeps an eye on the negative public opinion and potential risks related to its environmental impact, establishes a timely public opinion response mechanism, and actively communicates with stakeholders.

4.1.3 Identify and Grasp the Climate Opportunities

By integrating domestic environmental and green finance policy trends with the regional economic conditions and industrial development planning of the Greater Bay Area and Shenzhen, China Merchants Securities has analyzed and identified climate opportunities. These are promoted in phases, short-term and medium-to-long-term, to drive innovation and development in green finance, effectively capitalizing on significant green finance initiatives.

Opportunities



Resource Utilization Efficiency

Description

Companies, clients, and investment targets can enhance energy efficiency in their workplaces, data centers, and other areas, and reduce waste in resource utilization through efficient management and operation, and lower operating costs.

Impacts

Short-term Impact:

- the Company's operating costs are reduced;
- Operating costs for some of the Company's clients and investment targets are reduced.

Measures

1. Practice green operations:

Practice green operations and encourage employees to adopt low-carbon operations;

2. Enhance the environmental benefits of investment and financing:

Consider the low-carbon operations of investment targets when making investment decisions.



Products and Services

Description

As a strategic emerging industry, the green industries have diverse and personalized financial needs. Steady advancement in green financial product innovation enhances the adaptability of the Company's financial services system and capabilities.

Impacts

Medium-term Impact:

With the development of green enterprises and the market, demand for green products and services keeps increasing and leads to the the income growth

Measures

1. Green Financial Products Innovation:

the Company will increase green financial services for climate-friendly enterprises, empower the high-quality development of energy-saving and carbon-reducing industries while generating investment returns.

2. Develop Green Finance + Technology:

Achieve automation, intelligence, and precision in financial services.

Opportunities



Market Opportunities

Description Innovating climate-friendly products and services under a low-carbon economy enhances the Company's reputation and creates revenue growth opportunities.

Impacts **Medium-term Impact:** Gain a competitive edge in the green and low-carbon industries, and seize market opportunities and shares.

Measures **Intensify Green Investment and Financing efforts:** the Company will actively promote green investment and financing projects, issue green bonds, and develop carbon trading rights futures and derivatives.



Adaptability

Description Actively responding to climate adaptation, while avoiding future losses, actively seek environmental and social benefits.

Impacts **Long-term Impact:** Affecting the Company's strategic direction, and lead the Company to explore the business environmental benefits.

Measures **Seize the industry trends:** the Company seizes industry opportunities and increases its focus and investment in green industries.



4.2 Practicing Green Operations

Strictly adhering to laws and regulations, such as the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, the *Work Safety Law of the People's Republic of China*, and the *Fire Protection Law of the People's Republic of China*, China Merchants Securities advocates low-carbon operations, and formulates internal policies including the *Fire Safety Management Regulations of CMS* and the *Detailed rules for CMS Supplier Management* to align its practices with national and industry green development strategies. In 2023, the Company was dedicated to integrating the concept of green development into daily operations and management, and strive to minimize the environmental impact caused by its business activities. In terms of its business operations, the Company applied all the possible solutions to promote green development, including improving energy-saving and environmental protection measures, organizing a variety of green and environmental protection activities, and enhancing resource use efficiency and environmental awareness among employees.

4.2.1 Green Operation Goal

China Merchants Securities is committed to energy conservation and emission reduction. Considering the lower energy consumption data from 2020 to 2022 due to external environmental impacts, the Company has chosen 2019 as the baseline year, and planed to continuously reduce energy and resource consumption in operations and improve green and low-carbon operation effects by 2025. In 2023, the Company continued to strengthen energy consumption and waste management to further achieve its goals.

4.2.2 Green Operation Measures

Actions	Contents
Energy Conservation and Environmental Protection Publicity	<ul style="list-style-type: none"> • Employees engagement. Since the fourth quarter of 2023, the canteen will no longer provide disposable packaging utensils, and advocate for employees to bring their containers for takeaways. • Enhance environmental promotion publicity. Display energy-saving and environmental protection themed promotion posters and videos on screens in workplaces to popularize the environmental protection knowledge.
Upgrading Energy Conservation Facilities at Workplaces	<ul style="list-style-type: none"> • Optimize air conditioning systems. Use the ice storage and cooling systems to store ice and cooling at night when electricity is cheaper and use it during peak hours during the day to reduce electricity costs and energy consumption. • Adjust parking lot lighting. Turn off part of lights when no vehicles entering at night, and maintain only essential lighting to save energy.

Actions	Contents
Conserving the Office Supplies	<ul style="list-style-type: none"> ● Promote conservation. Advocate the use of online OA office systems to reduce the frequency of paper document printing and fax usage.
Green Procurement	<ul style="list-style-type: none"> ● Vehicle procurement, all vehicles purchased through company centralized procurement are either National VI (environmental requirements) compliant or EV. ● Furniture procurement, furniture must get the Attestation of Chinese environment mark and ISO9000 quality management system certification. The products and their raw materials must meet national environmental standards and reach the E1 level of national standard. ● Other procurement, in 2023, the Company allocated about RMB 250,000 for environmental protection, including RMB 150,000 for reusable food wares and RMB 100,000 yuan for oil separator.
Conserving Electricity and Water	<ul style="list-style-type: none"> ● For electricity conservation, the Company reasonably sets the temperature of office air conditioning, adjusts the number of air conditioning units, the duration of operation, and the cooling temperature according to seasonal changes and climatic conditions to reduce energy consumption. After work hours, we promptly turn off the lighting in office areas and meeting rooms, and ensure that the lights are turned off on floors where no one is working overtime. ● For water conservation, the Company adjusts the water flow of the faucet in the washbasin to reduce unnecessary waste of water resources. In the design and operation of infrastructure, various measures are adopted to reduce heat generation and improve cooling efficiency to further achieve water-saving goals. In 2023, the Company didn't meet any difficulties in sourcing water.
Establishing Green Data Centers	<p>The Weixin Data Center of China Merchants Securities, covering over 9,000 square meters, is designed and constructed strictly according to national A-level standards. Currently, the PUE (Power Usage Effectiveness) value of the data center is about 1.5. To improve energy efficiency, the Weixin Data Center has implemented the following energy-saving measures in facilities design and operation:</p> <ul style="list-style-type: none"> ● Cold Aisle Containment: Adopt Cold Aisle Containment (CAC) Solution to effectively isolates the cooled supply air and result in a higher cooling capacity. ● Medium-temperature chilled water system: Use medium-temperature chilled water to improve the operating efficiency of chillers. ● Intelligent air conditioning adjustment: The O&M team adjusts precision air conditioning parameters according to the cooling demands of IT facilities and optimizes the layout of ventilation floors for energy conservation. ● Inverter air conditioner control: Intelligent variable frequency control is employed for the power components of the air conditioning system to reduce power consumption. ● High-frequency UPS power supply: Replace traditional equipment with high-frequency UPS to reduce the use of transformers and improve operational efficiency. ● Smart lighting system: Maintain low brightness lighting, automatically adjusting to high brightness only when personnel enter, to reduce energy consumption from lighting. ● Building insulation Treatment: Overall insulation treatment is applied to the facade of the data center building to reduce cold air loss caused by heat conduction, thereby achieving energy savings.

Actions	Contents
Waste Management	<p>The China Merchants Securities Building has set up garbage recycling stations on each floor to ensure effective classification and recycling of all waste. detailed measures include:</p> <ul style="list-style-type: none"> ● Used batteries recycling : A total of 21 kilograms of used batteries were recycled. ● Household waste treatment: Household waste is recycled and disposed by Shenzhen Jinyangsheng Urban Service Group. ● Kitchen waste treatment: Kitchen waste is recycled by Shenzhen Zhongxing Hengxi Environmental Protection Co., Ltd.. ● Hazardous waste treatment: Hazardous waste is removal and disposal by the removal unit of the Futian Urban Management And Law Enforcement.

4.2.3 Green Public Welfare Activities

🌿 Beach Clean-up Actions

China Merchants Securities pays close attention to the environmental protection issues of beaches in Hong Kong and cooperates with local NGOs working on marine ecological protection. the Company adopts innovative methods in designing activities, and combines environmental protection actions with sports. In Sai Kung and Tai Po in Hong Kong, the Company organized beach clean-up actions for 4 times. Over 70 volunteers engaged in the activities and collected and classified more than 400 kilograms of marine trash. The collected data and information have been provided to the Hong Kong Environmental Protection Department to support local environmental protection.

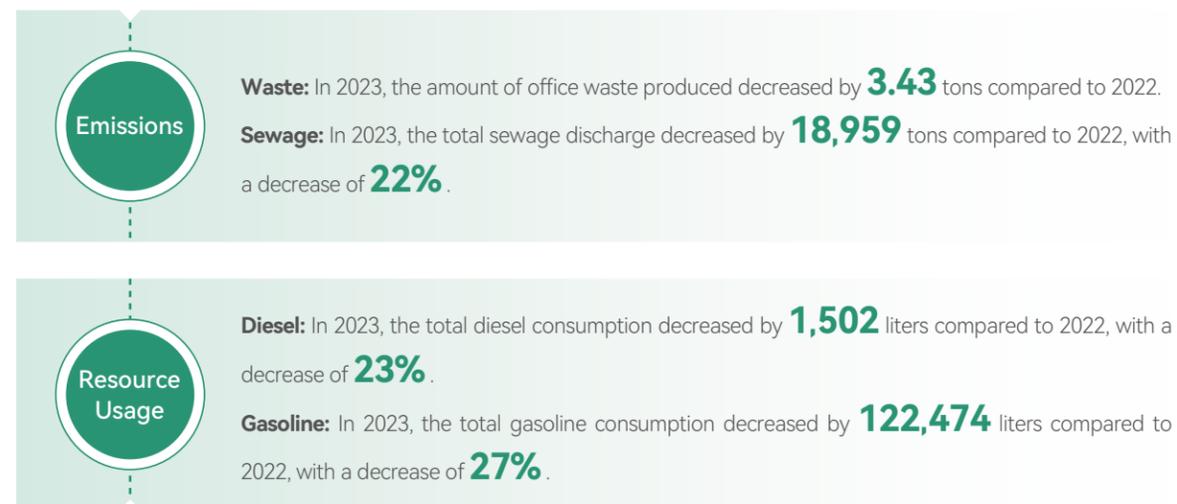


Tree Planting Day

China Merchants Securities cares for the natural environment and organized tree planting activities. Volunteers, along with their friends and children, plant saplings to add new greenery to Hong Kong's beautiful natural environment. The activities inspired children's gratitude and reverence for the nature and awareness of environmental protection.



4.2.4 Green Operation Achievements



4.2.5 Future Action Plan for Green Operations

Emission Limitation

- **Waste Recycling:** Garbage bins are set up on each floor of China Merchants Securities Building for waste classification and recycling.
- **Waste Management:** Hazardous and non-hazardous waste are recycled and disposed by third-party companies.
- **Sewage Reduction:** Regularly inspect and repair water equipment to avoid leakage.

Resource Consumption Reduction

- **Electricity Saving:** Reduce the air-conditioning energy consumption during daytime concentrated office hours by continuing to store ice during the night valley electricity-tariff period, and melt ice during the daytime peak electricity-tariff period. Gradually replace flood-lights with energy-saving lamps.
- **Water Saving:** Advocate water conservation and adopt water-saving sanitary wares.
- **Energy Saving:** Continue to build green data centers to improve energy efficiency.
- **Green Operation:** Promote green procurement and implement green operations.
- **Environmental Protection Practice:** Organize environmental protection activities to raise environmental awareness among employees.

4.3 Developing Green Finance

4.3.1 Implement Green Finance Strategies

Strategic Goals

China Merchants Securities actively implements the Group's carbon peak and carbon neutrality action system, and integrates the green development concept into the Company's medium and long-term strategic goals. The *Medium and Long-term (2019-2023) Development Strategy and Plan of CMS* emphasizes the new development concept of "innovative, coordinated, green, open and shared development" to achieve high-quality and sustainable development. Following the Central Financial Work Conference in October 2023, China Merchants Securities promptly formulated a *Special Action Programme to Implement the Spirit of the Central Financial Work Conference*, and solidly promoted the implementation

of various tasks. The Company has developed a low-carbon strategic plan, making "carbon peak and carbon neutrality" a key direction for business development, included in the "14th Five-Year" sub-plan for investment banking business, proactively laid out important technology tracks such as energy development, and established professional teams in multiple departments to provide high-quality financial services for green projects. China Merchants Securities will continue to enhance green financial services, increase green finance investment, strengthen green finance research, consider green finance indicators in performance evaluation, and explore the green finance in fields such as public REITs, thematic investment funds, and cross-industry industrial chain research, to make significant contributions to green finance.

Action Plan

Collaboratively serve the green industry's low-carbon transformation. Leveraging synergistic model of "research + investment banking + investment," the Company serves the low-carbon green circular economy. By conducting domestic and international bond financing, equity financing, mergers, and acquisitions, and other investment banking services, the Company helps green enterprises optimize strategic layouts, innovate business development, and promote industrial transformation and upgrading. It provides a comprehensive financial solution for traditional enterprises facing challenges in green transformation. Additionally, by advancing the "Gazelle Incubator Project" to incubate high-quality unlisted companies within the industry, the Company actively explores domestic and international green enterprises' IPO financing and refinancing services, preemptively laying out in key industrial tracks. Furthermore, leveraging the synergies of China Merchants Group's industrial resources, the Company consolidated long-term communication and collaboration mechanisms with other Group subsidiaries, introduced the industrial resources and investment and financing for green enterprises, while actively introducing high-quality targets and assets for the Group.

Increase green investment efforts. In bond investment business, the Company focused on investing in green assets, gave more attention to companies with higher ESG ratings, led more resources to enterprises aligning with green and sustainable finance concepts, and adjust the price threshold according to whether the underlying debt is labeled as ESG to help lower the financing cost of green enterprises. In derivative investment business, the fund market-making team provides liquidity services for ETFs themed on carbon neutrality, low-carbon economy, new energy, ESG, etc., effectively reducing the investment cost for market investors in related ETFs and promoting the development of relevant industries.

Manage the risk of high-pollution and high-emission industries. The Company's investment banking business pays attention to high-pollution and high-emission industries in project initiation, due diligence, and other systems, avoids projects with potentially significant negative environmental impacts, controls the concentration of high-risk industries, and standardizes the due diligence requirements for related projects.

Incorporate ESG into the entire investment process. In terms of listed equity investment, the Company enhances the consideration of ESG dimensions throughout the investment process. During the industry selection stage, the Company prefer industries that highly align with ESG concepts, and for investments in high environmental risk areas, the Company will evaluate and track whether the targets comply with ESG evaluation standards. At the target selection stage, the Company comprehensively examines the ESG performance of investment targets, including energy consumption, environmental pollution, and safe production, investigates whether investment targets comply with national industrial policy directions, and avoids companies with significant defects in ESG. During the post-investment management stage,

the Company continuously monitors and evaluates whether investment targets continue to meet ESG standards, and actively implement shareholder rights through investigation on invested companies, communication with corporate management, and voting at shareholders' meetings, guiding invested companies to exert a positive impact on the environment and society.

Strengthen green finance assessment and incentives. The Company leads various business departments to expand green finance businesses through strategies and performance appraisal. The Company's Investment Banking Committee has built a comprehensive performance appraisal system, including setting bonus indicators and extra incentives for the business in the green and low carbon fields, fully reflecting the orientation of green finance.

