



China Merchants Securities

Environmental, Social and Governance Report

2017

Contents 目录

- 2 About This Report
- 4 2017 Responsibility Highlights



CSR Strategy and Management

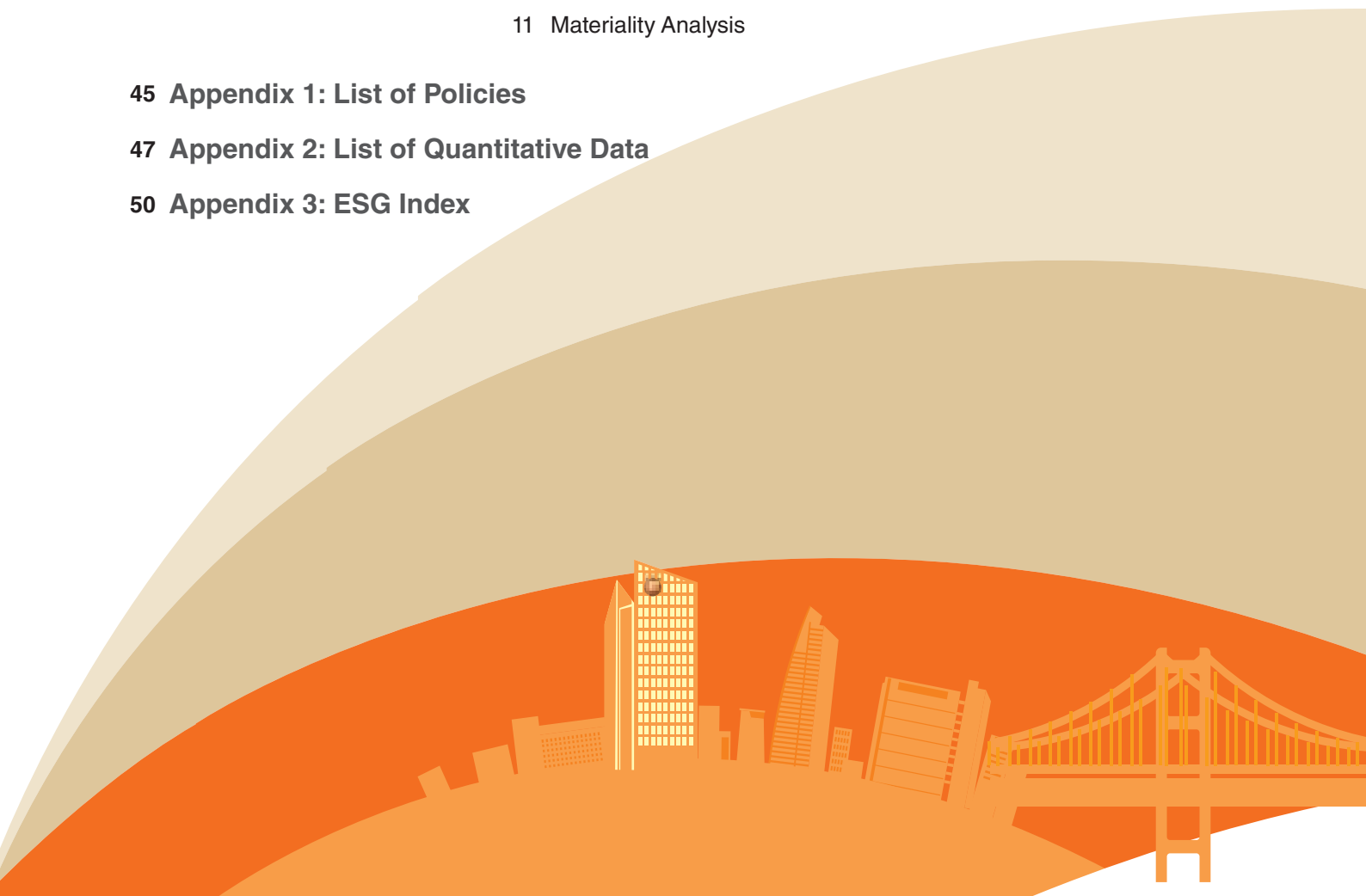
- 8 CSR Strategy
- 8 CSR Model
- 9 CSR Management Approach
- 10 Stakeholder Communication
- 11 Materiality Analysis



Satisfactory to Shareholders

- 14 Corporate Governance
- 15 Internal Control and Risk Management

- 45 Appendix 1: List of Policies
- 47 Appendix 2: List of Quantitative Data
- 50 Appendix 3: ESG Index





Trustworthy to Clients

- 22 Strict Business Compliance
- 23 Uphold Suitability Management
- 25 Respect Client Confidentiality
- 27 Improve Complaint Handling Mechanism



Pride to Employees

- 30 Equal Employment
- 32 Care for Employees
- 33 Platform for Career Development



Respectful to Society

- 36 Financial Social Work
- 38 Poverty Alleviation
- 41 Shenzhen Merchants Securities Foundation
- 42 Environmental Protection
- 43 2017 Social Recognition



About This Report



This Report is an authentic reflection on the corporate social responsibility and sustainability performance of China Merchants Securities Co., Ltd.

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

Reporting Period	Contents cover the fiscal year 1 January to 31 December 2017, with moderate reflection on its past and prediction on its future prospect.
Reporting Cycle	Annually.
Report Scope	This Environment, Social and Governance (ESG) Report issued by China Merchants Securities Co., Ltd. (hereinafter referred as “China Merchants Securities”; “CMS”; “We”; “The Company” or “Our Company”) covers operations in our headquarter, 12 branches, 243 securities branches and 5 controlled subsidiaries.
Report Language	This report is prepared in both Chinese and English by the Company. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.
Reporting Guidelines	This Report has been compiled with reference to the “Stock Exchange of Hong Kong Main Board Listing Rules – Appendix 27 (the Environmental, Social and Governance Reporting Guide);” and “Shanghai Stock Exchange’s Compilation and Review Guidance for Listed Companies’ Internal Control and Social Responsibilities Reporting.”
Reporting Data	Financial data included in this Report are collected from our 2017 Annual Report, and have been independently verified by ShineWing Certified Public Accountants. For further details of our financial performance, please refer to the China Merchants Securities Co., Ltd. Annual Report 2017.
Assurance	We undertake to be responsible for the authenticity and accountability of this Report. At present, the Report is self prepared. We will introduce third-party audit verification at appropriate timing.
Access to the Report	This Report is available in both electronic version and printed version. For the electronic one, please download it on the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk), or on our official website (http://www.cmschina.com).