Strengthen the construction of green finance service capacity. China Merchants Securities established a low carbon industry department within the Investment Banking Committee in 2021, focusing on expanding the business in the green and low carbon fields. In September 2023, the Company officially established a low carbon industry group mechanism, which is found to map the industrial chain of low carbon and new energy industries and strengthen the research and service capacity for green industries. In 2023, the Company completed green financing projects, including IPO of SolaX Power and LeoKing Environ.Group and Sunoren convertible bonds, and conducted training sessions on industry dynamics and key project contracting and underwriting experience sharing, improving the internal professional service capability of green finance and providing solid theoretical and industry references for the development of the Company's green finance business.

4.3.2 Expanding Green Finance Business

Overall of Green Investment and Financing

The Company integrates "carbon peak and carbon neutrality" work into the overall strategic planning of business development, providing services for the strategic layout, business development, and industrial upgrading of green enterprises through issuing green financial products, mergers and acquisitions, and other forms. In 2023, China Merchants Securities continued to actively responding to the national strategies, expanding the scale of green investment and financing relying on the industrial advantages of Shenzhen, enhancing the service for green enterprises, and strengthening green finance innovation and capacity building, thereby injecting financial resources into the green industries and contributing to high-quality and sustainable economic development.

Continue to increase the scale of green investment and financing. The Company integrates "carbon peak and carbon neutrality" into the overall strategic planning of business development, and supports the development of green enterprises through issuing green financial products and investing in green industries to increase the scale of green investment and financing. In 2023, the Company's green investment and financing scale grew rapidly. In investment banking business, the issuance scale of green investment banking projects increased by more than 10% year-on-year; in asset management business, the amount of new green bond investments increased by more than four times year-on-year; in private equity fund business, the new paid-in scale of green funds increased by more than 100%, achieving high-quality development of green finance.

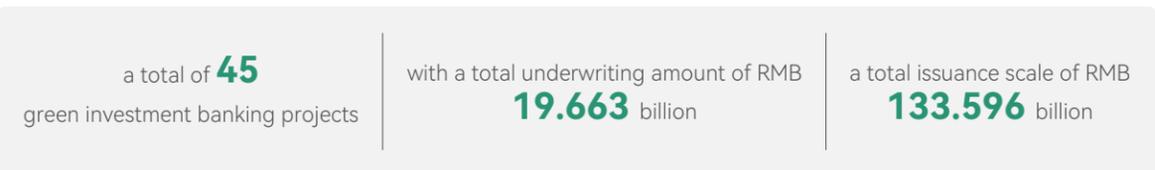
Focus on strategic emerging industries such as new energy. Leveraging the local advantages of Shenzhen's industries, the Company focuses on low-carbon and environmentally friendly industries such as new energy and energy storage, and provides high-quality green financial services to support the development of strategic emerging industries. In terms of investment banking, China Merchants Securities, as the sponsor and lead underwriter, assisted many enterprises in the new energy, new materials, and energy conservation and environmental protection fields to go public; in terms of investment, CMS Zhiyuan Capital focused on technological innovation and low-carbon fields and invested in high-quality energy storage enterprises such as Carmery New Materials, facilitating technological innovation and sustainable development of enterprises.

Strengthen green finance innovation and capacity. The Company insists on leading by innovation, deepens the research depth of green finance and new energy industries, promotes the innovation of green financial products and services, and released the first domestic commodity ESG index "China Merchants Wind ESG Sustainable Development Index" and the first domestic cold wave + precipitation index derivative "CMF Weather Derivative". In addition, the Company established a low carbon industry group mechanism this year, systematically mapped industrial chain map of green and new energy industries, organized multiple internal industry training sessions, comprehensively enhancing the professional service capability for green industries.

Overview of Green Finance Business and Products

Investment Banking

The Company integrates "carbon peak and carbon neutrality" into the overall strategic planning of investment banking business development, provides services to green enterprises to support the strategic layout optimization, business development innovation, and industrial transformation and upgrading, thereby continuously injecting financial resources into the green industries and contributing to high-quality and sustainable economic development. In 2023, the Company completed a total of 45 green investment banking projects, with a total underwriting amount of RMB 19.663 billion and a total issuance scale of RMB 133.596 billion, including: 3 IPO projects, 7 refinancing projects, and 35 green bond projects.



Equity Investment

In 2023, the Company completed a total of 24 equity financing projects, assisting in raising a total of RMB 27.692 billion in funds, with a total underwriting amount of RMB 20.208 billion. Among them, there were 10 green equity financing projects, raising a total of RMB 9.848 billion in funds, accounting for 35.56%, including: assisting the domestic leading functional BOPP enterprise Decro New Materials in listing on the main board, the leading enterprise in organic solid waste treatment and circular economy LeoKing Environ. Group in listing on the GEM, assisting Shenzhen Click Technology in completing a private placement of shares for energy storage, charging pile magnetic component projects, assisting Sunoren Solar Technology issuing convertible bonds for the distributed photovoltaic power stations construction, assisting Kunshan GuoLi Electronic Technology issuing convertible bonds for the expansion of DC contactors for new energy, and assisting Henan Lantian Gas Co. issuing convertible bonds for natural gas-related engineering construction, etc.

Bond Business

In 2023, the Company completed a total of 1018 bond projects, with a total underwriting amount of RMB 325.806 billion. Among them, there were 35 green bond projects, with a total underwriting amount of RMB 10.785 billion, including assisting in issuing the first carbon-neutral green renewable ABS backed by the receivables of state subsidy in the market-Beijing Energy International's Special Plan for Carbon-neutral green assets (Phase-I), the first green financial bond issued by an auto finance company - Chery Huiyin Motor Finance Service 2023 Green Financial Bond (Phase I), the first carbon-neutral green corporate bond in real estate industry - China Overseas Grand Oceans Property Group 2023 Carbon Neutral Green Corporate Bond(Phase I), etc. China Merchants Securities participated in the issuance of 9 green ABS products as the lead underwriter, with a total issuance scale of RMB 12.948 billion and an underwriting amount of RMB 3.696 billion.



In 2023, China Merchants Securities completed a total of 45 green investment banking projects, with a total underwriting amount of RMB 19.663 billion and a total issuance scale of RMB 133.596 billion, an increase of **10.81%** over the previous year, including: 3 IPO projects, 7 refinancing projects, and 35 green bond projects.



In 2023, CMS Asset Management's green bond assets totaled RMB **3.214** billion at the end of the period. Among them, CMS Asset Management made **42** new green bond investments in 2023, with a total amount of RMB **2.084** billion, an increase of more than **4** times year-on-year.



CMS Investment implemented the financial industry's duty to serve the real economy, continuously strengthening research and exploration of green investment strategies and targets. In 2023, CMS Investment made new investments in enterprises in the fields of green technology and new energy, totaling about RMB **243** million.



In 2023, CMS Zhiyuan Capital established 3 new green funds, with a subscribed scale of RMB **1.8** billion for green funds, an increase of more than 40% year-on-year, accounting for about 5.99% of the total subscribed asset scale; the paid-in scale of green funds was RMB **365** million, accounting for about 1.72% of the total paid-in asset scale, an increase of **100%** year-on-year.

Case 1

Assisting in Issuing the First Carbon-Neutral Green Renewable ABS Backed by the Receivables of State Subsidy in the market - Beijing Energy International's Phase-I Special Plan for Carbon-neutral green assets

On May 29th, 2023, China Merchants Securities assisted "Beijing Energy International's Special Plan for Carbon-neutral green assets (Phase-I)" in successfully issuing on the Shanghai Stock Exchange. This SPV is the first carbon-neutral green renewable ABS backed by the receivables of state subsidy in the market with an issuance scale of RMB 700 million, of which the priority level has a face interest rate of 2.8%, with CMS Asset Management acting as SPV manager.

The underlying assets of this SPV include 6 photovoltaic power station projects in Inner Mongolia, Xinjiang, and Ningxia, totaling 293 accounts receivable. China Merchants Securities helped revitalize the stock of renewable energy subsidy assets through asset securitization, broadened financing channels for enterprises, further reduced financing costs, and assisted in the photovoltaic power station business expansion, thereby supporting green industry development. Meanwhile, as the market's first carbon-neutral green sustainable national subsidy receivable ABS product, this SPV combines sustainable securities with long payback periods of renewable energy subsidies, effectively helping enterprises reduce financing costs while innovating business. Previously, renewable energy subsidy ABS projects on the market generally had a product term of 2-3 years, with issuance interest rates generally above 3%. This SPV, through a rolling renewal model, has an overall term of 2 years, with a first-issue interest rate of 2.8%.

Case 2

Assisting in the First Green Financial Bond in China Issued by an Auto Finance Company - Chery Huiyin Motor Finance Service 2023 Green Financial Bond (Phase I)

On March 24th, 2023, China Merchants Securities assisted "2023 Chery Huiyin Motor Finance Service 2023 Green Financial Bond (Phase I)" in successfully issuing, marking the landing of the nation's first green financial bond by an auto finance company in Anhui. The issuance scale of this bond was RMB 1 billion, with a term of 3 years and an issuance interest rate of 5.2%, with a subscription multiple of 1.26 times for the entire venue. China Merchants Securities acted as the exclusive lead underwriter and underwrote an amount of RMB 1 billion.

The funds raised by this bond will all be used for EV loans, expected to achieve an annual carbon dioxide emission reduction of 48,100 tons, saving 26,300 tons of standard coal annually, with good carbon emission reduction effects, fully reflecting China Merchants Securities' financial strength in promoting green finance development, effectively broadening financial institutions' fundraising channels, optimizing asset and liability structures, and contributing to the green and low-carbon transformation of the economy and society.

Case 3

Assisting GAC Leasing in successfully issuing the first ABS (Carbon Neutral) of 2023 - GAC Leasing 2023-1 SPV (Carbon Neutral)

On September 5th, 2023, China Merchants Securities, as the joint lead underwriter, assisted Guangzhou GAC Finance Leasing Co., Ltd. (hereinafter referred to as "GAC Leasing") in successfully issuing the first ABS (Carbon Neutral) of 2023 - GAC Leasing 2023-1 SPV (Carbon Neutral), with an issuance scale of RMB 1.542 billion. This issuance received widespread attention from market investors, with a subscription multiple of 1.39 times for Priority A1 investment, with an issuance interest rate of 2.39%; and a subscription multiple of 1.96 times for Priority A2 investment, with an issuance interest rate of 2.91%.

This ABS is the first green asset-backed security issued by GAC Leasing, with all project pool assets being EV financing lease contracts, involving three new energy vehicle brands: GAC Aion, GAC Honda, and HYCAN. The EVs corresponding to the project pool assets are expected to reduce carbon dioxide emissions by 26,000 tons annually, saving 12,300 tons of standard coal, with significant environmental benefits. Additionally, China Merchants Securities assisted GAC Leasing in successfully issuing GAC Leasing 2023-2 SPV (Carbon Neutral) on November 1st, continuously broadening the green and low-cost financing channels for GAC Leasing while creating the social benefits, contributing to low-carbon economy and climate change, and playing a positive role in the sustainable development of green finance.

Case 4

Assisting in the issuance of "China Merchants Leasing - China Merchants Chongshi 2023 Carbon Neutral Green Asset SPV (Phase II)"

On November 28th, 2023, China Merchants Securities assisted "China Merchants Chongshi 2023 Carbon Neutral Green Asset SPV (Phase II)" in successfully issuing on the Shanghai Stock Exchange. This special plan is the first carbon-neutral green sustainable ABS issued by China Merchants Commerce Financial Leasing Co. Ltd. (hereinafter referred to as "China Merchants Leasing"), with an issuance scale of RMB 1.187 billion, of which the priority level scale was RMB 1.174 billion, with a face interest rate of 2.82%, receiving widespread recognition from market investors.

The funds raised by this SPV are intended to be used entirely for solar power generation projects. The related solar power generation projects have the advantages of safe, reliable, pollution-free, non-fuel consumption, easy to maintain, and short construction periods, which can significantly reduce coal consumption and pollutant emissions, contribute to carbon peaking and carbon neutrality, improve environmental quality, and to some extent improve the local energy supply structure, driving the sustainable development of multiple industries. It is expected to achieve an annual carbon dioxide emission reduction of 190,122.33 tons, replace fossil energy consumption of 76,306.63 tons of standard coal, reduce annual sulfur dioxide emissions by 26.74 tons, annual nitrogen oxide emissions by 40.23 tons, and annual dust emissions by 5.83 tons.

Asset Management

As of the end of December 2023, CMS Asset Management held 64 green bonds, with the total market value of green bond assets reaching RMB 3.214 billion, accounting for 84.29% of the total value of green investment assets. In 2023, there were 42 new investments, totaling RMB 2.084 billion. The issuing entities span industries such as water services, new energy, and green finance, supporting areas related to green industries. The funds raised are used for purposes including wastewater treatment, hydroelectric construction, and green industry fund loans for green industry projects.

with the total market value of green bond assets reaching RMB **3.214** billion

accounting for **84.29%** of the total value of green investment assets.

Case China Green Electricity Investment Of Tianjin Co.,Ltd. 2023 Carbon Neutral Corporate Green Bond (Phase I) (23 Green Electric G1)

In 2023, CMS Asset Management invested in 23 Green Electric G1, with an investment scale of RMB 30 million. The funds raised by this bond issue are intended entirely for new energy power generation projects, including project investments and repayment of interest-bearing debts. The construction and operation of its solar and wind power projects can sustainably provide renewable energy electricity to replace traditional fossil fuel power generation, achieving multiple environmental benefits such as energy conservation, emission reduction, air quality improvement in the region, and energy structure optimization.

As third-party institution estimated, compared with the same amount of electricity generated by thermal power, the projects funded by this bond issue are expected to achieve an annual replacement of 5,745,376.13 tons of standard coal and reduce carbon dioxide emissions by 14,928,542.17 tons, sulfur dioxide by 2,012.40 tons, nitrogen oxides by 3,028.55 tons, and particulate matter by 438.35 tons. Based on the proportion of raised funds to the total project investment, it is estimated to replace 297,695.873 tons of standard coal and reduce carbon dioxide emissions by 772,504.43 tons, sulfur dioxide by 104.27 tons, nitrogen oxides by 156.92 tons, and particulate matter by 22.71 tons annually, effectively enhancing energy conservation and emission reduction effects, improving the energy supply structure, and supporting national carbon peak and carbon neutral goals.

Equity Investment

Adhering to the financial industry's mandate to serve the real economy, CMS Investment continuously strengthens precise and optimal investment, develops investment strategy research and seeks for the investment targets in fields such as low carbon, green technology, new energy, and high-end manufacturing. In 2023, CMS Investment made new investments in green enterprises totaling approximately RMB 243 million, accounting for about 28% of the total new investment scale during the reporting period.

CMS Investment made new investments in green enterprises totaling approximately RMB **243** million

accounting for about **28%** of the total new investment scale during the reporting period

Case Study CMS Investment Investing in Shenzhen Infy Power Co., Ltd.

In 2023, CMS Investment jointly invested in Shenzhen Infy Power Co., Ltd. with subsidiary of China Merchants Group, with CMS Investment holding approximately 4.27% of the equity after the investment. Shenzhen Infy Power Co., Ltd. is a national high-tech enterprise in the field of power conversion and energy storage systems in the new energy industry, with its core products, charging piles and modules, leading in market share. The Company's products include high-performance charging modules, smart energy routers, EV charging and swapping, and energy storage system products. It provides professional solutions for various applications such as charging and swapping, energy storage, and the energy internet, addressing the diverse needs of the market. This project will help Infy Power continue to make strides in the global new energy market, facilitate high-quality development of leading green enterprises in Shenzhen, accelerate the construction of green energy infrastructure to serve the public, and fully support the ecological civilization and green low-carbon transformation development in the Bay Area.



China Merchants Group and Infy Power Technology Equity Delivery Ceremony

Private Equity Fund

In 2023, CMS Zhiyuan Capital completed 15 investment projects, with an investment amount of RMB 1.235 billion, an increase of about 42% year-on-year. From the perspective of investment structure, the managed funds mainly focus on fields such as technological innovation, low-carbon, and digital economy, with investments in new energy vehicle components and parts manufacturing accounting for 14%.

In terms of green funds,¹ CMS Zhiyuan Capital focused on green investments and established 3 new green funds in 2023, with a new subscribed scale of RMB 1.8 billion for green funds, accounting for about 5.99% of the total subscribed asset scale, and a new paid-in scale of RMB 365 million for green funds, accounting for about 1.72% of the total paid-in asset scale, mainly investing in strategic emerging fields such as new energy and new materials. As of the end of December 2023, the green fund subscribed scale of CMS Zhiyuan Capital totaled RMB 6.052 billion, accounting for over 20% of the total subscribed asset scale, and the green fund paid-in scale totaled RMB 1.869 billion, accounting for over 8% of the total paid-in asset scale.

In terms of green investment enterprises, CMS Zhiyuan Capital continues to focus on investment opportunities in the green low-carbon field, actively utilizing managed funds for green investments, completing 9 green projects in 2023 with an investment amount of RMB 750 million, with the total amount of green investments increasing by over 60% year-on-year.

Futures

As an important part of the national modern financial system, the futures market takes a unique responsibility in serving the national "carbon peak and carbon neutrality" strategy. CMF strives to implement the concept of sustainable development, continuously promotes the in-depth development of business in the ESG field, actively explores green finance innovation, and serves sustainable development and the carbon peak and carbon neutral strategy, contributing to the high-quality development of green finance.

1: green funds is defined as the fund which name, benchmark, or investment strategies should be include at least one of "sustainable" "low carbon" "green development".

In terms of green products: actively construct a multi-level green futures product system, explore the development of carbon forward, carbon options, and other carbon financial derivative instruments; research and release the "China Merchants Wind Sustainable Development Commodity Index" and "China Merchants Wind Bulk Commodity Sustainable ESG Index", promoting the wider implementation of the low carbon strategy in the investment field, helping capital effectively allocate in the green resource field; actively advance the design of innovative over-the-counter derivatives with weather derivatives as the underlying, assisting industries, such as agriculture and electricity, in improving their risk management systems.

In terms of green financial services: with serving the real economy as the fundamental purpose, CMF actively promotes industry-finance collaboration; establishes professional teams to serve clients' needs in green fields, assists traditional high-energy-consuming industries in green low-carbon transformation, and supports enterprises' green sustainable development.

4.3.3 Strengthening Green Finance Practice

Enhancing Green Finance Capability

In 2023, China Merchants Securities held a series of professional training and capacity-building activities to strengthen employees' understanding and awareness of new energy investment opportunities and green finance, enhancing the professional capability of all employees in green finance.

Case China Merchants Securities held the Themed Training on Energy Industry Development and Investment Opportunities

On December 1st, 2023, the Human Resources Department of China Merchants Securities, in conjunction with CMS Investment and the Investment Banking Committee, held a themed Training on Energy Industry Development and Investment Opportunities. The training is held for the employees listed in the Company's "Talent Pool", members from new energy industry business group, and the other staffs from CMS Investment, the Investment Banking Committee, and CMS Zhiyuan Capital. The training was conducted by the head of the Power Equipment and New Energy Research Team of the Research and Development Center. The training focused on "EV, PV, and energy storage" three sub-industries, combined case analysis and the real work experience, and discussed primary market investment opportunities. The training enriched the business knowledge and expansion strategies of employees in the investment, investment banking, and investment research departments, providing important guidance and reference for the collaboration between these business departments.

Conducting Green Finance Research

In 2023, the Research and Development Center of China Merchants Securities publicly released 17 ESG reports, including 3 in-depth reports, covering ESG index analysis, ESG investment strategy tracking, etc.; undertook 14 commissioned research topics from institutional clients, involving ESG factor analysis, ESG investment strategies, and other aspects.

CMF actively conducted research on green futures varieties, covering lithium carbonate, industrial silicon, Certification Emission Reduction, electricity, etc; maintained close research on carbon financial derivatives and regularly released the "China Merchants ESG Derivatives Monthly Observation"; gathered China Merchants Group's research resources to build a bulk commodities and derivatives investment and research platform, and served the national strategy of low-carbon transformation of traditional high-energy-consuming industries with research services.

Case CMF Participated in the Research Project "Financial Support for Low-Carbon Technology Innovation and Promotion Application Model Study - Taking Shenzhen as an Example"

In the context of 2023 trial areas thematic study conducted by the Research Bureau of People's Bank of China, the project is commissioned by the People's Bank of China Shenzhen Center Branch and organized by the Shenzhen Green Finance Association.

As global climate change becomes increasingly severe, environmental issues have become the focus of humanity. In the process of addressing the climate crisis, green finance and sustainable investment have garnered increasing attention. Green futures derivatives represent a novel instrument in the financial markets. Based on the background of China's carbon peaking and carbon neutrality development and carbon neutrality pathway, this topic comprehensively reviews the basic situation of green futures derivatives and the innovative models integrating the futures industry with the low carbon strategy. The report delves into the role of green futures derivatives in addressing global climate change, and from the perspectives of price discovery and risk management, analyzes the green finance case of Shenzhen enterprises based on lithium carbonate futures, highlighting the significant role of financial tools in the development of low-carbon technologies. Based on the research content, the report identifies the challenges and opportunities in the green futures derivatives market and proposes development policy recommendations for green derivatives from the perspectives of establishing global unified standards, policy support, investor education, and technological innovation.

Green Financial Products Innovation

The Company is committed to implement the sustainability concept, continuously advance the in-depth development of its business in the ESG field, actively explores green finance innovations, and serves sustainable development and the carbon peak and carbon neutral strategy.

Case CMF launched "Weather Derivative Program"



Based on indices such as the CMA-DCE Temperature Index, The "Weather Derivative Program" was guided and supported by China Merchants Securities and jointly developed by CMF and Tensoren Technology (Shanghai) Co. Ltd.. The project consists of two phases: "Cold Wave Index Weather Derivative" and "Agricultural Insurance + Weather Derivative". This weather derivative initiative is the first cold wave index derivative in China and also the first domestic derivative based on the precipitation index. The program innovatively provided Truthenergy (Shenzhen) Co., Ltd., a electricity distribution company, with hedging against winter temperature-related electricity price fluctuations, offered farmers hedging against freezing cold weather and precipitation, and also met the asset allocation needs of investment companies. It effectively plays a role in the futures market in serving the real economy and rural revitalization, among other fields.

Participating in Green Finance Activities

In 2023, China Merchants Securities actively engaged with both domestic and international green finance industry associations and initiatives, thoroughly implemented the new development concept, hosted a series of high-quality and high-standard green finance events, and actively participated in industry exchanges to serve the development of the green industries, thereby enhancing the Company's influence in the field of green finance.

Green Finance Industry Associations and Organizations

Case 1

China Merchants Securities Actively Fulfills Its Responsibilities as a Member of the Shenzhen Green Finance Association



China Merchants Securities participated in the Third Anniversary of the Promulgation of the Shenzhen Special Economic Zone Green Finance Regulations as well as the Green Finance 2023 Annual Forum, and was honored with the "Green Finance Governance Model Award".

As a member of the Shenzhen Green Finance Association ("Shenzhen Green Finance"), China Merchants Securities participated in several institutional research and council meetings in 2023. In terms of council meetings, China Merchants Securities attended the fifth, sixth, and seventh meetings of the first council of Shenzhen Green Finance in April, May, and November 2023, respectively, where various proposals such as the association's work plan and related institutional arrangements were passed. In July 2023, China Merchants Securities participated in the consultation for the *Financial Institutions Investment and Financing Environmental Benefit Information Disclosure Indicator Requirements* organized by Shenzhen Green Finance and provided suggestions based on actual business conditions.

Furthermore, in November 2023, China Merchants Securities participated in the Third Anniversary of the Promulgation of the *Shenzhen Special Economic Zone Green Finance Regulations* as well as the Green Finance 2023 Annual Forum held by Shenzhen Green Finance, was selected as an excellent case of high-quality green finance development in 2023, and won the "Green Finance Governance Model Award".

Case 2

CMF joined the Shenzhen Green Finance Association

In April 2023, CMF joined the Shenzhen Green Finance Association as a member to further enhance its professional capabilities in green finance. CMF built a shared and interconnected green finance ecosystem with other members, strengthened the sense of responsibility and mission for achieving "carbon peak and carbon neutrality" goals, promoted green development concepts, and drove service innovation in green finance, contributing to the high-quality development of green finance.



Case 3

CMF joined the "Polaris Initiative"

In December 2023, CMF joined the "Polaris Initiative", which was co-initiated by the HSBC Business School of Peking University and Tencent Finance Academy. The initiative aims to bring together professionals from finance, industrial, technology, academia, and policy-making to build an interactive platform for financial institutions, enterprises, third-party organizations, policy departments, and academic institutions on green, low carbon, ESG and Fintech topics. The goal of the initiative is to explore paths to ecological, social, and corporate green and low-carbon growth, promoting ESG and sustainable development.

Green Finance Industry Exchanges and Forums

Case 1

China Merchants Securities Hosts the TMT and Green Industry Exchange

On May 25th, 2023, led by the Investment Banking Committee of China Merchants Securities, TMT and low carbon industry exchange, an activity of "Gazelle Incubator Project" series, was successfully held at China Merchants Securities Building. The first listed company from "Gazelle Incubator Project" Primarius, representatives of leading new energy listed companies, other 21 outstanding enterprises from "Gazelle Incubator Project", and a hundred equity investment institutions included Shenzhen High-tech Investment, Shenzhen Angel FOF, attended the meeting both in person and online. The exchange invited 13 enterprises from "Gazelle Incubator Project" in core sectors of the TMT and low carbon industries, such as chips, semiconductors, lithium battery storage, and cloud data centers, to make roadshows. The representatives from enterprises introduced their companies' profiles, investment highlights, and their future development plans in multi-dimension. Investors and enterprises representatives engaged in in-depth interactions, discussed about industry hotspots, corporate strategies, technological innovations, and potential collaborations. The event was highly praised by attendees and investors, effectively facilitating partnerships between "Gazelle Incubator Project" enterprises and investment institutions.



TMT and Green Industry Exchange

Case 2 China Merchants Securities participates in the Sina 2023 ESG Global Leaders Conference

On September 13th, the 2023 ESG Global Leaders Conference was successfully held in Shanghai, representing the largest and most internationally influential ESG-themed summit in China at the time. The conference invited seven Nobel Prize laureates, over fifty top experts, scholars, renowned entrepreneurs, and representatives of international organizations. Wu Zongmin, Executive Director and President of China Merchants Securities, was invited to the conference and delivered a keynote speech on *Sustainable Investment Opportunities under the New Development Pattern* on the opening day.



China Merchants Securities Executive Director and President Wu Zongmin was invited to attend the Sina 2023 ESG Global Leaders Conference

In his speech, Wu Zongmin shared China Merchants Securities' understanding and practical experience in the ESG investment field, focusing on industries with sustainable investment opportunities, such as evaluation system in the Chinese context, carbon neutrality, the elderly care industry, and the Belt and Road Initiative. He argued that investing in sectors and companies with excellent ESG performance is more likely to achieve long-term value. He also stated that the ESG concept aligns with China's requirements for building a new development pattern, helps to upgrade the modern industrial system, and offers broad development prospects under the new circumstances. As the core of the capital market, the securities industry will leverage its financing service capabilities, investment management abilities, and professional research strengths to provide financing support for enterprises that align with national strategies and ESG principles, guide social capital towards high-quality sustainable development, continuously develop ESG evaluation systems, financial tools, and investment strategies suitable for China's national conditions, and contribute to the healthy and rapid development of China's ESG ecosystem.

Case 3 China Merchants Securities and CMF co-host the Lithium Carbonate Industry Green Development Forum

Lithium carbonate futures were officially listed on the Guangzhou Futures Exchange in July 2023, attracting widespread market attention. In August 2023, with the support of the Guangzhou Futures Exchange, China Merchants Securities, CMF, and RealLi Research co-hosted the Lithium Carbonate Industry Green Development Forum in Guangzhou. The forum started from China's new energy industry and focused on lithium carbonate futures introduced by the Guangzhou Futures Exchange, ultimately aimed to leverage policy and market research, industry-finance integration, and other advantages to serve the real economy and green industry development, and created the "China Merchants Model" in industrial layout.



Lithium Carbonate Industry Green Development Forum

On the path to high-quality development, China Merchants Securities and CMF were actively embracing the trend of low carbon economic development, delving into new energy industry research, serving listed companies and financial markets, building the "Risk Manager" brand, providing customized risk management solutions and supply chain financial services for clients across various industrial sectors, and comprehensively supporting enterprises' low-carbon transformation and high-quality sustainable development.

Achievements in Green Finance

In 2023, China Merchants Securities steadily advanced the development of green finance, implemented green and ESG development concepts, and received multiple award recognition.

Award Name Green Finance Governance Model Award

Content

The Green Finance 2023 Annual Forum aimed to summarize the work achievements in green finance development since the enactment of the *Shenzhen Special Economic Zone Green Finance Regulations* three years ago and to further promote the integrated development of green and sustainable finance in the Greater Bay Area. China Merchants Securities, with its outstanding green finance governance practices, was selected as an excellent case of high-quality development in green finance in 2023 and was awarded the "Green Finance Governance Model Award".

Grant unit Shenzhen Green Finance Association

Award Name Best ESG Practice Investment Bank at the 16th "New Fortune Best Investment Bank" Selection

Content

The New Fortune Best Investment Bank selection, which began in 2004, is one of the most comprehensive investment bank selections in China. The selection aims to discover the best investment banking teams in China, promote the comprehensive capability improvement of investment banks in China, and contribute positively to the stable and healthy development of the capital market. Under the principles of "justice, fairness, and openness", the selection uses a combination of multi-dimensional indicators and objective and voting indicators to determine the annual New Fortune Best Investment Bank.

Grant unit New Fortune Magazine

Take Social Responsibility



Protect the Rights and Interests of Employees

Supporting Employee Development

Practice Public Welfare and Charity



05 Take Social Responsibility

China Merchants Securities, bearing in mind its mission, insists on fulfilling its social responsibility with high quality, and puts the core values of "National Identity and Responsibility of the Times" into corporate actions, such as employee growth, community development and public welfare charity, to ensure the harmonious development of the Company and the community and contribute to the wealth creation and sustainability of society.

5.1 Protect the Rights and Interests of Employees

China Merchants Securities has been committed to actively exploring in terms of equal and compliant employment and caring for physical and mental health, constantly optimizing and improving the Company's employee management system, effectively protecting the legitimate rights and interests of employees, and enhancing their happiness and sense of belonging.

5.1.1 Equal Employment

The Company strictly abides by the *Labor Law of the People's Republic of China*, the *Regulations on the Promotion of Harmonious Labor Relations in the Shenzhen Special Economic Zone*, and other relevant laws and regulations, and has established the *Recruitment Management Measures* and *Employment Management Measures* to ensure the legal and compliant formulation and implementation of the systems. The Company forbids the recruitment and use of child labor and eliminates forced labor. The Company signs labor contracts with all employees on the basis of equality, voluntariness and consensus, establishes labor relations in accordance with the law, and provides a safe and healthy working environment and working conditions in strict accordance with labor protection requirements. We continuously monitor the implementation of the Company's recruitment policy and recruitment management system, inspect the recruitment of each position in the Company and supervise the recruitment work; each employing department is responsible for inspecting or self-checking the recruitment work within the responsibility of department, continuously improving the coordination mechanism of labor relations, actively building harmonious and stable labor relations, and safeguarding the legitimate rights and interests of employees.