**We rise in vigor through innovation.
We stride further through sturdy
performance. Such is the belief of China
Merchants Securities. With exceptional
management, we strive to achieve
sustainable development and strike a
balance among quality, profit and scale.
We promote industrial advances, and
social and economic improvement with
first-class capabilities in innovation.
By doing so, we aim to become an
exemplary corporate citizen with
responsibility and integrity.**

2017 Responsibility Highlights

Poverty Alleviation



A total amount of

RMB500,000

donated by Shenzhen Merchants Securities Foundation was used for the three-year financial strategic planning program of Neixiang County, He'nan Province.



We provided financing services in various forms, such as equity financing on NEEQ, IPO sponsoring, setting up or participating in industrial funds, exchangeable bonds issuance as well as green bond issuance, achieving a total financing value of

RMB7.175 Billion

by end of 2017.



A total amount of

RMB1.2 million

donated by Shenzhen Merchants Securities Foundation was used for companies and public offices' cadre training programs in Shitai County, Anhui Province, and Neixiang County, He'nan Province.

Real Economy

Adhering to the instructions of the 5 ministries, we provided various financing services such as bond and medium-term notes underwriting, and sponsoring to high-end manufacturers of key components, manufacturing equipment, smart facilities, and energy facilities, with a total financing value of over RMB6 billion.

We deeply engaged in the cross-border M&A and key asset restructuring program of Zhengzhou Coal Mining Machinery Group Co., Ltd, and the M&A and accompanied financing program of Taiyuan Coal Gasification Co., Ltd, to optimize the business structure of the two companies, and to transform them from conventional coal-related business to clean energy and automobile accessories business, increasing their profitability and stability.

High-end Manufacturing

Industrial Transformation

Serving SMEs

Financial Risk Mitigation

We actively engaged in the designing, drafting, improving and finalizing of relevant business provisions regarding bonds/convertible bonds of start-up business, which was led by the two stock exchanges and China Securities Depository and Clearing Corporation Limited (CSDC). By 2017, we issued the first private convertible bond.

We closely followed instructions about expanding the scope of non-performing asset-backed security (ABS) pilots. In 2017, we underwrote a total amount of RMB5.559 billion in non-performing ABS for 11 large commercial banks.



Resource allocation

PPP Financing



We issued the first two PPP ABS programs in China with a total amount of

RMB3.906 billion

Green Financing



We underwrote six green financial debts, green business debts and green ABS, approximating a total amount of

RMB10 billion

Science and Technology Financing



We successfully recommended five high-tech companies to be listed on the main board, SME board and GEM board, with a total amount of

RMB3.64 billion

Risk Control

We enhanced capital strength with the issuance of permanent subordinated debt, optimized financing duration and structure, lowered the total fundraising cost, and established the Capital Management Department to improve capital management system.

Debt Structure Optimization

Consolidated Risk Supervision

We promoted the application of consolidated statement risk control indicators in daily risk assessment, subsidiary risk quota management, new business evaluation and existing business adjustment, enhancing risk control at the group level, in all subsidiaries and across business.

we adhered to strict risk control and compliance rules, endured the complex business environment and passed the regulatory audit, achieving the "AA" regulatory rating for ten consecutive years.

Compliant Operation



CSR Strategy and Management

China Merchants Securities is committed to providing full-function and full-chain integrated financial services for clients at home and abroad. Highly focused on clients' value proposition, we continuously create value through innovative products and services in the capital market, and a leading business management philosophy and practices. In the meantime, we promote progress in the capital market and securities industry, obtain clients' trust, make our employees proud, satisfy our shareholders, and gain social recognition.



CSR Strategy

Our CSR goal:

Create value with superb financial services. Strive to become the best investment bank in China with international competitiveness, and fulfill more social responsibilities through better business performance.

Our CSR path:

Adhering to scientific, innovative, harmonious and sustainable development, we leverage our experiences through practice and implement our strategy from a holistic perspective, to promote the value of responsibility and to reinforce our commitment. We innovate and transcend. We strengthen our capabilities to ensure smooth and compliant operation. We persist in continuous improvement to optimize our management approach.

We rise in vigor through innovation, and we stride further through sturdy performance to achieve balanced development of quality, efficiency and scale.

Our CSR principle:

We balance the interests of different stakeholders through the principle of fairness and justice. We aim to set an example through proactive actions. We align our responsibilities with actions and translate them into daily operation. We persist in continuous improvement to drive company growth through CSR.

Our CSR focus:

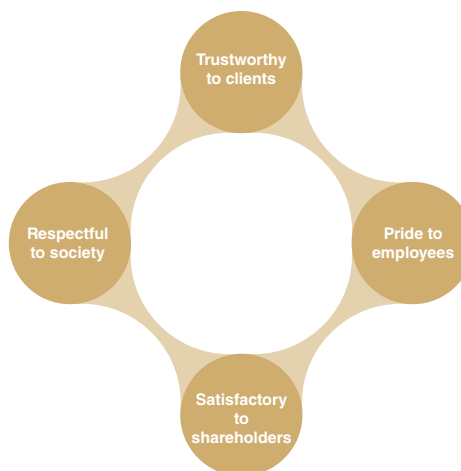
We contribute to progress in the securities industry through maintaining a harmonious relationship with society and co-development with the capital market. Deriving from the capital market, we demonstrate our commitment to the capital market through our contributions to the industry, which showcases our value to the advancement of society.

CSR Model

Committed to providing extraordinary integrated financial services to clients at home and abroad, we create continuous value and drive for progress in the capital market and securities industry through our four focuses:

Clients are our priority. We create continuous value for them through trustworthy services.

We optimize social resource allocation to promote social and economic progresses. We engage in social activities and focus on civil topics to fulfill corporate social responsibilities.



We provide a first-class career development platform for every employee. By creating a fair and liberal working environment, we encourage our employees to grow with the Company.

We have built a modernized company governance structure as the foundation for sturdy business performance and scientific management, to ensure continual investment return for our shareholders.

CSR Management Approach

Our key CSR topics derive from the focus of our CSR strategy. Being a significant player in the capital market both as a trading intermediary and a listed company, our responsibilities to shareholders, clients, and employees are closely related to the development of the capital market. We integrate key issues in the current development of the capital market and the securities industry with our strategic priorities. We formulate our annual work plan based on the latest development of the capital market and industry regulations.

In CSR deployment, we follow the guideline of “aligned leadership, unit execution, strategic supervision, and systematic review”. The executive management provides leadership and report the progress of CSR related work to the Board of Directors on a regular basis, while the President’s Office oversees the promotion of CSR, energy efficiency and emissions reduction, workplace safety, charity, and social welfare programs. The Human Resources Department oversees employee management while the Board’s Office is responsible for shareholder communication. The business units handle daily work related to clients and product liability. The IT Department is responsible for Information System Security. The

Risk Management Department and the Legal and Compliance Department run checks while the Audit Department and Supervision Department oversee CSR audits and supervision. The Strategy Department formulates CSR plans and sets relevant KPIs, while the functional departments and business units are expected to follow through. We use the Balanced Scorecard to map out our annual strategic goals and plans. We create an annual CSR work plan and objectives, which are subject to annual review. We are also introducing third party audit to ensure the quality of CSR deployment.

Our CSR management is cascaded to each department and unit. Relevant policies are integrated into our internal policy system. The Legal and Compliance Department takes charge of the policy system and the set-up, assessment, issuance, and abolition of a certain policies. We have adopted the ISO9001 Client Service Quality Management System to standardize the documentation of all policies and to ensure their implementation and optimization. All policies are clearly categorized in the Knowledge Management Center empowered by the office automation system. The Training Center organizes online training and exams for all important policies.

Roles and responsibilities for CSR deployment



Stakeholder Communication

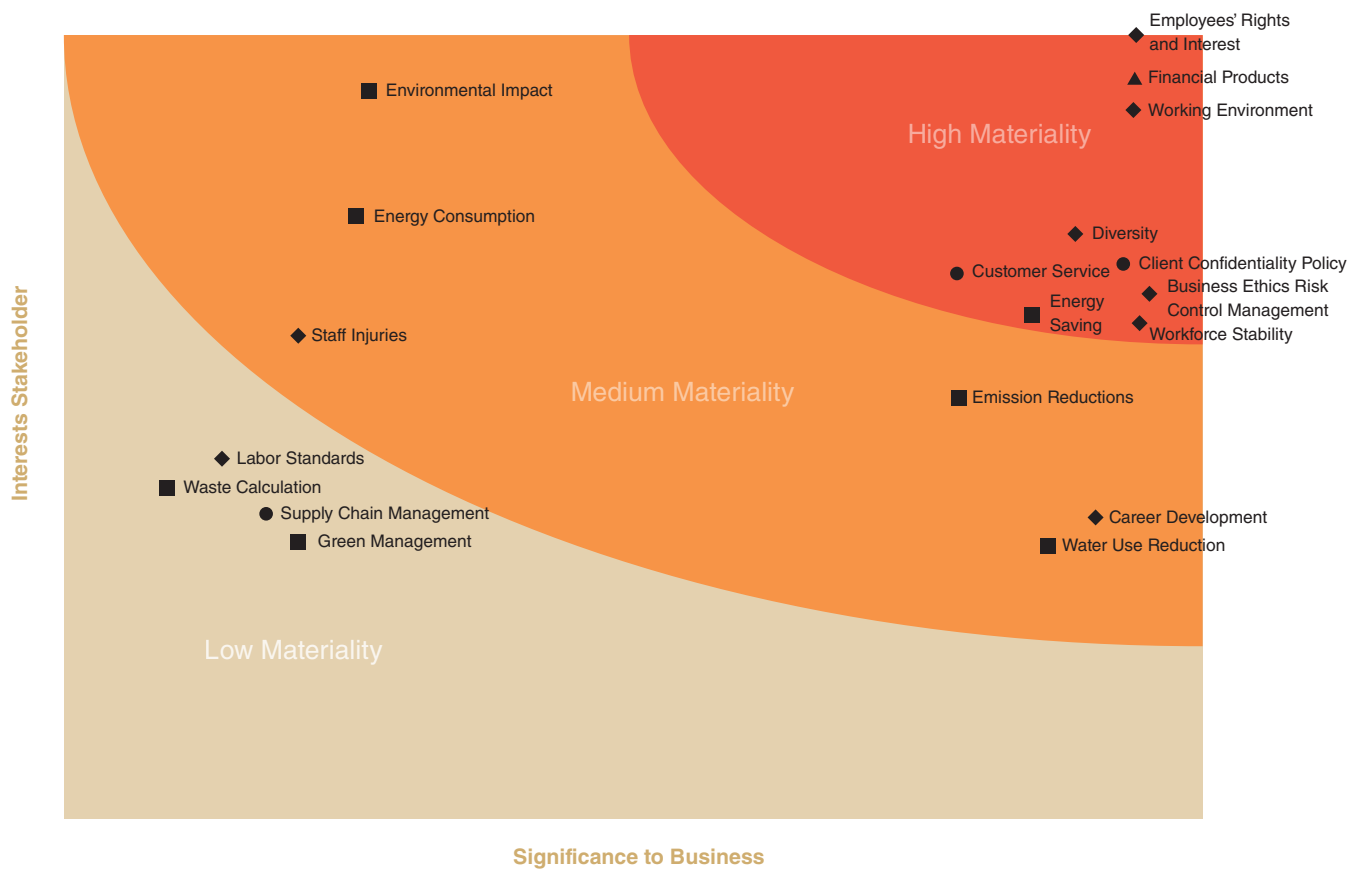
Stakeholders	Stakeholders' Concerns	Communication Channels	Our responses
Shareholders	<ul style="list-style-type: none"> • Corporate governance • Risk management system • Business ethics 	<ul style="list-style-type: none"> • Exchange official websites and other media channels • Shareholder meetings • Investors-related channel 	<ul style="list-style-type: none"> • Improving the governance structure • Improving the risk management system
Clients	<ul style="list-style-type: none"> • Client confidentiality policy • Customer service 	<ul style="list-style-type: none"> • 95565 Customer Hotlines • Themed surveys • Research on product and client needs • Customer satisfaction survey • Official website, official microblog, Zhiyuan Onepass financial service platform (PC, mobile) and other channels • Investment strategy meetings • Trainings and meetings • Email/telephone communication • Client visits 	<ul style="list-style-type: none"> • Compliant and legal operation • Suitability management • Protecting client privacy • Improving complaint handling mechanism
Employees	<ul style="list-style-type: none"> • Protecting employees' rights and Interest • Working environment • Workplace diversity • Workforce stability • Career development 	<ul style="list-style-type: none"> • Enterprise WeChat account • Office mobile App • OA platform • E-learning platform • Diversified employee training programs 	<ul style="list-style-type: none"> • Equal and impartial career development platform • Competitive remuneration schemes • Work and life balance • Career development programs
Society	<ul style="list-style-type: none"> • Financial services • Environment protection and performance 	<ul style="list-style-type: none"> • Meeting and training regarding government and regulator policies • Community surveys and training • Local government and business partnership • Regular reporting 	<ul style="list-style-type: none"> • Innovative financial services and products • Improving environmental management system • Disclosing environment data

Materiality Analysis

During the preparation of this environmental, social and governance report, we actively consulted the views of different stakeholders, to understand their perspectives on China Merchants Securities in terms of environment, society, and governance, which serves as an importance reference for our future strategies and policies. Meanwhile, according to the

relevant principles specified in HKEX's Environmental, Social and Governance Reporting Guide, and implementation guidance of the financial industry, we communicated with our stakeholders on various factors. After classifying, ranking, and filtering stakeholder opinions by their significance to our business and their impacts on our stakeholders' interests, we selected the issues with the highest materiality to our stakeholders to disclose in this report.