The Company is committed to promoting equal employment, and strictly abide by *labor law of the People's Republic of China* and *Employment Contract Law of the People's Republic of China* and other laws and regulations. The Company adhere to the principles of openness, fairness, justice and equal employment, regardless of race, ethnic, gender and religion factors, to provide equal employment opportunities. The Company treats employee fairly and equally. In the process of employee appointment, promotion and training regardless of race, nationality, birthplace, gender, marriage factors. The Company pays attention to the health and sustainable development of employees, and advocates an equal, inclusive and diversified workplace culture.

5.1.2 Compensation Benefit

China Merchants Securities continues to improve its remuneration management system, and optimize its remuneration and benefit policies and systems based on relevant national policies and the Company's business strategy positioning and future benefit forecast. The Company uses the standard working hour system, makes full payment of insurance and

housing fund timely, and provides supplementary medical insurance, employee physical examination, enterprise annuity plan and other benefits. In addition, the Company trade union also actively creates all kinds of compensation and welfare projects covering all employees, including holiday gifts, care and sympathy, female employee special benefits, etc.

 Compensation	<ul style="list-style-type: none"> The Company implements the principle of "implementing the sound business philosophy, ensuring compliance bottom line requirements, promoting the formation of positive incentives, and enhancing the Company's long-term value", and integrates the cultural concept of "compliance, integrity, professionalism, and robustness" into salary management. We establish a sound salary system, constantly improves the salary incentive and restraint mechanism, gather and attract outstanding talents, and promote the Company's sound operation and high-quality development. The Company compensation consists of fixed salary, bonus and medium-and-long-term incentive. The total compensation policy of the Company shall be formulated by the Board of Directors. Within the total compensation, the management of the Company shall allocate compensation resources according to the principles of marketization and performance orientation. The fixed salary is determined with reference to the market salary level. The bonus is distributed according to the completion of key performance indicators, strategic tasks, innovation, collaboration and other indicators of each department, the use of economic capital, the implementation of comprehensive risk management and compliance management, and the market salary level, personal post value and performance contribution degree.
 Vacation Benefits	<ul style="list-style-type: none"> Provides leave-related benefits for all the employees no less than the national standard, including paid annual leave, marriage leave, paternity leave, maternity leave, breastfeeding leave, parental leave, nursing leave, and other kinds of leave, to guarantee paid leave benefits for all employees.
 Insurance Annuity	<ul style="list-style-type: none"> Social insurance: Including basic pension insurance, basic medical insurance, local supplementary medical insurance, work injury insurance, unemployment insurance. Supplementary medical insurance: Including group accident insurance, critical illness insurance, comprehensive medical insurance, etc. Corporate annuity plan: Establish a corporate annuity plan for employees with a certain number of years of service with the Company.
 Trade Union Welfare	<ul style="list-style-type: none"> Distribute holiday gifts to staffs at traditional holidays. Send condolences to retired, maternity, sick and critical illness employees.

Focusing Female Development

In July, 2023, China Merchants Securities and China Merchants Futures held "She Power" female social responsibility and ESG salon at China Merchants Securities Building. More than 40 outstanding female representatives from government, enterprises, and social organizations attended the salon. They discussed the issue of "UN Women WEPs Gender Equality and Professional Development", and spoke for the gender equality and sustainable development.



Caring for Female Employees

The Company cares for female employees and organizes salons to help female employees release working pressure. We also upgrade the maternal and infant room, reflecting the love and caring for the female employees.



Maternal and infant room



The Company organizes salons to help female employees release working pressure

5.1.3 Democratic Communication

The Company has established the employee representative supervisor election procedure, ensuring that employees have full rights in corporate governance. By the end of December 2023, the Company had a total of 3 employee representative supervisors. The Company's trade union closely revolves around the Company's business goals, and engages employees into the decision making. We adhere to the principle that all the major issues related to the interests of employees should be submitted to the congress of workers and staff for voting, fully respect the rights and willingness of employee representatives, and protects the democratic rights and interests of employees. In 2023, the election procedure of employee representative supervisor and the formulation and revision of 6 policies, including *Employee Code of Conduct (Draft)*, *Attendance Management Regulations (Draft)*, *Business Level Management Measures (Draft)*, *Employee Exit Management Measures (Draft)*, *Employee Performance Management Regulations (Draft)*, and *the Implementation Rules for Salary Deduction of Employees Subject to Party Discipline and Political Discipline (Draft)*, were submitted to the congress of workers and staff for voting according to the process, thereby effectively safeguarding the legitimate rights and interests of employees, mobilizing the enthusiasm and sense of ownership of employees, broadening the channels for employees engagement, and fully reflecting the effectiveness of the congress of workers and staff.

The Company attaches great importance to the employees' satisfaction feedback to the Company's human resource management and various welfare guarantees, and keeps improving the satisfaction survey management system. The Company conducts human resources service support satisfaction survey annually, and conducts other specific satisfaction survey in daily operation, including human resources fundamental services, team construction, cultivation, and welfare (employee annual physical examination, health activities, canteen satisfaction, etc.), talent development measures, and business rank system, etc., in order to understand the needs of the employees, make improvement and thus improve employee satisfaction.

The Company launched feedback channel in OA system to encourage employees to raise their concerns and give suggestions to the Company operation. The Company also found an online forum to collect the feedback and distribute to the responsible departments, and make sure all the feedback would be corresponded.

"Canteen Satisfaction Survey"

The Company conducts "canteen satisfaction research" and updates the real-time satisfaction on OA system. Through this anonymous online survey, including the feedback of canteen environment, food quality, and food safety, the Company could make improvement and thus strengthen employees' sense of belonging and happiness.

5.1.4 Physical and Mental Health

To promote the daily health management of employees and comprehensively protect their physical and mental well-being, the Company regularly organizes a variety of employee health management activities with rich themes, such as health lectures on shoulder and neck care, workplace stress reduction, immunity enhancement, prevention and treatment of hypertension, hyperglycemia, and hyperlipidemia, scientific fat reduction, and first aid skills. These activities enrich employees' knowledge of health management, alleviate psychological stress, and encourage the adoption of healthy living and dietary habits. Additionally, activities like dental check-ups, traditional Chinese medicine consultations, and application of medicinal patches during the hottest days of summer are organized to enhance employees' physical fitness and health awareness. The Company also provides online consultations and home delivery of medicines to broaden employees' medical options and offer convenient services. Combined with online medical report interpretation services, periodic offline health check-ups and report interpretation sessions are conducted to help employees identify potential health issues early. Furthermore, the Company has prepared daily emergency medicine kits placed on each floor of the office area to respond to sudden health issues among employees.

To enrich the leisure life of employees and promote a balance between work and life, the Company extensively carries out cultural and sports activities to support the physical and mental health of employees. We encourage the Company cultural and sports associations to actively organize and participate in internal and external sports competitions and regularly conducts activities such as yoga fitness, gourmet parties, moxibustion classes, and floral art. In addition, the trade union has also launched a variety of special theme activities with rich content, such as walking, sports meeting, reading month activities, singer competitions, esports competitions, and networking activities.



Sports Meeting



Shenzhen Employee Cup Basketball Competitions



Talent Show



Moxibustion Class

5.2 Supporting Employee Development

China Merchants Securities adheres to the "talent strengthens the enterprise" strategy, considering "talent as the primary resource, capital, and driving force", aligning talent introduction scale and quality with the actual development of the Company, continuously leveraging the talent pull effect, fully utilizing talents at all levels, and promoting mutual growth of employees and the Company.

5.2.1 Talent Introduction

The Company plans talent construction in advance according to business development needs, organizes personnel recruitment requirements, formulates recruitment plans, and opens recruitment positions. In recent years, the Company has focused on introducing talents in investment, investment banking, investment research and financial technology, to support business development. Through years of recruitment practice and accumulation, the Company has formed a complete and effective recruitment system. Depending on the recruitment positions and difficulties, the Company divides its main recruitment projects into campus recruitment, social recruitment, and headhunting, continuously promoting various types of talent introduction.

The Company highly values the recruitment of fresh graduates and interns, continuously carrying out campus recruitment and internship projects, providing fair and quality employment or internship opportunities for a vast number of students. In 2023, the Company launched 2 campus recruitment campaigns through various channels and forms to widely publicize and accept resume submissions.

The Company offers internship opportunities for students throughout the year, widely publicized through official channels such as the recruitment website and WeChat public account, providing a platform for students to understand and familiarize themselves with the securities industry's business and work content. Additionally, the Company actively participates in recruitment or internship activities organized by governments and industry associations, creating more development and employment opportunities for college students.



In 2023, the Company received multiple honors in the field of human resources:

Zhaopin.com

2023 China's Best Employer
Top 30 Employers with the Most Development Potential in China

51job.com

2023 China Model Employer - HR Management Team Model
2023 Favorite Employer of Chinese College Students
2023 HR Management Excellence Award

Dayi

2023 Campus Recruitment Excellence Practice Award

Peking University
HSBC Business School

Outstanding Employer Award from Peking University HSBC Business School

5.2.2 Talent Training

The Company, considering talent as the primary resource, is committed to creating an environment for talent growth and value realization, with employee training and education spanning the entire career life cycle. Surrounding strategic planning and talent development goals, the Company has established a four-dimensional training system: "Comprehensive training system assurance + Reasonable training resource allocation + Efficient training project operation + Advanced learning platform support", a training course system driven by "three carriages" (professional courses, management courses, and general courses), and a tiered internal faculty system.

The Company has formulated the *China Merchants Securities Co., Ltd. Training Management Regulations* and a series of standardized workflows and templates to standardize training project operation management. The Company has established a digital learning platform based on mobile internet, and continuously expanded and updated training resources, effectively meeting employees' diverse learning needs, and stimulating the talent growth.

Professional Skills Training Empowerment

Employee professional skills training is conducted at both the Company-organized and departmental levels. Common professional training required by employees are planned and implemented by the Company. For personalized training needs, departments conduct timely training based on the principle of "learn as needed, apply as learned", and the Company provides support in faculty, operations, and funding.

In 2023, the Company held 82 company-wide centralized training sessions, including 43 company-level professional internal training projects and 420 department-level professional internal training projects, sending over 1,400 attendees to external professional public courses, with an average satisfaction rating of 96 points for internal training projects. Additionally, the Company has built a unified online learning platform, adding 367 professional training courses and 155 audiobook courses in 2023, ensuring employees promptly acquire necessary professional knowledge and improve professional competence.

The Company encourages employees to strengthen self-learning, continuously improve professional skills, and actively obtain professional qualifications related to their work, providing financial support based on the principle of "reimburse one level for passing one level" and "100% full reimbursement", covering all formal employees. From 2021 to 2023, nearly 300 employees have obtained various professional qualifications such as CFA, FRM, Global Financial Technologist, International Product Manager Certification, etc.



Leadership Development

China Merchants Securities values the leadership quality cultivation of internal backbone members and managers. Keeping

pace with business development needs, the Company has established a leadership development project system, including executive-specific training, new backbone members training, and young cadre training camps, tailored for different subjects. This system continuously produces young cadres with management potential and enhances the operational management level of new and incumbent cadres, driving business development.

China Merchants Securities Leadership Development Project System



Star Talent Program - Young Cadre Training Camp

Target Audience: Backbone Members

Adopting an "integrated testing and training" solution, a complete talent development value chain was established, encompassing talent selection, research modeling, capability assessment, centralized training, on-the-job practice, mentor guidance, and follow-up feedback. The curriculum covers self-management, team management, interpersonal management, and business management, effectively cultivating a group of outstanding backbone members with management potential.



"Star Path Program"

Target Audience: Newly Appointed Managers

Utilizing comprehensive methods such as centralized training, online learning, experience exchange, and practical assignments to enhance newly appointed managers' management awareness, facilitate role transition, and strengthen leadership development.



"New Employee Mentor Training", "Management Lecture Series" and "Industry Expert Lecture Series"

Target Audience: Incumbent Managers at All Levels

Training content includes macroeconomics, policies and regulations, securities business, technology development, and leadership. By sending leadership cadres to public courses on business management, the management team's operational abilities and professional standards are effectively enhanced.





Honorary Awards:

The "Star Talent Program - Young Cadre Training Camp" project, aimed at cultivating outstanding young cadres, won two major awards in 2023:

Best Digital Project Award
in the "Bo'ao Award" selection

Best Learning Project
in the "19th Top 100 Chinese Education" selection.



Joint Training with External Institutions

In 2023, the Company collaborated with several renowned professional training and consulting institutions in the industry, such as Chengxun Finance, to plan and implement dozens of targeted training projects for new employees, grassroots staff, backbone members, and management board. There are programs for new employees, internal trainer, reserve talent and for company-wide. All of these programs were aimed at enhancing employees' office skills and workplace soft skills. More than 4,600 participants joined these training projects, with courses like "Workplace Transformation - AI Leading the New Era of Office" and "Easy Mastery of Short Videos from Scratch" receiving positive responses from employees.

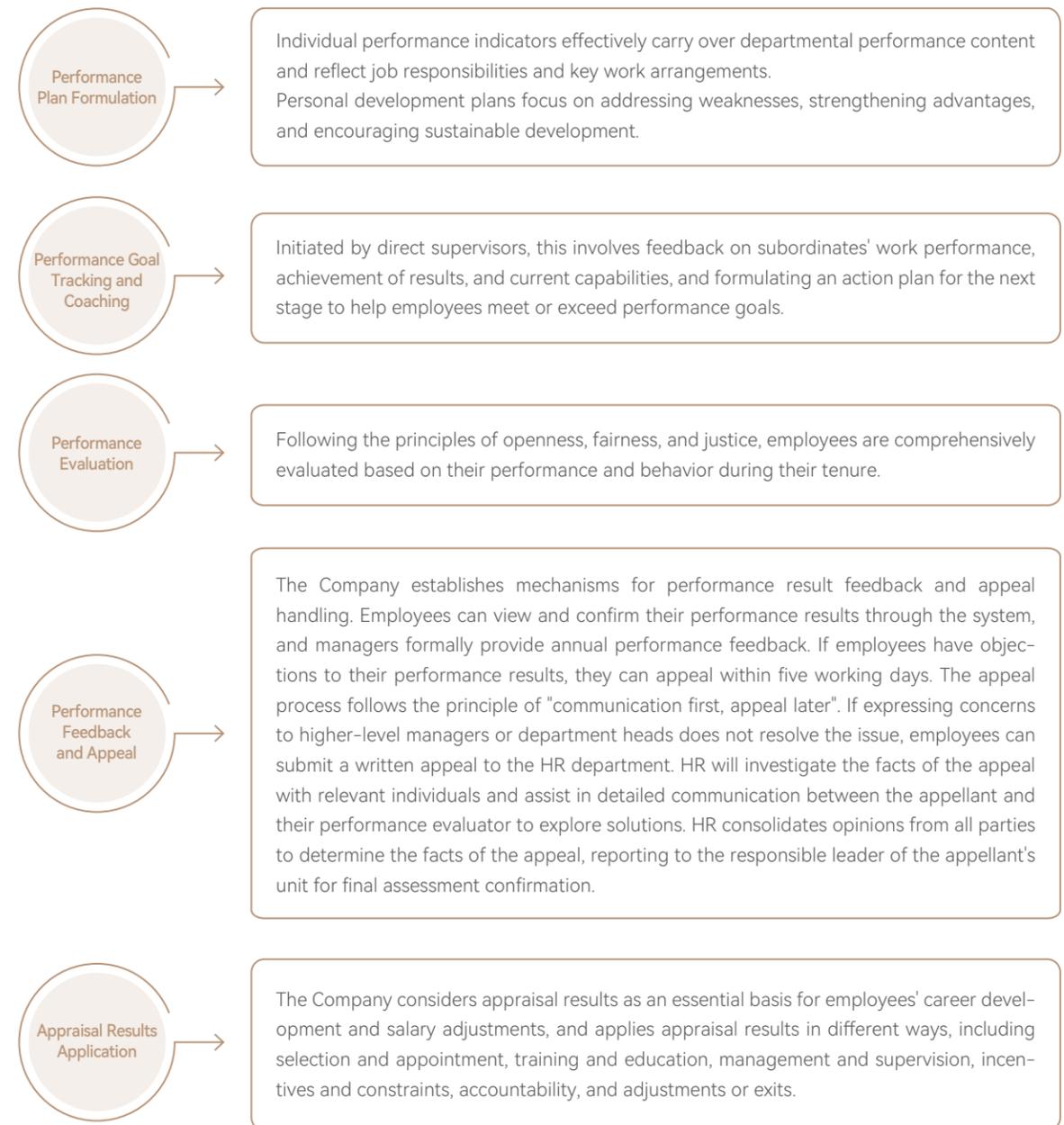
5.2.3 Talent Development

Promotion Mechanism

The Company continues to broaden the development space for professional talents, fully implements the business grading system based on international investment banking practices, further improves the dual-channel mechanism for talent development, and fully manages the job qualification system. Under the guidance of "dual career channels", the Company adopts the policy of "business ranking system" and "cadre position system" in parallel for the employees to broaden their career development. At the same time, the Company continues to explore diversified and specialized development channels, and has set up MD business grade sequence, financial technology grade sequence and administrative service sequence to encourage employees to develop their talents in diversified professional channels.