China Merchants Securities ESG Materiality Matrix







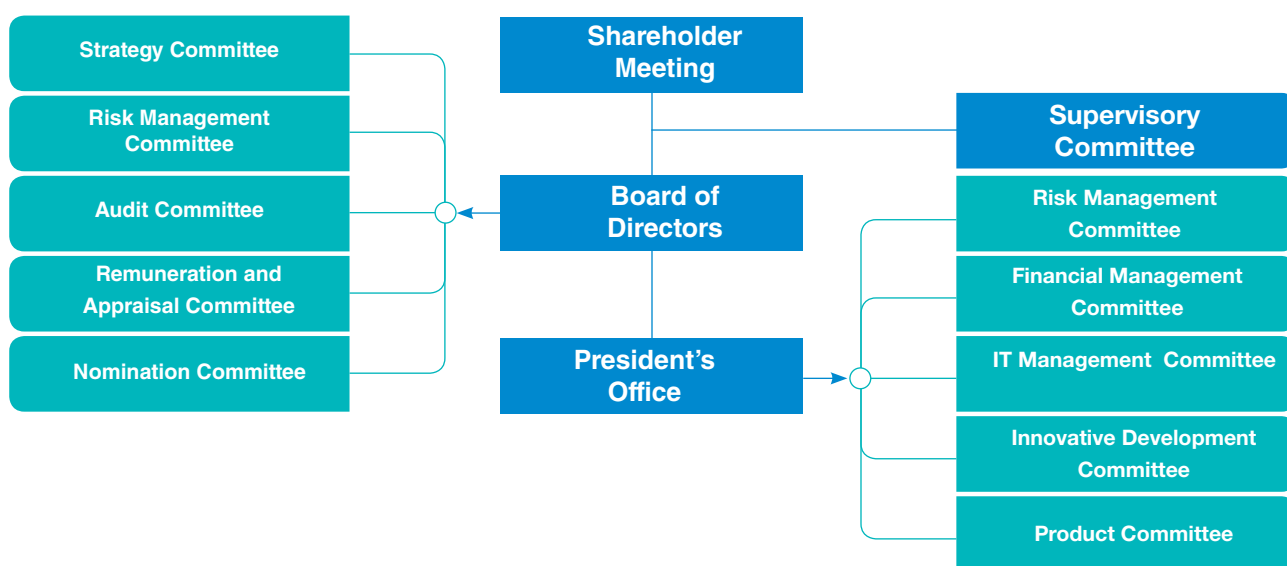
Satisfactory to Shareholders

We understand that our shareholders invest in us because of their trust and support to our management and employees. It is our responsibility to realize long-term values for our shareholders, and address their demands for maintenance and appreciation of assets. We have returned our shareholders' trust with persistence on ensuring steady growth and standardized operation through continuously optimizing our corporate governance, minimizing risks, protecting shareholders' assets, and striving for better operational performance.

Corporate Governance

Corporate governance structure

In order to meet the corporate governance requirements in Shanghai and Hong Kong, we further improved our corporate governance structure with reference to Hong Kong-China cross border regulatory standards. We maintained our original “3+1” structure of Shareholders’ meeting, Board of Directors, and Supervisory Committee working together with our management team. Combined with our independent director policies, we managed to strike a check and balance among the authority, decision makers, supervisors, and the management team, ensuring their coordinated and standardized performance. We have also set five committees, covering risk management, strategy, audit, remuneration, and nomination, under the charge of the Board of Directors. The percentage of independent directors remains at one-third of the Board.



Shareholder meetings, Board of Directors meetings, committee meetings and Board of Supervisors meetings held in 2017:

- We held two shareholders’ meetings, and discussed 12 motions. In order to help shareholders exercise their right to vote, all the polls in the meetings were conducted both on-site and online.
- We held 11 board meetings, and discussed 43 motions.
- We held seven Supervision Committee meetings, and discussed 15 motions.
- The committees under the charge of the Board held 16 meetings, among which five were held by the Risk Management Committee, four by the Audit Committee, two by the Strategy Committee, three by the Remuneration and Appraisal Committee, and two by the Nomination Committee, to review and discuss various critical issues.

Protect investors’ interests

We now have five independent directors on the Board of Directors that protect our shareholders’ rights independently and objectively, and ensure effective checks and balances during the decision making process.

The independent directors actively participate in shareholders’ meetings, listen to investors, especially medium-sized and small investors, and enhance communication with them. They care about investors’ needs and try to protect their interests as much as possible. We have upgraded the Chinese and English version of our investor relationship website with a reference to international practices. Through the online interactive platform of the Shanghai Stock Exchange, we disclose detailed information of the Company and respond to investors’ questions and advice. We also reach out to small and medium-sized investors through emails, helping them form reasonable investment perspectives and expectations towards our company.

The Company maintains excellent performance on compliance and risk management, and has not committed material violation of regulations. Moreover, the Company is one of the only two securities firms in the industry to receive the “AA” regulatory rating for ten consecutive years.



Internal Control and Risk Management

As a cross-border securities trader, we closely adhere to the requirements on “Internal Guidance of Securities Companies, Overall Risk Management Provisions of Securities Companies” and the guidance of Hong Kong’s “Regulations on Securities and Futures”, and draw on the COSO Enterprise Risk Management Framework, to set up a clearly defined modern risk control structure that includes the strategic deployment of the Board of Directors, supervision and inspection of the Board of Supervisors, risk management decisions by executives and the Risk Control Committee, risk control balance by risk management-related departments, and the direct risk management by other departments, branches and controlled subsidiaries.

As the primary department responsible for market, credit and operation risk management, the Risk Management Department fulfills its duties in managing market risks and credit risks, coordinating with and guiding relevant departments, securities branches and subsidiaries in terms of risk management. As the primary department responsible for liquidity risk management, the Capital Management Department fulfills its duties in liquidity risk management and drives the setup of liquidity risk management system. The Legal and Compliance Department fulfills its duties in compliance and legal risk management. It also supports the Director of Compliance to review, supervise and inspect the compliant operation and business dealing of the Company and the staff. The Audit Department fulfills its duties in conducting audits on the validity and execution of the Company’s risk management procedures, and leads the internal system evaluation at least once a year.

Drawing on the management practices from our internal control departments such as Risk Management, Legal and Compliance, Audit and Supervision, we have established an independent and professional risk management process that enables continual risk detection and review, monitor and measure, control and response, and report and feedback. For common internal control issues such as inadequate diligence in front departments and late involvement in back office departments, we have installed three internal control firewalls in each core business to ensure the Company’s steady development.

We adhered to strict risk control and compliance rules, endured the complex business environment and passed the regulatory audit, achieving the “AA” regulatory rating for ten consecutive years, maintaining the stable and compliant market image and brand reputation, and supporting our business growth.

Consolidated risk supervision

As one of the first securities firms to apply for the CSRC consolidated risk supervision trial, in 2017, the Company built an effective consolidated statement management mechanism through building organizational structure, allocating professional staff, supporting with policy system, developing IT system, constructing quota indicator system, and improving management system, deepened the application of consolidated statement risk control indicators and management measures in risk management, and strengthened the management of overall risk at the company level, and the management of subsidiaries and various kinds of risks. Specifically, we completed below work:

- Defined the organizational structure of consolidated statement management that includes the Board of Directors, the executive management, all departments and subsidiaries, and the roles and responsibilities at each level.
- Revised or devised multiple policies regarding subsidiary risk management and risk management monitoring indicators, ensuring the execution of consolidated statement management at the policy level.
- Drove the setup of an IT system for consolidated statement risks to achieve monthly monitoring of relevant indicators, enhancing the system support to consolidated statement management.
- Designed proper monitoring indicators, and internal management quota indicator system and management mechanism for consolidated statement management.
- Included consolidated statement management into risk management procedures, such as regular risk reports, pressure test reports, daily monitoring alarm, and risk handling measures.
- In 2017, the consolidated statements such as net capital, risk coverage ratio, leverage ratio, liquidity coverage ratio, net stable capital ratio, and other risk management indicators of the Company continued to outperform the regulatory alarm criteria.



Economic capital management

- Drawing on our development strategy in 2017 and in response to the profit fluctuation, increasing operating leverage, and development of different sectors, we allocated economic capital in accordance with our risk appetite and risk tolerance. We optimized the economic capital calculation model with reference to the best practices in risk calculation from financial institutions home and abroad. We hope to control risks in different sectors with economic capital limits, and make timely adjustments to the allocation of economic capital based on development of each sector. Also, to maximize our shareholders' interests, we increase the flexibility on self-conducting business in risk management limits, direct resources to business with higher risk-benefit ratios, and balance the risk and benefit undertaken by the Company.

In 2017, the Company maintained steady growth in different business sectors, matching with the Board of Directors' risk appetite. The overall risks were measurable, controllable, and bearable. We effectively controlled risks in different business sectors, and witnessed no material risk events.

Anti-money laundering management

In 2017, we fully complied with regulatory requirements and further improved the internal control system to follow through on our "risk based" anti-money laundering guideline, enhancing our foundation.

- Further improved the internal anti-money laundering (AML) system. Based on the "Measures for Administration of Reporting of Large-amount Transaction, Suspicious Transaction of Financial Institutions (hereinafter referred to as the 'No. 3 Directive') and other documents, we revised the existing policy and deployed penetrating identification of all beneficiaries based on the "Notice by the People's Bank of China on Enhancing Identification of AML Clients". Issued the "Securities Branch AML Internal Control System (example)" in response to the regulatory requirements and our business development, requiring branches to update procedures based on their actual situations. The Company's internal control system covers the obligations regarding AML specified in laws, regulations and supervisory requirements, ensuring our AML control policies meet relevant requirements.



Conducted client identify identification. The Company issued the “China Merchants Securities Client Identification Management Approaches”, “China Merchants Securities Client Identity Approaches”, “Transaction Records Documentation and Management”, and relevant business systems. When establishing a new business relationship with a client, the Company require the counter staff to follow the principle of “know your client better”, and conduct due diligence on the client, verify the client’s valid identity documents to prove his or her identification, register the client’s basic information and retain a copy or scan of the valid identity documents. When changes occur in a client’s basic information, we would re-identify the client through continuous identification measures. In 2017, the Company improved the counter system in that the employment categories were expanded, and specific options were included under the category ‘Others’ for more effective identity check. Developed restrictive function on expired identity documents in credit account opening system. The securities branches conduct check on clients with identity documents via CRM system, remind clients of expired identity documents to update their documents at the counter, and take restrictive measures towards clients who fail to update identity documents in three months.

Pushed forward client risk classification. According to the “Anti-money Laundering Client Risk Classification Management Approaches”, we classify clients’ risk levels with the help of the anti-money-laundering monitoring system. For clients that we have recently established business relationships with, the counter business departments in securities branches are required to file the clients into the matching risk level within ten working days after the establishment of the business relationship. We also have different audit procedures for clients of different risk levels. Clients or accounts with higher risk levels would need to go through stricter audit procedures compared to clients or accounts with lower risk levels. In 2017, the Company initiated improvement on the system to facilitate frontline AML staff to look up clients’ information. The search efficiency and work effectiveness were improved thanks to the technology update which enables the client risk level in AML monitoring system to be fed back to the central transaction counter system.

Continued reporting large-sum transaction and suspicious transaction. In 2013, approved by the People’s Bank of China (PBOC), the Company engaged in the pilot of reporting large-sum transaction and suspicious transaction. Guided by the Shenzhen PBOC, the Company set up and released 25 system monitoring indicators and 18 manual monitoring indicators in terms of abnormal client identity, abnormal behavior, abnormal transaction and regulation update, forming the monitoring and identification mode of suspicious transaction

featuring “system-based monitoring, supplemented by manual analysis”. After the No. 3 Directive was released, the Company has improved the monitoring indicators of suspicious transaction, by removing the less reasonable indicators in the system, adjusted the thresholds of certain indicators based on recent years’ monitoring results, and included some new indicators. At the same time, the Company has enhanced relevant staff’s AML capability and ensured accurate analysis and detection of suspicious transactions through compliance training, compliance inspection and information communication. In the first half of 2017, the Company continued to follow the requirements of the “Notice on Regulating Securities Companies Clients’ Capital in 3rd Party Custody and Single Client with Multiple Bank Accounts”, monitor transfers between main accounts and second accounts with sums exceeding the threshold, and submit large-sum transaction reports to China Anti Money-Laundering Analysis Center in time.

Strengthened AML internal audit. The Company reviewed and summarized key issues stated by regulators, and released the “Notice on Conducting 2017 AML Self-Inspection”, requiring branches to conduct self-inspection on aspects that tend to go wrong or be neglected, such as client identity check, client identity information documentation, client money-laundering risk classification and management, and suspicious transaction identification, and to correct existing mistakes. In 2017, we organized 67 special AML checks or internal audits, corrected mistakes, figured out the implementation of AML related work, improved the AML performance at securities branches, and laid out the work direction in 2018, to gradually improve our efforts in anti money-laundering.