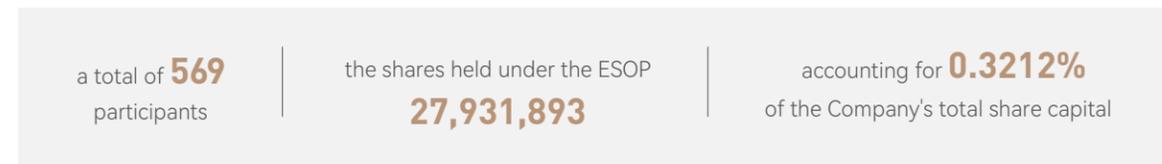
Performance Appraisal

The Company continuously improves the entire process management of performance appraisal. The employee performance management process includes performance plan formulation, performance goal tracking and coaching, performance evaluation, performance feedback and appeal, and performance result application.



5.2.4 Talent Motivation

In March 2020, the Company implemented an Employee Stock Ownership Plan (ESOP), achieving a pioneering breakthrough in the industry. The participants of the plan included company executives and core key employees, with a lock-up period of three years, further establishing a mechanism for sharing benefits and risks among shareholders, the Company, and employees. The lock-up period for the shares held under the ESOP that began in March 2020 expired on March 4th, 2023. As of the end of the reporting period in 2023, a total of 569 participants held 27,931,893 shares under this ESOP, accounting for 0.3212% of the Company's total share capital. In early August 2023, the Company completed the cash dividend work for the ESOP for the year 2022.



5.3 Practice Public Welfare and Charity

China Merchants Securities consistently practices corporate social responsibility and has established the *Charitable Management Measure* to continuously support social development, actively engage in charitable activities, prioritize people, fulfill responsibilities, and give back to society, demonstrating corporate responsibility and advancing alongside social development.

5.3.1 Supporting Rural Development

The Company responds to the national rural revitalization strategy, actively explores innovative poverty alleviation models under the new era context, and has created a unique assistance system comprising financial assistance, public welfare assistance, intellectual assistance, and consumer assistance. This is achieved by optimizing industry structures, providing educational resources, and supporting infrastructure construction to realize rural revitalization.

Public Welfare Assistance

- Continued the "A'yi Potato" - Delipu Primary School teaching support project, donating RMB 357,400 to the Chongqing Star Assistance Foundation (now renamed "Chongqing Xing'an Assistance Foundation"). With the Company's support, Delipu Primary School transitioned from a lack of teaching resources to now having 8 new teaching staffs and adequately equipped school facilities. Monthly school activities and class companion activities help students grow happily. The teaching environment and quality, as well as learning conditions, also got improved. 
- Built upon the existing 7 "Dream Centers" in Neixiang County by donating an additional RMB 500,000 for constructing "Dream Centers" in 5 schools, actively exploring better education opportunities for underprivileged youth.

- Participated in the "Solar Street Light Installation Project for Shiliang Village, Dashi Town, Dianjiang County" of Chongqing Charity Association and donated RMB 250,000. The project helped Shiliang Village installed 345 solar street lights on the country lanes effectively solving the villagers' nighttime mobility issues and bringing tangible benefits to the people.
- Donated RMB120,000 to Shenzhen Nanshan District YBF Social Work Development Center for the China Merchants Group Weining Yucai Primary School summer camp project, 12 children from Guizhou Weining Yucai Primary School were invited to Shenzhen for study tour and exchange. The project broadened their horizons and knowledge in practice, and inspired them to transform their experiences into future forces for rural revitalization. 
- Continued to carry out the "Longjiang Securities Charity Foundation - Dream Center Project", and donated RMB 12,000 to the Heilongjiang Province Securities Industry Association to establish a "Dream Center" in Shuangyashan City, Heilongjiang Province.

Intellectual Assistance

To enhance the financial professional knowledge of government officials from various functional departments and local business leaders in Ganzhou, a donation of RMB 450,000 was made to the Ganzhou Financial Poverty Alleviation Foundation. The funds were specifically allocated to support the Ganzhou Municipal Government in conducting the "2023 Ganzhou Financial Talent Special Training" project. The Company arranged the training content and lecturer jointly with Shenzhen Capital Market Institute, facilitating Ganzhou government officials and entrepreneurs to utilize financial tools and means to support the economic development of the county.

Consumption Assistance

Under the support of the National Trade Union's consumption rural assistance policy, the Company's Trade Union actively purchased agricultural products from assisted areas through supply and marketing cooperatives in the areas, consumption assistance product e-commerce platforms, and the China Merchants Group's rural assistance platform. On one hand, this ensures that employees have access to safe and reliable agricultural products. On the other hand, it helps to expand sales channels for agricultural products in assisted areas and increase income for farmers through the "Trade Union Promoting Rural Revitalization" initiative. In 2023, the Company's consumption assistance totaled RMB 5.6931 million. Additionally, the Company has also reached procurement intentions with Neixiang Ju'ai Food Ingredients and Shitai County Rural Revitalization Industry Development Co., Ltd., purchasing RMB 100,000 worth of agricultural and sideline products for the Company's employee canteen.

Case Teaching Support Project at Nimalong Wanquan Primary School in Xiahe County, Gansu Province

The Company continues to organize young employee teaching and tutoring activities, imparting diverse knowledge to children in remote areas. In 2023, the Company selected Nimalong Wanquan Primary School in Xiahe County, Gansu Province, as the teaching support site. Two batches of young teaching teams, totaling 8 members, were dispatched to Nimalong Wanquan Primary School for a one-month teaching period. Overcoming challenges such as harsh climate, altitude sickness, and language barriers, the teaching teams devoted themselves wholeheartedly to teaching, meticulously planning and actively engaging in daily teaching, special activities, improving school living conditions, and promoting students' physical and mental growth, receiving unanimous praise from teachers and students. The Company donated RMB 39,000 for repainting the school's teaching building walls and RMB 40,000 worth of learning supplies to improve the school condition.



Case "Soma Flower Blossoms - Caring for Liangshan Girls" and "Cleaning Kit" Projects

For two consecutive years, China Merchants Securities has implemented the "Soma Flower Blossoms - Caring for Liangshan Girls" project to protect the health of girls in Liangshan, Sichuan imparting puberty health knowledge, building a positive educational environment, providing practical professional guidance, helping girls develop a healthy psychology, enhancing self-protection awareness and capabilities, and promoting their healthy and happy growth.

On March 8th, 2023, the Company donated and distributed hygiene products, for the second time, to 567 Yi ethnic girls from 13 village schools in the Greater Liangshan area as a special International Women's Day gift. Building on

the past experiences, the Company delivered RMB 60,200 worth of girl packages, distinguishing between grades 1-3 and grades 4 and above, mainly including underwear, sanitary pads, wet wipes, menstrual education books, etc., better meeting actual needs.

In April 2023, several party branches of the Company jointly carried out the fourth phase of the "Cleaning Kit" charity assistance activity, donating cleaning kits to 13 village schools in Liangshan, Sichuan, with a total cost of over RMB 86,100. The activity provided 1,670 Liangshan students from schools, including Delipu, Yide'amen and Chuhuoqian, with basic cleaning and hygiene products such as toothpaste, toothbrushes, soap, laundry detergent, shampoo, hand sanitizer, towels, etc. Cleaning kit usage courses were also offered, with teaching staff imparting hygiene and health knowledge, helping children understand and use the washing and skin care products in the cleaning kits, further fostering healthy and hygienic living habits.



Case China Merchants Futures Supporting Rural Revitalization

China Merchants Futures actively explores various methods such as party-building joint construction, pairing assistance, professional assistance, professional knowledge training, employment assistance, consumer assistance, and donation assistance, and made achievements in serving "agriculture, rural areas, and farmers", rural revitalization, and the construction of a strong agricultural country. Since 2021, China Merchants Futures has signed over 60 pairing assistance agreements, assisted over 80 grassroots party organizations, introduced over RMB 13 million in assistance funds, assisted in nearly RMB 10 million in sales, established multiple sales platforms, leveraged pricing and risk management expertise, provided over 10 service solutions, served over 100 new agricultural entities, actively carried out employment poverty alleviation, employed over 20 university students and interns from impoverished areas, actively promoted the industry, conducted nearly 70 professional knowledge training sessions, and trained over 800 talents.



In October 2023, the Party General Branch of China Merchants Futures signed a party-building joint construction agreement with the Hongqi Residence General Branch Committee of Lingao County, Hainan Province.

5.3.2 Empowering Community Development

2023 Awards of Honor

China Merchants Securities was awarded the **Responsible Brand Award** at the 13th Public Welfare Festival in 2023, and was jointly named **Member Unit of the Futian District New Era Civilization Practice Public Welfare Community** by the Office of the Spiritual Civilization Construction Committee of Futian District, Shenzhen, and the Shenzhen Caring Action Public Welfare Foundation.

CMSI received the **Caring Company** logo from the Hong Kong Council of Social Service for the fourth consecutive year.

Focusing on Youth Development

CMSI has continuously supported the growth of Hong Kong's youth, responding to China Merchants Group's call to vigorously support the "China Merchants Securities-Grow with You" project for three consecutive years. The project not only provides tuition assistance to primary and secondary school students from grassroots families in Hong Kong but also internally selects more than 50 outstanding employees over three years to participate in the "Mentorship Program", forming support pairs with Hong Kong students to provide comprehensive support in terms of life and psychological growth.

China Merchants Securities International also proudly sponsored the "Future Pioneers-Hong Kong University Student Business Case Competition", one of the flagship projects of the Hong Kong Island Junior Chamber of Commerce. The competition aims to inspire Hong Kong youths' awareness of future skills, enhance their business acumen and comprehensive development capabilities, attracting enthusiastic participation from students across Hong Kong's colleges and universities, and providing support for their academic careers and growth, supporting Hong Kong's education and youth career development.



"China Merchants Securities-Grow with You" Project



Future Pioneers - Hong Kong University Student Business Case Competition

In June 2023, the Shenzhen Futures Association, Shenzhen Green Finance Association, and China Merchants Futures Co., Ltd. jointly visited Xiamen University to discuss how to implement the ESG concept around topics such as "talent cultivation, industry-academia-research cooperation, joint establishment of a national-level investment education base, serving the real economy, ESG cooperation, green finance cooperation, and rural revitalization cooperation". In July 2023, students and faculty from the FMBA program at Xiamen University visited China Merchants Futures, where heads of various business divisions introduced the development of the futures industry, business growth, service to the real economy, rural revitalization, ESG and green finance, social responsibility fulfillment, and conducted career development exchanges.



Caring for Disadvantaged Groups

Support for Earthquake Relief in Jishishan County, Linxia, Gansu Province

On December 18th, 2023, a 6.2 magnitude earthquake struck Jishishan County in Linxia, Gansu Province. Following the earthquake, the Company immediately organized and dispatched, urgently procuring cold-resistant, warm-keeping, and emergency relief supplies. On the early morning of December 23th, nearly RMB one million worth of relief supplies were delivered to the front lines of the earthquake relief efforts, assisting in the transfer, resettlement, and comfort of the affected populations.



Donation of Cotton Clothes to Kindergartens Affected by the Earthquake in Sichuan

In October 2023, upon learning about the severe damage suffered by Wanggangping Township Kindergarten in Shimian County, Ya'an City, Sichuan Province, during the 6.8 magnitude Luding earthquake on September 5th, the Company immediately contacted the kindergarten to learn about actual situation. Multiple party branches within the Company collectively raised RMB 45,620.00, which was used to customize four-season uniforms for over 160 children in the kindergarten. The winter uniforms have already been successfully distributed, and the funds will continue to be used to produce spring, autumn, and summer uniforms.



Huizhou County United Charity Public Welfare Medical Screening Event

In December 2023, the Company, in conjunction with the China Charity Federation·Handpicked Love Foundation, Shenzhen Children's Hospital, and Huizhou County Maternal and Child Health Hospital, initiated a public welfare medical screening event in Huizhou County. Party members were organized to go to the Huizhou County Maternal and Child Health Hospital to maintain order on-site, assist experts in screening, provide warmth and assistance to families with congenital heart disease, and offer a series of support for patients who met the surgical criteria, including hospital coordination and surgical treatment.



Elderly Concert Night and Love Bread Distribution Events

During 2023, China Merchants Securities International and the Hong Kong charity organization "Ginkgo House" jointly held two charitable events. One was the "Elderly Concert Night", which provided nearly 200 elderly people living alone, in subdivided flats, or homeless with a feast of food and music. Another event involved distributing over 1,000 breads to grassroots families, subdivided flat households, and elderly people living alone in the To Kwa Wan and Hung Hom areas, supporting vulnerable communities.



CHINA MERCHANTS SECURITIES

Ensuring Steady and Sound Operation



Enhancing Corporate Governance
Risk and Internal Control Management
Integrity and Compliance Management



06 Ensuring Steady and Sound Operation

China Merchants Securities has always adhered to sound operation and standardized operation by continuously improving corporate governance, attaching great importance to risk management, deepening risk compliance management, maintaining high quality development, continuously paying back shareholders' trust, effectively protecting shareholders' rights and interests, and further establishing a good corporate image.

6.1 Enhancing Corporate Governance

6.1.1 Governance of the Three Committees

The Company strictly complies with the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and relevant rules and regulations of the CSRC, the SFC and the HKEX to continuously update and optimize its corporate governance structure. According to relevant laws and regulations, the Company forms a corporate governance structure in which the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the management are separated from each other and subject to mutual checks and balances to ensure the standardized operation of the Company. Under the Board of Directors, Strategy and Sustainability Committee, Risk Management Committee, Audit Committee, Remuneration and Appraisal Committee, and Nomination Committee are established. Nominations and elections of directors are reviewed by the Nomination Committee, nominated by the Board, and then submitted to the General Meeting of Shareholders for election through cumulative voting.