Focused on AML communication and promotion. In November 2017, the Company organized all branches to launch AML promotional activities with the theme “Protect Yourself: Say No to Money Laundering”. Over 200 securities branches nationwide organized AML promotional activities through putting up banners and posters, distributing pamphlets, setting up consulting counters, and holding outdoor promotion, creating a sound AML social environment. The branches also organized over 200 AML communication activities in forms of WeChat promotion video, roll-up banners, light box advertising, and knowledge contests.

Cooperated with regulators in policy research. The Company participated in the “Analysis and Research on the AML Risks and Monitoring in Securities Sector” organized by Shenzhen PBOC, shared experiences in the Shenzhen Securities Legal Entities AML Meeting, responded to the AML questionnaire by PBOC, and provided feedback to the “Guidance on Money Laundering and Terrorism Financing Risks of Legal Entities (exposure draft)”.

Anti-corruption

We adhere to the “Criminal Law of the People’s Republic China,” the “Law of the People’s Republic of China on Tendering and Bidding,” and the “Anti-Bribery Regulations” of Hong Kong, and released the “Compliance Manual” for employees. We strictly implement the Company’s “Procurement Management Policy” in supplier management and procurement to prevent violation to the laws and regulations.

● Employee’s Code of Conduct

Our “Compliance Manual” specifies the upper limit of the amount received and given by the Company and the staff to other companies or individuals, and details the possible bribery in brokerage, asset management, investment banking and private funds to avoid violations.

● Procurement and Supplier Management

Following the Company’s “Procurement Management Policy,” we have set up procedures a supplier classification and management mechanism to standardize the selection, assessment and confirmation of suppliers. Both the policy and mechanism have specified requirements for suppliers on legal compliance, business reputation, and product/service quality. Each purchasing department has created relevant measures for supplier selection and conduct regular assessments (no longer than two years) on long-term suppliers (except new suppliers of less than three months) to evaluate their compliance with our requirements. During procurement, the purchasing departments and the monitoring departments shall fulfill their respective duties based on the principles of “Being legitimate and compliant, fair and impartial. Adopt collective decision-making and prevent conflicts of interest,” achieving sunshine purchasing.

Internal audit

Based on our corporate strategy, we leverage effective and practical internal audit to discover risks and correct mistakes, ensuring compliant operation.

In 2017, we conducted 134 internal audits, covering all business departments at headquarter, and followed on the project approval, review and authorization, and service procurement in back offices such as training center and IT center. The branch audit coverage was relatively high in spite of a considerable number of new securities branches were set up. In some branch audits, we continued to lead joint-inspection across departments, and conducted risk control education during on-site audits to raise awareness and cultivate risk control culture.

We followed the risk dynamics, explored the evidence for risk forecast, improved our data analysis capability, and utilized the strategic function of internal audit as an immune system. We set up a preliminary statistical analysis mechanism of regulatory dynamics by collecting and sorting securities regulation information, and quantifying risk alarms through statistical analysis. We continuously improved the IT platform, expanded the basic data source of audit analysis, optimized the indicators of the audit analysis system, and increased the internal audit efficiency. We followed the emerging sector risks to ensure timely update in corporate policies, and optimize the IT system.



Satisfactory to Shareholders

We continuously strengthened audit communication by turning audit into a service, and ensuring timely correction. We prepared “Key News Bulletin” to keep executives abreast of key audit progress, utilized the consulting function of internal audit to coordinate with business departments for management system improvement, and to enhance the front-line capability in risk identification and troubleshooting so that internal control can be deployed at an earlier stage. We continuously monitored the progress of correction, achieving a correction rate at 95% in 2017. Driven by internal audit, the Company’s policies and mechanisms are improving, business procedures are optimizing, and the comprehensive management capability is enhancing.

The internal audit in 2017 indicated no material defect in internal control, all business was carried out in compliance and at a steady pace. The Company has maintained the good record of zero material risk incidents, showcasing a performing internal control system.







Trustworthy to Clients

Clients are our priority. We provide professional and premium financial services to our clients via continuously optimizing our business model and organizational operation, and enhancing service quality.

Strict Business Compliance

Following the “Measures for Compliance Management in Securities Companies and Investment Funds Management Companies” released by CSRC in 2017, and focused on the management objectives of “maintaining good reputation and ensuring compliance with law,” we have established organizational structure and policy system to conduct compliance management. Our compliance management organization consists of five levels: Board of Directors, Senior Executives, Compliance Directors, Legal and Compliance Departments, branches and controlled subsidiaries. The Company appoints a compliance specialist in each department and securities branch to assist the departments and sales units in compliance management.

The Company has established a policy system of compliance management based on “compliance management system” to fulfill the responsibilities through consultation and review, monitoring, checking and supervision. The Company has established a training mechanism for compliance risk control. Via various channels and forms, we carry out regular training for senior executives, newly promoted cadres and new employees to cultivate their risk awareness. The Company develops and improves relevant assessment and accountability system. We take the effectiveness of compliance management and the compliance of practicing behaviors into the performance appraisal of all staff. Performance and risk control are the two key aspects in our incentive mechanism.

Product and business compliance management

New business/product compliance argumentation

The Company specifies that the relevant department shall submit online application before any new business/product is launched. Being reviewed by the responsible department, the Risk Management Department, and the Legal and Compliance Department, the application will be submitted to the management for final review. After the review process, the Company will move to the authorization and reporting/approval process based on features of the new business/product in terms of capital level or regulatory requirement to complete the launch and ensure the overall compliance of the review.

Chinese Wall

We regulate the business/products and staff’s practices through sound management and control. A Chinese Wall mechanism is built, which integrates centralized regulation at the Company level and independent supervision at the business departments level, to monitor the flow of sensitive information and employees’ securities investment. We continuously follow through the Chinese Wall policy, stress on the monitoring of sensitive information flow and conflicts of interest, and examine the effectiveness of the Chinese Wall mechanism.

In 2017, the Company carried out

40
compliance sessions

trained employees of
over 18,000

Securities practitioners education

The Company has always laid great emphasis on practitioner education. We have revised the Compliance Manual and enhanced our promotion in practitioner compliance education in various ways to raise their compliance awareness. In 2017, the Company organized various forms of training and educational activities that covered all staff, enhancing the compliance culture and the awareness of harsh punishment in case of violation. We hope our practitioners can have a deeper understanding of compliance culture, and consciously practice according to the standards.

In 2017, the Company carried out 40 training sessions, including 14 sessions specific to major business lines, 7 key legal and compliance control and management trainings, 8 key position staff trainings, and 11 external new regulations trainings were held, with trained employees of over 18,000. Businesses including self-operation, mandating, etc. were provided, covering investment banking financing, sponsored listing and research report release, fixed-income OTC derivatives, mandating/outsourcing, self-operated investment, commissioned financial product marketing, internet finance, abnormal transaction, stock investment, intellectual property, contract management, bidding and tendering, info firewall, AML, eligibility management, etc. We organized frequent training and communication targeting at key points of regulation and business, and presented typical cases, with a view to promote the awareness of compliance bottom-line and normalized business development.

Uphold Suitability Management

According to CSRC's "Measures for Securities and Futures Investor Suitability Management," and Securities Association of China (CSA)'s "Guidance for Securities and Futures Investor Suitability Management (trial)," the Company issued the "CMS Investor Suitability Management Approaches" as the foundation of investor suitability management, which specifies requirements such as comprehending investor information, investor classification, service/product classification, investor suitability management, audio/video record-making, client re-visit, training, and evaluation.

Client classification

In terms of client classification, the Company divides investors into professional investors and general investors based on their securities market knowledge, investment experience, and risk tolerance. We strengthen protection for general investors by further classifying their risk tolerance into five levels: C1 (conservative) and C1 (lowest level), C2 (moderate), C3 (balanced), C4 (growth) and C5 (aggressive).

Product/service classification

We classify the risk of financial products and services into five levels based on our knowledge of the products and services such as their risk features and risk degrees. Ranging from low to high, the risk levels include R1, R2, R3, R4 and R5.

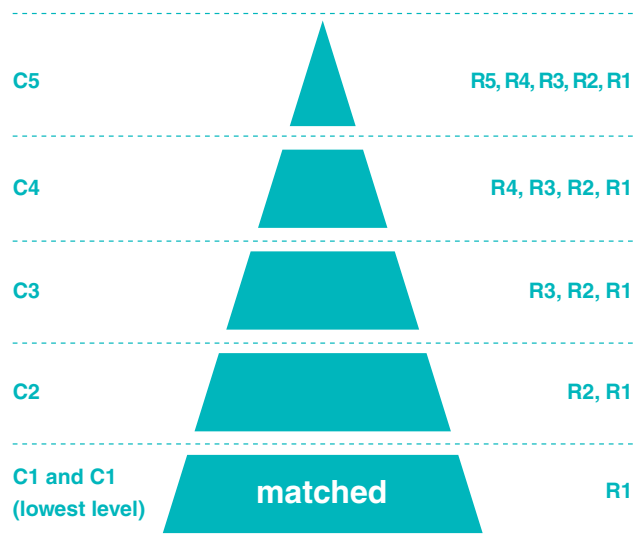
We evaluate the risk levels of the products to be sold, and of the newly added or adjusted services submitted by the business units, include them into the service risk level list, and circulate the execution of the list via OA notice from time to time. In the meantime, we release the product and service classification for retail clients via our official website, Zhiyuan Onepass financial services platform, and investor education base.

Suitability match

We provide risk tolerance assessment to every individual client. Clients have access to the Risk Tolerance Assessment Questionnaire via securities branches, "risk tolerance

assessment" column and fast-trading track on our official website, Zhiyuan Onepass financial service platform, mobile securities, PAD securities, and other channels. The questionnaire evaluates clients' risk tolerance based on their financial condition, investment knowledge, investment experience, investment objectives, risk appetite, and other aspects.

We match the risk tolerance levels of general investors with the risk levels of financial products and services as follow:



After completing the initial risk tolerance assessment, clients need to update in time to reflect their dynamics so that we can match their tolerance with the right products or services. Based on product features and risk characteristics, we differentiate the product knowledge level and risk tolerance of the investors, define each category, and set a post-assessment evaluation policy, so that we can stay in sync with investors' latest investment preferences and risk tolerance.

Internal control of suitability management

We follow through on investor suitability management to protect investor interests. Having understood the credit status, trading habits, securities investment experience, and risk appetite of a client, we offer suitability selling and related services based on the risk tolerance assessment result and product characteristics. The Company has established client identification methods and policies related to investor suitability, and has been following through. Meanwhile, the Company communicates with its agencies to understand their progress in and urge them to build a suitability management system. The Company has defined its client classification criteria and evaluation mechanism, and the matching criteria of client categories with product risk level.

We make it clear that we should not sell any client a product with risk level significantly over his/her tolerance level. Selling of a financial product must go through client identification verification, risk notifications, risk tolerance assessment and matching, product risk disclosure, contract signing, and related management processes. A client must sign a “voluntary participation statement” if he/she insists on buying a high-risk product beyond his/her tolerance level after having been fully informed.

Investor education

We well understood and followed through on the guidance from the Shanghai Stock Exchange, Shenzhen Stock Exchange and other governing bodies. We reinforced investor education, fulfilled the responsibilities of investor education and protected investors' legitimate rights by organizing the Blue Sky Investor Protection Campaign and Rational Investor Campaign, and promotion of investor protection and other innovative business. We organized the Blue Sky Investor Protection Campaign to enhance investors' abilities in identifying risks, to combat market violations, and to build a healthy market. We optimized the existing suitability management system, carried out suitability management training, and improved systems for complaint handling and training.

In 2017, we continued to work with Shanghai Stock Exchange (SHSE) to hold “options forum” and “options advanced forum” to enhance clients' knowledge in options and service experience. The “options forum” aims to engage potential clients in the on-site SHSE options knowledge test. The “options advanced forum” introduces the construction and application of advanced options strategies, and develops the options transaction sense for clients with opened accounts. In 2017, 11 options forums and two options advanced forums were held, with over 900 clients trained in total. The Company promoted innovative products and services, and released notification on risks of securities trading via securities branches, official website, WeChat account, Weibo, trading platform, text messages, and telephone calls, to protect investors' interest, adhering to our accountability and compliant practices, and fulfilling social responsibilities.





Respect Client Confidentiality

The Company has specified in the “Compliance Manual” the non-disclosure obligation of employees to protect clients’ confidential information, issued the “Confidentiality Requirements” as guidance for enhanced confidentiality, released policies or rules on confidentiality, including “IT System Data Confidentiality Management Approaches”, “Insider Information Confidentiality Policy” and “Financial Service Outsourcing Confidentiality Management Approaches” to fully protect client privacy, the Company’s financial information, key strategic adjustment, and patents, and applied advanced IT technology to prevent information leakage during staff operation and client online transaction.

Client information safety

We prevent clients’ passwords from being illegally tested.
To ensure the security of clients’ capital, we apply an irreversible encryption algorithm on client trade passwords and capital passwords and deploy a database audit system. When error log-in attempts reach the limit, the client account will be automatically frozen to prevent illegal actions.

We prevent clients’ passwords from being illegally tested

Our trade system defines permissions for different teller roles to minimize tellers’ access

Our trade system defines permissions for different teller roles to minimize tellers’ access, and segregate clients that hold sensitive connections to the tellers. Tellers can only conduct search and operation on authorized clients to prevent cross-access to client data, ensuring the security of clients’ information.