The Remuneration and Appraisal Committee is responsible for proposing directors' and senior management's remuneration to the Board. The allowance for independent directors requires approval by the Remuneration and Appraisal Committee and the Board, and then submitted for approval at the General Meeting of Shareholders. The Remuneration and Appraisal Committee is responsible for evaluating the performance of senior management. In 2023, the Remuneration and Appraisal Committee convened 3 meetings, with all proposals receiving unanimous consent from committee members.

Board Composition and Operation of Three Committees in 2023

Board Composition	Operation of the Three Committees	
<ul style="list-style-type: none"> 13 directors on the Board 2 executive directors 6 non-executive directors 5 independent directors 1 female director 	<ul style="list-style-type: none"> 3 General Meeting of Shareholders to consider 19 proposals 15 board meetings to consider 62 proposals and listen to 10 reports 8 meetings of the Board of Supervisors to consider 17 proposals and listen to 4 reports 	<ul style="list-style-type: none"> 25 sub-committee meetings to consider 55 proposals, and listen to or review 9 reports 1 independent directors' meeting to consider 1 proposal

The directors' professional backgrounds cover finance, economics, accounting, law, auditing, and business administration, working experience cover financial regulations, corporate management, financial management, strategic management, investment management, risk management, digitalization management, human resources management, and research, and the industrial backgrounds cover finance, security, insurance, and transportation. Non-executive director Zhang Jian had a rich background in

financial risk management from his long tenure at China Merchants Bank and China Merchants Finance Holdings, and currently served as the Deputy General Manager and head of risk management at China Merchants Finance Holdings.

The Company has established an assessment mechanism for the independence of the Board of Directors to ensure strong independence, enabling effective independent judgments and better protection of shareholders' interests. To ensure independent non-executive directors can provide independent views and opinions to the Board, the nomination committee assesses their independence annually. Furthermore, according to the Board's independence assessment mechanism, directors are encouraged to seek independent professional opinions in performing their duties and to independently contact and consult senior management.

To achieve board diversity, the Company has established a diversity policy for the Board, and required the Board to have the appropriate skills, experience, diverse perspectives, and approaches needed for the business. When setting the composition of the Board, various aspects of diversity are considered, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and tenure. All appointments are based on merit, and consideration of candidates fully takes into account the benefits of board member diversity.

6.1.2 Information Disclosure

The Company formulated the *CMS Information Disclosure Management Policy* in accordance with laws, administrative regulations, departmental rules, normative documents, self-disciplinary rules, and other regulations such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Administrative Measures for Information Disclosure of Listed Companies*, the *Administrative Measures for Information Disclosure of Corporate Bonds*, the *Shanghai Stock Exchange Stock Listing Rules*, the *Guideline No. 2 for the Self-regulatory Supervision of Listed Companies – Management of Information Disclosure Affairs* by the Shanghai Stock Exchange, and the *Hong Kong Stock Exchange Listing Rules*, combined with the actual situation of the Company.

The designated website for the Company's A-share information disclosure is the Shanghai Stock Exchange website, and the Company is also published the information on *China Securities Journal*, *Shanghai Securities News*, *Securities Times*, and *Securities Daily*. For H-shares, information is disclosed on the website of the HKEXnews. Announcements are also posted on the Company's website. The Company's information disclosure documents include regular reports, interim reports, prospectuses, offering documents, listing announcements, acquisition reports, etc. Any information that has a significant impact on investors' value judgments and investment decisions is required to be disclosed promptly within the prescribed time frame. In 2023, the Company organized, compiled, and released 119 A-share announcements and 152 H-share announcements.

To ensure the quality of information disclosure and the management of inside information, the Company has developed multiple policies for information disclosure and inside information management. The *Information Disclosure Management Policy* clarifies the content, procedures, management, and responsibilities of information disclosure, strengthens the internal collection and management of significant information, and establishes a mechanism for internal reporting contacts among departments, branches, and subsidiaries to ensure timely internal collection and regulated management of significant information. The *Insider Registration Policy* regulates the confidentiality and registration of inside information, enhancing the management of inside information and insiders. The *Investor Relations Management Policy* clarifies the principle of fairness in information disclosure. Additionally, the Company ensures the implementation of these systems by strengthening system training, standardizing work requirements, improving accountability, and enhancing awareness of information disclosure.

6.1.3 Shareholder Rights

China Merchants Securities places high importance on shareholder interests, actively rewarding shareholders, and effectively protecting the voting rights, right to know, and right to profit of all shareholders. The Company continuously improves shareholder communication policies and meeting rules and formulates the *CMS General Meeting of Shareholders Rules*. The Company strictly convenes General Meeting of Shareholders in accordance with laws, regulations, rules, normative documents, the *Company Articles of Association*, and meeting rules, to ensure shareholders can exercise their rights lawfully. In addition to physical meetings, the Company also provides online or other means to facilitate shareholder participation in meetings as per regulatory requirements. The Company pays great attention to the rights of minority shareholders, and when the General Meeting of Shareholders deliberates on major matters affecting the interests of minority investors, separate voting by minority investors is conducted.

6.1.4 Investor Relations Management

The Company continuously optimizes the construction of the investor relations management department. The Chairman of the Company is the first responsible person for investor relations management affairs, and the secretary of the Board of Directors is responsible for organizing and coordinating the Company's investor relations management work. Based on the annual investor communication plan, the Company designated personnel regularly collect and compile investor focus and key data sheets. The Company established an investor relations work mechanism, continuously analyzes investor structure and changes, does stock price analysis, regularly summarizes research report views, and monitors significant investor changes, providing strong support for maintaining the Company's investor relations.

China Merchants Securities is committed to protecting the interests of investors and makes its best efforts to raise transparency in its daily operations, strengthen communication with investors, and give investors and potential investors a better understanding of the Company. We also adopt a diversified mode of publicity and communication to keep pace with investors' information, improve investors' trust and recognition of the Company, and achieve a win-win situation between investors and Company. The Company regularly holds online performance briefing sessions and performance analyst conference calls, conducted in-depth and full online communication with institutional investors and analysts on the Company's development strategy, business development, financial performance and risk control, and participated in the Reception Day for Investors of Listed Companies in Shenzhen.

In 2023, the Company held **5** performance briefing sessions, including **2** performance briefing calls for analysts.

The Company continuously explores diverse channels to enhance communication with investors, increase governance transparency, and ensure investors can timely, accurately, and comprehensively understand the Company's situation. Through the official WeChat platform of China Merchants Securities, the Company diversifies the presentation of company performance highlights using short videos, long images, etc., and uses the SSE e-interactive platform to post records of major investor communication activities, achieving 100% response to investor questions on the platform. In 2023, the Company engaged in communication with investors 400 times through the SSE e-interactive platform, attending brokerage strategy meetings, receiving research visits, investor hotlines, and emails, etc.

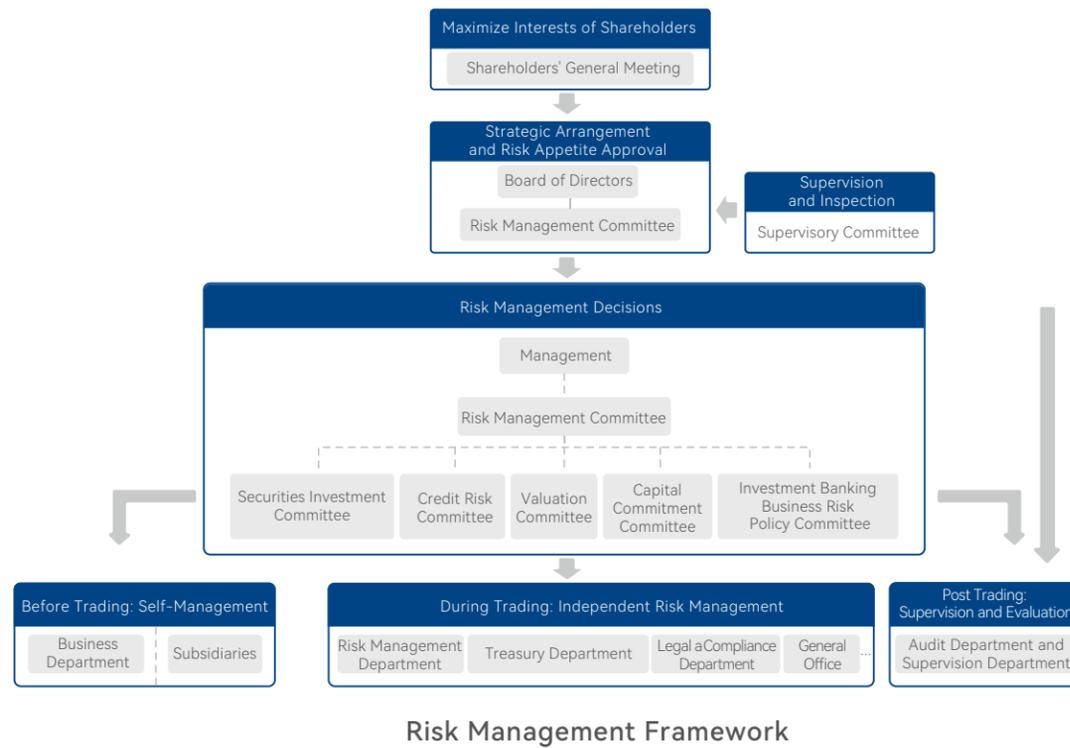
6.2 Risk and Internal Control Management

6.2.1 Risk Management

Based on laws and regulations such as the *Risk Control Indicators Management Measures for Securities Companies*, *Comprehensive Risk Management Standards for Securities Companies*, and *Liquidity Risk Management Guidelines for Securities Companies*, and guided by the *Comprehensive Risk Management System of CMS* and the *Working Rules for the Risk Management Committee of the Board of Directors of China Merchants Securities*, the Company has established a comprehensive risk management system, which including comprehensive risk, market risk, credit risk, operational risk, liquidity risk, reputation risk, money laundering risk, etc., covering every part of business operation and management.

 Risk Identification and Early Warning	The Company formulated the operable risk identification and assessment methods and processes for different types of risks, with a proactive assessment of major operational risks conducted annually, and performed independent pre-examinations on high-risk and innovative businesses to proactively identify potential risks. The Company accurately calculates and dynamically monitors key risk indicators on a T+1 basis, assesses and forecasts changes in various risk indicators, provides timely warnings for situations that exceed various types and levels of risk limits, and identifies potential risks in advance.
 Risk Control and Monitoring	Based on the results of risk assessment and early warnings, the Company selected risk response strategies such as avoidance, reduction, transfer, and acceptance that align with risk preferences. The Company also established reasonable and effective mechanisms for asset impairment, risk hedging, capital supplementation, scale adjustment, and asset-liability management. The Company regularly assesses the overall business risk situation and supervises and tracks the implementation of various risk response measures to ensure that all types of risks are controllable, measurable, and bearable.
 Risk Reporting and Management	The Company established a multi-frequency and multi-dimensional risk reporting mechanism. The risk management department submits regular reports such as daily, monthly, and annual risk management reports to the management board, reflects on risk identification, assessment results, and response plans, provided special assessment reports for significant operational risks to ensure that management board is timely and fully informed of the Company's risk status. The management board reports risk situation of the Company to the Board of Directors regularly and promptly reports significant risk events.





the Company adheres to its risk management culture and promotes risk management culture through various levels of platforms, including professional risk management training and thematic salons, OA knowledge centers, CMS Academy, elevator screen displays, etc., to share risk management knowledge, publish industry risk cases, continuously enhancing risk management awareness of employees and strengthening the advocacy of risk management culture. The Company ensures the effectiveness of comprehensive risk management and ingrains a robust risk management philosophy in all employees through performance appraisal and accountability mechanisms linked to risk management outcomes.

In 2023, the Company continuously strengthened preemptive research and proactive risk control, focused on precise prevention and control of risks in key areas such as real estate, local debt, and small and medium-sized financial institutions. It optimized control measures comprehensively, mitigated risk vulnerabilities, and strengthened substantive professional review and monitoring of businesses with large amount and high-risk, maintaining controllable total risk, balanced structure, ample liquidity reserves, and consistently high-quality assets.

6.2.2 Compliance Management

China Merchants Securities continues to improve the construction of the compliance system. The Company has formulated and issued the *CMS Rules and Regulations Management System*, the *CMS Compliance Alerts and Reporting Management Measures*, the *CMS Investor Suitability Management Measures*, and the *CMS Compliance Consultation and Review Management Measures*, and in 2023, formulated the *CMS Integrity Management System*. The Company also established a compliance management organizational structure comprising the Board of Directors, senior management, compliance director, Legal and Compliance Department, and other headquarter departments and branches, and subsidiaries at all levels, with compliance management personnel assigned in headquarters business departments and each branch.

Under the comprehensive compliance risk prevention and control system of "pre-event, in-event, and post-event", the Company adheres to a bottom-line mindset, identifies compliance risk vulnerabilities, focuses on key business areas, and prevents major compliance risks. In 2023, by formulating or revising related systems, the Company focused on nine aspects including integrity management system construction, rules and regulations management, compliance alerts and reporting, investor suitability management, anti-money laundering list monitoring, illegal off-exchange margin financing risk prevention, anti-money laundering confidentiality work, publicity and training management, and compliance consultation and review, continuously improving the Company's compliance system construction and enhancing the quality and effectiveness of compliance management.

	Supervised relevant business departments to improve the corresponding business processes, strengthened control measures, and selected key areas with high risk, new business and regulatory focus, carried out proactive and preventive compliance inspection, and eliminated compliance risks in time.
	Conducted compliance review of internal rules, regulations and major decisions, issued written compliance review opinions, enhanced legal compliance review and demonstration of major decisions, new products and new business programs, suggested compliance risks, provided feasible suggestions based on business realities, and strengthened compliance guidance and services.
	Actively follow up and properly handle relevant compliance risk events, holding accountable individuals or units responsible for violations of laws, regulations, and standards in management and professional practice.

The Company deepens compliance training and builds a compliance culture system, conducts legal and compliance training and compliance culture advocacy around contract management, branch compliance management, etc., strengthening professional norms and typical case warning education, enhancing the targeting of legal compliance training and compliance culture advocacy, and reducing compliance risks from the source. In 2023, the Legal and Compliance Department of the Company conducted 34 legal and compliance training sessions through online and offline means, covering all the employees.

Case Employee Behavior Management Training

On November 9th, 2023, the Company organized employee behavior management training, attended by 7,891 participants, including staffs from various departments, branches, CMS Asset Management, as well as personnel from CMS Zhiyuan Capital and CMS Investment managed similarly to securities practitioners. The training featured external speakers for anti-corruption training in the financial industry and sharing of recent hot topics in law enforcement and legislation, further reiterating the regulatory requirements for securities investment behavior of practitioners and the Company's internal management requirements.

6.2.3 Internal Control and Audit

The Company continues to strengthen internal audit supervision and standardize internal audit work, fully leveraging the role of internal audits in promoting continuous governance improvement, standardizing efficient operations, and achieving development goals. According to external regulations such as the *Internal Audit Guidelines for Securities Companies*, Group-related

systems, and the *CMS Articles of Association*, and considering practical situations, the Company revised the *CMS Internal Audit System* to further clarify the governance system included refining definitions, functions, supervision content, authority, etc. The Company emphasizes "promoting an independent, objective, fair, and integrity-based internal audit culture, building a loyal, clean, and responsible internal audit team, and practicing compliance, integrity, professionalism, and prudence in the securities industry culture", and includes cultural and ethical clauses to the management of internal audit institutions. It also further clarifies the independence of supervision and improves the scope of supervisory collaboration.

In terms of internal control evaluation, the Audit Department of the Company continuously carries out rectification tracking for internal control deficiencies identified in the internal control evaluation, established an internal control deficiency rectification tracking ledger, and urged relevant units to implement rectifications. All 31 internal control deficiencies identified in the previous year's self-assessment of internal control have been rectified within this year, and involving units have revised or issued a total of 18 internal policies, effectively improving the internal control system.

6.3 Integrity and Compliance Management

6.3.1 Anti-Money Laundering

Adhering to the requirements of laws and regulations such as the *Anti-Money Laundering Law of the People's Republic of China*, China Merchants Securities placed high importance on anti-money laundering efforts, continuously improved anti-money laundering internal control systems, established and revised various systems and work guidelines such as the *Money Laundering and Terrorist Financing Risk Management Measures*, the *Anti-Money Laundering Publicity and Training Management Measures*, and the *Anti-Money Laundering Operation Manual*, etc., and formed a money laundering risk management structure of "Board of Directors (Risk Management Committee) - Money Laundering Risk Management Leading Group - Money Laundering Risk Management Working Group", providing a solid organizational foundation for fulfilling anti-money laundering obligations.

providing a solid organizational foundation for fulfilling anti-money laundering obligations



In 2023, the Company launched a comprehensive review and optimization project for anti-money laundering for 2023-2024, coordinated departments and subsidiaries to conduct self-inspections on their anti-money laundering work, clarified rectification tasks and completion deadlines for anti-money laundering optimization and enhancement in each business unit, and systematically advanced rectification as planned. The Company organized anti-money laundering publicity activities and held an "Anti-Money Laundering Theme Publicity Month" in June 2023. Key anti-money laundering publicity images and texts were produced and displayed through the official WeChat, with focused publicity on anti-money laundering related to the "International Day Against Drug Abuse and Illicit Trafficking". Additionally, China Merchants Securities led the 2023 publicity and communication group of the Anti-Money Laundering Professional Committee of the Shenzhen Special Economic Zone Financial Society and carried out related publicity work.

The Company develops and implements an annual anti-money laundering training plan. In 2023, the Company conducted 16 anti-money laundering training sessions through on-site training, video conferences, online courses, "Anti-Money Laundering Briefings", and books advocated anti-money laundering, covering anti-money laundering laws and regulations, latest regulatory policies, key business issues, and case analysis. The Company also actively participated in external training and organized business units to attend anti-money laundering training classes and industry exchange meetings held by regulatory authorities.

6.3.2 Anti-Corruption

Strictly complying with legal and regulatory requirements such as the *Criminal Law of the People's Republic of China* and the *Supervision Law of the People's Republic of China*, China Merchants Securities formulated the *CMS Employee Integrity Management Measures* and the *CMS Party Conduct and Integrity Building and Anti-Corruption Work Coordination Measures*, continuously improves the comprehensive prevention system, strengthens management and supervision, sets strict accountability to build a solid firewall.



Improve the comprehensive prevention system



Strengthen management and supervision



Set strict accountability

The Company builds a comprehensive supervision system, established a coordination group for integrity and anti-corruption supervisory, and fully utilized the supervisory functions of party building, human resources, discipline inspection, auditing, finance, compliance, risk control, etc. In 2023, in response to issues related to fabricating third-party cooperation agreements for illegal profits, the Company formulated the *CMS Third-Party Business Cooperation Integrity Risk Prevention and Control Management Measures*, clarified third-party qualification requirements, strictly followed approval procedures, and comprehensively strengthened the management and supervision of third-party business cooperation within the Company.

The Company incorporates employees' integrity in the human resources management system, includes integrity into employee assessments, including hiring, promotion, appointment, resignation, and appraisal processes, and organizes employees to sign an *Integrity Commitment Letter*, ensuring adherence to integrity in business activities. The Company carried out the sorting and improvement of integrity risk points and control measures and conducted an annual self-inspection and inspection of integrity in the headquarter departments and all subsidiaries and branches. The Company also organized integrity warning education meetings for all employees, especially for new employees to enhance conscious adherence to integrity. In December 2023, the Company held the "2023 Integrity Warning Education Meeting" for all employees, with approximately 7500 participants; through the 2023 new employee training, the Company conducted integrity and accountability management training, with approximately 253 participants.

Integrity Management Structure



Board of Directors

The Board of Directors clearly defines the objectives for integrity management and assumes responsibility for its effectiveness.



Management Layer

The primary responsible party for implementing integrity culture construction and integrity management duties.



Implement Layer

- Supervision Department:** The leading department for integrity supervision and inspection.
- Legal and Compliance Department, Risk Management Department, and Audit Department:** Cooperate within their respective duties to supervise and inspect the Company and employees' integrity in their roles.
- Human Resources Department:** Responsible for incorporating employees' integrity performance into the human resources management system.
- Finance Department:** Responsible for strengthening financial discipline and enhancing financial supervision.
- Heads of Departments, Branches, and Wholly-Owned Subsidiaries:** Assume corresponding management responsibilities within their scope of duties.

Integrity Control System

<p>Preventive Measures</p>	<p>All the units conduct business analysis to identify integrity risk points related to the types of business, stages, and related work undertaken by the unit and its employees, and establish a scientific and systematic integrity risk assessment mechanism.</p>
<p>During Activities</p>	<p>According to each type of business and stage, the Company standardizes the application of process. We carry out detailed division of labor and management of relevant rights and responsibilities of process approval nodes, strengthen post checks and balances, and ensure the implementation of responsibilities.</p>
<p>Post Activities</p>	<p>Carry out supervision and inspection of incorruptible practice. For those who find that all units and staff have not fulfilled their obligations of integrity, the Company will seriously hold them accountable in accordance with the relevant provisions.</p>

6.3.3 Petitions and Whistleblower Protection

The Company has established a comprehensive mechanism for petitions, formulated the *CMS Discipline Inspection and Supervision Petition Reporting Work Management Measures*. A "Petition Portal" is set up on the OA homepage as a channel for petitions, with the scope of acceptance, petition channels, and processing procedures clearly defined. The Company pays attention to protecting the legal rights and interests of whistleblowers and strictly prohibits any threat, discrimination, challenging, or even retaliation against whistleblowers and their relatives. Personal information of whistleblowers is kept strictly confidential, and it is strictly forbidden to transfer the materials of complaints and accusations to the accused or irrelevant units. Actions that infringe on the democratic rights of whistleblowers are seriously investigated.

6.3.4 Fair Competition

Adhering to relevant laws and regulations against unfair competition, such as the *Anti-Unfair Competition Law of the People's Republic of China* and the *Company Law of the People's Republic of China*, the Company strictly prohibits the use of improper business methods to seek transaction opportunities or undermine the competitive advantages of other operators, disrupting market competition. In 2023, the Company did not encounter any litigation cases arising from improper competitive behavior.

6.3.5 Integrity in Procurement

The Company comprehensively promotes the Transparent Procurement Project, continuously strengthening compliance management from various aspects such as post settings, regulation construction, and disciplinary constraints, to ensure transparent procurement. The procurement demand departments, procurement organization departments, and inspection supervision departments perform their duties according to the four principles of legality and compliance, fairness and justice, collective decision-making, and avoidance of interest. Additionally, the Company has formulated and continuously optimized the *CMS Procurement Management System*, clearly specified the division of responsibilities in procurement management, business processes, approval authorization, and violation accountability, continuously improving the management mechanism and operational procedures of the procurement execution process.

The *CMS Procurement Management System* specifies that procurement activities must adhere to the principles of openness, fairness, justice, honesty, and avoidance of conflict of interest. A *Supplier Code of Conduct* applicable to all suppliers has been developed and specified the commercial ethics and behavior standards that suppliers should follow. The Company included anti-commercial bribery clauses in procurement contracts, which clarified that suppliers must not engage in commercial bribery to gain undue benefits or business opportunities, and required suppliers to sign agreements. Suppliers involved in commercial bribery or other improper means to seek bidding or selection qualifications will be listed on the integrity blacklist and not allowed to participate in other procurement activities of the Company.

The Company stipulates that suppliers must not engage in commercial bribery to gain undue benefits or business opportunities, and must not bribe or provide improper benefits to China Merchants Securities employees and their family members, including but not limited to cash, securities, payment vouchers, goods, and employment opportunities. It also prohibits offering inappropriate commercial courtesies or gifts to China Merchants Securities employees and their family members, including but not limited to expensive gifts, free tour, high-standard receptions, etc. The Company organizes an annual evaluation of suppliers based on their transaction and fulfillment of responsibilities, and determines the supplier's level based on the evaluation results. Suppliers that exhibit misconduct during the procurement or contract period, or situations leading to listing on the integrity blacklist, will be handled according to the *CMS Implementation Rules for Supplier Management*.

Appendix I Policies Reference

Topic	External Policies	Internal Policies
Environmental Control	<ul style="list-style-type: none"> Environmental Protection Law of the People's Republic of China Energy Conservation Law of the People's Republic of China Work Safety Law of the People's Republic of China Fire Control Law of the People's Republic of China 	<ul style="list-style-type: none"> China Merchants Securities Co., Ltd. Fire Safety Management Regulations
Labor Management	<ul style="list-style-type: none"> Labor Law of the People's Republic of China Labor Contract Law of the People's Republic of China Regulations on the Promotion of Harmonious Labor Relations in the Shenzhen Special Economic Zone 	<ul style="list-style-type: none"> Recruitment Management Measures Labor and Employment Management Measures Training Management Regulations of China Merchants Securities Co., Ltd.
Supply Chain Management		<ul style="list-style-type: none"> Supplier Management Regulations of China Merchants Securities Co., Ltd. Procurement Management System of China Merchants Securities Co., Ltd.
Information Security Management	<ul style="list-style-type: none"> Securities Law of the People's Republic of China Personal Information Protection Law of the People's Republic of China Information Technology Management Measures for Securities and Fund Management Institutions Technical Specifications for Personal Financial Information Protection Management Measures for the Protection of Investors' Personal Information 	<ul style="list-style-type: none"> Data Security Classification and Grading Management Measures of China Merchants Securities Co., Ltd. Data Security Management Measures of China Merchants Securities Co., Ltd. Network Security Management Measures of China Merchants Securities Co., Ltd. Account and Password Management Measures for Information Systems of China Merchants Securities Co., Ltd. Management Measures for the Protection of Personal Information of Investors of China Merchants Securities Co., Ltd. Rules of Procedure for the Special Working Group on the Protection of Personal Information of Investors of China Merchants Securities Co., Ltd. Management Measures for Information Technology Emergency Plan and Emergency Drill of China Merchants Securities Co., Ltd. Management Measures for Emergency Management of Network Security Incidents of China Merchants Securities Co., Ltd. Management Measures for Intellectual Property Rights of China Merchants Securities Co., Ltd. Management Measures for Information Technology Asset Management of China Merchants Securities Co., Ltd.
Product Management	<ul style="list-style-type: none"> Regulations on the Management of Securities Firms' Agency Sales of Financial Products Measures for the Supervision and Management of Publicly Offered Securities Investment Fund Sales Institutions 	<ul style="list-style-type: none"> Management Measures for Financial Product Agency Sales Business of China Merchants Securities Co., Ltd. Management Measures for Investor Education Work of China Merchants Securities Co., Ltd. Management Measures for Investor Education Center of China Merchants Securities Co., Ltd.

Topic	External Policies	Internal Policies
Public Welfare and Charity Management		<ul style="list-style-type: none"> Regulations on Public Welfare and Charity Management
Corporate Governance	<ul style="list-style-type: none"> Company Law of the People's Republic of China Securities Law of the People's Republic of China Listed Company Governance Guidelines Securities Firm Governance Guidelines Regulations on the Management of Information Disclosure by Listed Companies Management Measures for Information Disclosure of Corporate Credit Bonds Listing Rules of the Shanghai Stock Exchange Self-Regulatory Guidelines No. 2 on Information Disclosure Affairs Management for Listed Companies of the Shanghai Stock Exchange Listing Rules of The Stock Exchange of Hong Kong Limited 	<ul style="list-style-type: none"> Articles of Association of China Merchants Securities Co., Ltd. Rules of Procedure for the Shareholders' General Meeting of China Merchants Securities Co., Ltd. Rules of Procedure for the Board of Directors of China Merchants Securities Co., Ltd. Institution of Independent Directors of China Merchants Securities Co., Ltd. Rules of Procedure for the Supervisory Board of China Merchants Securities Co., Ltd. Management System for Information Disclosure Affairs of China Merchants Securities Co., Ltd. Insider Information Informed Persons Registration System Investor Relations Management System
Risk Management	<ul style="list-style-type: none"> Management Measures for Risk Control Indicators of Securities Companies Comprehensive Risk Management Standards for Securities Companies Guidelines for Liquidity Risk Management of Securities Companies 	<ul style="list-style-type: none"> Comprehensive Risk Management System of China Merchants Securities Co., Ltd. Working Rules of the Risk Management Committee of the Board of Directors of China Merchants Securities Co., Ltd.
Compliance and Internal Control	<ul style="list-style-type: none"> Internal Audit Guidelines for Securities Companies." 	<ul style="list-style-type: none"> Regulations on the Management of Rules and Regulations of China Merchants Securities Co., Ltd. Management Measures for Compliance Tips and Reporting of China Merchants Securities Co., Ltd. Management Measures for Investor Suitability of China Merchants Securities Co., Ltd. Management Measures for Compliance Consulting and Review of China Merchants Securities Co., Ltd. Integrity Management System of China Merchants Securities Co., Ltd. Internal Audit System of China Merchants Securities Co., Ltd.
Integrity Management	<ul style="list-style-type: none"> Anti-Money Laundering Law of the People's Republic of China Criminal Law of the People's Republic of China Supervision Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China Company Law of the People's Republic of China 	<ul style="list-style-type: none"> Management Measures for Anti-Money Laundering and Counter-Terrorist Financing Risks Management Measures for Anti-Money Laundering Propaganda and Training Manual of Anti-Money Laundering Operations Management Measures for Integrity in Employment of Employees of China Merchants Securities Co., Ltd. Coordination Measures for Party Conduct, Integrity, and Anti-Corruption Work in China Merchants Securities Co., Ltd. Management Measures for Integrity Risk Prevention and Control in Third-party Business Cooperation of China Merchants Securities Co., Ltd. Management Measures for Discipline Inspection, Supervision, and Complaint Handling in China Merchants Securities Co., Ltd.

Appendix II Quantitative Performance Table

Environmental Indicators Performance Sheet

Direct and indirect greenhouse gas emissions from business activities

		Indicator	Unit	2023	2022	2021
Greenhouse Gases	Direct emissions	Scope I: total gasoline emissions	tCO ₂	711	956	1,051
		Scope I: gasoline emissions per capita	tCO ₂ /person	0.06	0.08	0.09
		Scope I: total diesel emissions	tCO ₂	13.43	16.90	-
		Scope I: diesel emissions per capita	tCO ₂ /person	0.0011	0.0014	-
		Scope I: total natural gas emissions	tCO ₂	0.01	-	-
		Scope I: natural gas emissions per capita	tCO ₂ /person	0.000001	-	-
	Indirect emissions	Scope II: total emissions of outsourced electricity	tCO ₂	20,907	16,125	14,697
		Scope II: emissions of outsourced electricity per capita	tCO ₂ /person	1.64	1.29	1.22
		Scope II: total emissions of outsourced heating (refrigeration) services	tCO ₂	8,810.76	10,772.55	-
		Scope II: emissions of outsourced heating (cooling) services per capita	tCO ₂ /person	0.69	0.86	-
	Other indirect emissions	Scope III: emissions from employees' business trip vehicles	tCO ₂	4,787	666	-
		Scope III: emissions from employees' business trip hotel accommodation	tCO ₂	657	505	-
		Scope III: waste disposal and discharge	tCO ₂	92	93	-
		Scope III: waste disposal and discharge per capita	tCO ₂ /person	0.01	0.01	-
		Scope III: wastewater disposal and discharge	tCO ₂	1.70	2.19	-
		Scope III: waste water disposal and discharge per capita	tCO ₂ /person	0.0001	0.0002	-
	Total greenhouse gas emissions (Scope I,II)		tCO ₂	30,442	27,871	15,748
	Greenhouse gas emissions(Scope I,II) per capita		tCO ₂ /person	2.38	2.23	1.31
Greenhouse gas emissions for Scope I		tCO ₂	724	973	1,051	
Greenhouse gas emissions for Scope II		tCO ₂	29,719	26,898	14,697	
Greenhouse gas emissions for Scope III		tCO ₂	5,536	1,267	-	

Note:1: The emission factors for gasoline, natural gas, and diesel are based on the *Guidelines for Energy Saving and Emission Reduction Calculation of Green Credit Projects and the Guidelines for Quantifying and Reporting Organizational Greenhouse Gas Emissions*.

2: The calculation of purchased electricity refers to the average carbon dioxide emission factors of regional power grids in China in 2012 released by the National Development and Reform Commission's Climate Change Department.

3: Due to the impact of the epidemic relaxation, offline business travel transportation and accommodation have increased significantly compared to 2022, resulting in a corresponding increase in emissions within the scope.

4: Business travel transportation data is derived from the Company's financial department's travel reimbursement system, and emission factors refer to the *China Product Life Cycle Greenhouse Gas Emission Coefficient Database* and the *Guidelines for Carbon Neutrality Emission Accounting in Guangzhou*, among others. The calculation method for the emissions of employees' official business travel transportation has been optimized this year, with more accurate data. It is not comparable to the estimated and disclosed emissions of employees' official business travel transportation in the previous year.

5: Business travel accommodation data is derived from the company's financial department's travel reimbursement system, and the calculation method and emission factors refer to the *China Product Life Cycle Greenhouse Gas Emission Coefficient Database* and the *Guidelines for Carbon Neutrality Emission Accounting in Guangzhou*, among others.

6: The calculation of emissions from waste disposal is based on guidelines such as the *Greenhouse Gas Accounting System: Corporate Accounting System and Reporting Standards* developed by the World Resources Institute, IPCC emission factors corresponding to waste disposal, and the *Guidelines for Carbon Neutrality Emission Accounting in Guangzhou*.

Disposal of waste generated from business activities

		Indicator	Unit	2023	2022	2021
Hazardous Wastes	Total ink cartridges	branch	420	1,096	744	
	Ink cartridges per capita	branch/person	0.03	0.09	0.06	
	Toner cartridges	box	2,771	2,745	3,703	
	Toner cartridges per capita	box/person	0.22	0.22	0.31	
	(fluorescent) tubes	branch	2,786	3,411	5,614	
	(fluorescent) tubes per capita	branch/person	0.22	0.27	0.47	
Harmless Wastes	Office Wastes	tons	167.16	170.59	-	
	Office Wastes per capita	tons/person	0.01	0.01	-	

Energy and resource consumption generated by business activities

		Indicator	Unit	2023	2022	2021
Energy	Electricity consumption	kW·h	36,884,072	29,345,238	24,560,162	
	Electricity consumption per capita	kW·h/person	2,888.56	2350	2,046	
	Gasoline consumption	kiloliters	320	443	480	
	Gasoline consumption per capita	kiloliters/person	0.03	0.04	0.04	

	Indicator	Unit	2023	2022	2021
Energy	Diesel consumption	kiloliters	4.97	6.47	0
	Diesel consumption per capita	kiloliters/person	0.0004	0.0005	0
	Natural gas consumption	m ³	5.03	-	-
	Natural gas consumption per capita	m ³ /person	0.0004	-	-
Water Resource	Office water consumption	tons	186,973	173,575	173,282
	Office water consumption per capita	tons/person	14.64	13.90	14.43
Office Paper	Office paper consumption	tons	66	43	-
	Office paper consumption per capita	tons/person	0.0051	0.0034	-
	Recycled paper usage	pieces	2,108	-	-

Note:1: The scope of environmental data statistics for 2022 includes the annual environmental data of China Merchants Securities Shenzhen Headquarters (China Merchants Securities Building) and Information Technology Center, 12 branch offices, 259 business departments, and 5 wholly-owned subsidiaries. The environmental data for 2023 includes the annual environmental data of China Merchants Securities Shenzhen Headquarters (China Merchants Securities Building) and Information Technology Center, 13 branch offices, 265 business departments, and 5 wholly-owned subsidiaries. The same applies below.

2: Per capita data is calculated using the total number of employees at the end of the reporting period as the denominator. The same applies below.

3: Due to the relaxation of epidemic measures, offline office work has significantly increased compared to 2022, resulting in a slight increase in paper consumption and electricity usage.

The emissions data reported by type

	Indicator	Unit	2023	2022	2021
Emissions	Total nitrogen oxide emissions	g	401,557	554,972	1,225,960
	Nitrogen oxide emissions per capita	g/person	31.5	44.40	102.10
	Total particulate matter	g	29,566	40,861	90,265
	Emissions of particulate matter per capita	g/person	2.32	3.27	7.52
	Total sulfur oxide emissions	kg	4.78	6.61	7.06
	Sulfur oxide emissions per capita	kg/person	0.00037	0.00053	0.00059
	Total discharge of sanitary wastewater	tons	66,620	85,579	155,955
	Per capita sanitary wastewater	tons/person	5.2	6.9	13.0

Note: The calculation method for emissions of nitrogen oxides, sulfur oxides, and particulate matter adopts the Appendix 2: Reporting Guidelines for Environmental Key Performance Indicators published by the Hong Kong Stock Exchange

Social Indicators Performance Sheet

	Indicator	Unit	2023	2022	2021	
Charity	Total amount of donations from China Merchants Securities Charity Foundation	RMB 10,000	400.56	332.65	259.07	
	Volunteer participation	person-time	142	147	-	
	Volunteer participation hours	hours	2,456	1303	-	
Customer Service	Online and offline education and publicity covers person-times	hours	3,116,974	37,852,053	537,716	
	Number of investor education activities	times	1,759	3,141	1,839	
	Quantity of teaching products issued by the headquarters and branches	units	249,915	711,714	661,328	
	The average opening time of the teaching base for month	hours	216	216	216	
	The total number of teaching activities in the teaching base		544.9	166	110	
	Customer satisfaction of the teaching base	%	99.60	99.70	99.00	
	The base serves the public every month	hours	1,197	841	881	
	The average person participates in online and offline research every month	hours	990	830	758	
	Original creation rate of the investment and teaching base	%	46.4	54	73	
	Total number of complaints received by the Company		1,029	4,733	-	
Supplier Management	Complaints handling response rate	%	100	100	100	
	Complaint handling rate	%	93.87	98.23	98.10	
	Number of suppliers by region	Number of suppliers in Chinese mainland		377	364	-
		Number of suppliers from Hong Kong, Macao, Taiwan and overseas		82	100	-
	Number of suppliers to be terminated cooperation after assessment		5	0	-	
	Signatory Rate of Supplier anti-bribery clauses	%	100	77.16	-	
Labor Management	The total number of employees	person	12,769	12,488	12,005	

Indicator		Unit	2023	2022	2021	
Number of employees by gender	Number of male employees	person	7,291	7,186	7,054	
	Number of female employees	person	5,478	5,302	4,951	
Number of employees by employment type	Number of full-time employees	person	12,769	12,488	12,005	
	Number of part-time employees	person	0	0	0	
Number of employees by region	Number of employees in China (Mainland)	person	12,314	12,057	11,521	
	Number of overseas employees (including Hong Kong, Macao and Taiwan)	person	445	431	484	
Number of employees by age group	Number of employees aged 30 and under	person	4,473	4,620	-	
	Number of employees aged 30-50	person	7,497	6,997	-	
	Number of employees aged 50 and above	person	799	871	-	
Comprehensive turnover		%	12.77	10.06	10.33	
Number of employee turnover by gender	Number of male employee turnover	person	966	530	-	
	Number of female employee turnover	person	665	393	-	
Number of employee turnover by age group	Number of employee turnover aged 30 and below	person	998	455	-	
	Number of employee turnover aged 30-50	person	607	422	-	
	Number of employee turnover aged 50 and above	person	26	46	-	
Number of employee turnover by region	Number of employee turnover in China (Mainland)	person	1,539	787	-	
	Number of overseas employees turnover (including Hong Kong, Macao and Taiwan)	person	92	136	-	
Social insurance coverage		%	100	100	100	
Employee development and training	Number of employees trained by gender	Male employees trained	person	7,291	7,186	-
		Female employees trained	person	5,478	5,302	-
	Number of employees trained by category	Number of non-sales employees trained	person	6,906	6,277	-
		Number of sales employees trained	person	5,863	6,211	-

Indicator		Unit	2023	2022	2021	
Average training hours of employees by gender	Average training hours of male employees	hours	52.32	52.67	-	
	Average training hours of female employees	hours	56.80	52.61	-	
Average training hours of employees by category	Average training hours of non-sales employees	hours	42.38	48.44	66.27	
	Average training hours of sales employees	hours	68.21	56.89	72.29	
Employee development and training		Average training hours of employees	hours	54.24	52.64	58.16
Occupational Health and Safety		Coverage of employee training	%	100%	100%	-
Occupational Health and Safety		Total number of training sessions	session	520	618	667
Occupational Health and Safety		Total attendances	person-time	674,009	722,021	728,726
Occupational Health and Safety		Average satisfaction with training programs (100-point scale)	points	96.40	96.4	96.2
Occupational Health and Safety		Number of work-related fatalities	person	0	0	0
Occupational Health and Safety		Lost working days due to work-related injuries	day	0	0	0

Note:1. Since 2023, the indicator of "Volunteer number" has been changed to "Volunteer participation", and the unit is unified as "person-time"

Corporate Governance Indicators Performance Sheet

Indicator		Unit	2023	2022	2021	
Corporate Governance	Number of General Meeting of Shareholders	Times	3	3	1	
	Number of meetings of the Board of Directors	Times	15	14	7	
	Number of meetings of the Board of Supervisors	Times	8	11	5	
	Number of proposals considered by the Board of Directors	Items	62	66	36	
	Total number of directors	person	13	15	14	
	Number of executive directors	person	2	2	1	
Corporate Governance		Number of non-executive directors	person	6	8	8
Corporate Governance		Number of independent non-executive directors	person	5	5	5

	Indicator	Unit	2023	2022	2021
Corporate Governance	Number of female directors	person	1	2	2
Business Ethics	Legal cases involving corruption, bribery, extortion, fraud and money laundering	PCS	0	0	0
	Number of compliance education and training programs	times	34	75	-
	Total number of participants in compliance education and training	person-time	Approx. 36,000	Approx. 11,000	-
	Number of annual anti-money laundering training	times	16	21	-
	Total number of participants in anti-money laundering training	person-time	2,788	23,611	-
	Number of anti-corruption publicity and education activities held	times	7	15	9
	Number of participants in anti-corruption publicity and education activities	person-time	Approx. 20,590	Approx. 30,800	Approx. 35,060

Appendix III. Index of the Guidelines for Environmental, Social and Governance Report issued by Hong Kong Stock Exchange

Performance Indicator	Indicators	Disclosure section
Main category A. Environment		
A1. Emissions		
General disclosure A1	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	4.2 Practicing Green Operation
KPI A1.1	The types of emissions and respective emission data.	Appendix II Quantitative Performance Table
KPI A1.2	Total direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, density (e.g., in per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	
KPI A1.5	A description of emission target(s) set and steps taken to achieve them.	4.2 Practicing Green Operation
KPI A1.6	A description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.2 Practicing Green Operation

Performance Indicator	Indicators	Disclosure section
A2. Resource utilization		
General disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Practicing Green Operation
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and density (e.g. per unit of production volume, per facility).	Appendix II Quantitative Performance Table
KPI A2.2	Water consumption in total and density (e.g. per unit of production volume, per facility).	
KPI A2.3	A description of energy use efficiency target(s) set and steps taken to achieve them.	4.2 Practicing Green Operation
KPI A2.4	A description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.2 Practicing Green Operation
KPI A2.5	Total packaging material used for finishing products (in tonnes) and, if applicable, with reference to per unit produced.	As the Company's products are solely financial, this indicator does not apply.
A3. Environment and natural resources		
General disclosure A3	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	4.2 Practicing Green Operation
KPI A3.1	A description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.2 Practicing Green Operation
A4. Climate change		
General disclosure A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.1 Coping with Climate Risks
KPI A4.1	A description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.1 Coping with Climate Risks
Main category B. Social		
B1. Employment		
General disclosure B1	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	5.1 Protect the Rights and Interests of Employees
KPI B1.1	Total employees by gender, employment type (e.g., full-time, part-time), age group and region.	Appendix II Quantitative Performance Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
B2. Health and safety		
General disclosure B2	Relating to providing a safe working environment and protecting employees from occupational hazards: (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	5.1 Protect the Rights and Interests of Employees

Performance Indicator	Indicators	Disclosure section
KPI B2.1	Number and percentage of work-related deaths	Appendix II Quantitative Performance Table
KPI B2.2	Lost days due to work injury.	
KPI B2.3	A description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.1 Protect the Rights and Interests of Employees
B3. Development and training		
General disclosure B3	Policies on improving employees' knowledge and skills for discharging job duties. A description of training activities.	5.2 Supporting Talent Development
KPI B3.1	Percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix II Quantitative Performance Table
KPI B3.2	Average training hours completed per employee by gender and employee category.	
B4. Labour standards		
General disclosure B4	relating to preventing child and forced labour. (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	5.1 Protect the Rights and Interests of Employees
KPI B4.1	A description of measures to review employment practices to avoid child and forced labour.	No child labor or forced labor was employed by the Company throughout the year.
KPI B4.2	A description of steps taken to eliminate such practices when discovered.	5.1 Protect the Rights and Interests of Employees
B5. Supply chain management		
General disclosure B5	Policies on managing environmental and social risks of the supply chain.	4.2 Practicing Green Operation 6.3 Integrity and Compliance Management
KPI B5.1	Number of suppliers by geographical region.	Appendix II Quantitative Performance Table
KPI B5.2	A description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4.2 Practicing Green Operation 6.3 Integrity and Compliance Management
KPI B5.3	A description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	A description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

Performance Indicator	Indicators	Disclosure section
B6. Product liability		
General disclosure B6	relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress. (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	2.2 Data and Privacy Protection 2.3 Protect Clients' Rights and Interests
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	As the Company's products are solely financial, this indicator does not apply
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	2.3 Protect Clients' Rights and Interests Appendix II Quantitative Performance Table
KPI B6.3	A description of practices relating to observing and protecting intellectual property rights.	2.2 Data and Privacy Protection
KPI B6.4	A description of quality assurance process and recall procedures.	As the Company's products are solely financial, this indicator does not apply
KPI B6.5	A description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.2 Data and Privacy Protection
B7. Anti-corruption		
General disclosure B7	relating to bribery, extortion, fraud and money laundering. (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	6.3 Integrity and Compliance Management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Appendix II Quantitative Performance Table
KPI B7.2	A description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	6.3 Integrity and Compliance Management
KPI B7.3	A description of anti-corruption training provided to directors and employees.	6.3 Integrity and Compliance Management
B8. Community investment		
General disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.3 Practice Public Welfare and Charity
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.3 Practice Public Welfare and Charity
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Appendix II Quantitative Performance Table