We record teller operation history. For critical business, we conduct and record double confirmation by different tellers.

We record teller operation history

We record data exportation from counter to prevent client information leakage

We record data exportation from counter to prevent client information leakage.

Online trading security

To protect client assets and ensure information security, we actively innovate and continuously improve to provide clients with secure, thoughtful and convenient online trading services.





Improve Complaint Handling Mechanism

The Company's complaint-handling mechanism consists of client complaint-handling structure, handling system, handling procedures and a digital handling platform.

The Company has established a sound structure to handle client complaints, with well-defined roles and responsibilities: at the headquarter level, the Company's executive management takes ultimate responsibilities in complaint handling through management and decision-making in accordance with relevant laws, regulations and norms. The Legal and Compliance Department provides guidance and coordination to complaint-handling. The Retail Client Department (Client Center) is responsible for cross-department coordination and feedback on complaint-handling within the scope of their accepted complaints. At the branch level, each branch and regional head must engage in the handling, follow-up and accountability of the complaints within the region's securities branches. The securities branches are responsible for accepting, verifying, handling, feedback, correcting, accountability, and reporting of client complaints accepted by the branch or transferred from other units. Each level within the Company fulfills their duties and coordinate with each other, forming a multi-layered guarantee to support efficient complain-handling.

In terms of coordination among headquarter, branches and securities branches, The Retail Client Department (Client Center) acts as the complaint acceptance window with designated personnel, and transfers complaints to relevant units upon acceptance. The head of a securities branch is the primary person responsible to provide guidance in handling client complaints and disputes at the branch, and communicate with the local regulators. The compliance specialist at the securities branch assists the head to execute complaint management duties, shoulders the responsibilities in accepting and handling client complaints within the branch's jurisdiction via on-site communication, telephone calls and letters, reports client complaints to, and receives instructions and inspection from the relevant management departments at the headquarter. Each branch and regional head must engage in the handling, follow-up and accountability of the complaints within the region's securities branches. The branch should provide timely guidance and proactive coordination for complaints cannot be solved at the securities branch level. For complaints still cannot be solved, the branch should report to headquarter in time for instructions. For material complaints, headquarter, branch and securities branch should work together to find out a sound and timely solution.

The Company issued "Client Complaint-handling Management Approaches" and "Retail Client Complaint-handling Measures", to require that a complaint should be verified in time, root cause should be detected, person responsible should be traced, and the complaint should be properly handled. Upon acceptance, the complaint should be transferred to relevant unit to follow up, progress should be updated from time to time, handling result should be fed back in time, and internal correction and accountability should be conducted. After handling a complaint, the defects in service and marketing should be detected through troubleshooting. For typical client complaints, we irregularly summarize the cases, conduct legal and regulatory analysis, reflect on the learning, educate the investors of safe investment and risk management with vivid and complete cases, and provide handling suggestions to all departments to prevent similar complaints.

The Company has set up a digital complaint-handling platform – "client complaint-handling procedures" Following the regulatory requirements on primary responsibility in compliant-handling, and aiming to strengthen complaint management, the Company has added in the procedures review and approval functions for primary department responsible, to leverage the relevant department's guidance on complaint-handling within its jurisdiction, ensuring sound and timely solutions.

In addition, we share client complaint handling cases, deep dive in and summarize the trend, current situation and existing problems in client complaint handling, and propose improvement measures through monthly complaint report and irregular training. We employ third parties for complaints needing further mediation to improve the client complete resolution rate.

In 2017, the number of complaints in products and services decreased by 14% compared to that of 2016, the complaint response rate remained at 100%, and the resolution rate increased by 6%.

Year	Product/ service complaints	Response rate	Resolution rate
2017	54	100%	87%
2016	63	100%	82%





Pride to Employees

In order to attract and retain our talents, we fully respect each employee's personality, contributions, and growth needs. Also, we have been striving to build a fair career development platform and efficient training system for our people, so they can share their growth with our business.

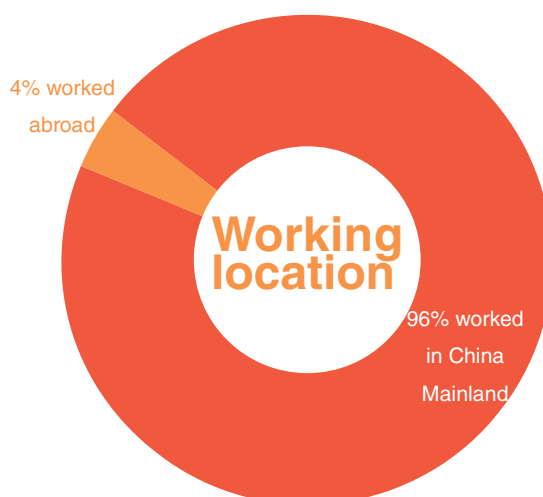
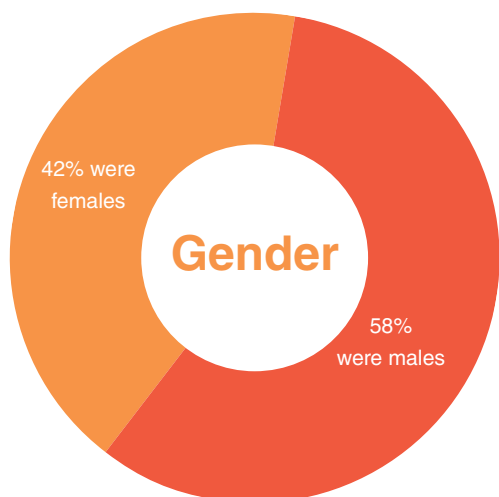
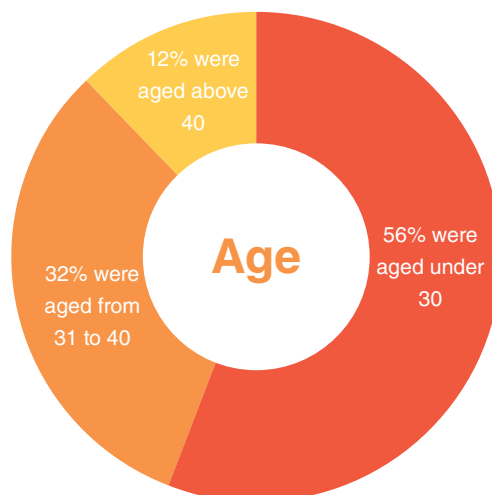
Equal Employment

We create an equal opportunity and work environment for all staff and guarantee their legitimate rights and interests. Moreover, we strive to build a diversified talent team and respect the uniqueness of every employee.

Management of labor relations

The Company strictly abides by “Labor Law of the People’s Republic of China,” “Labor Contract Law of the People’s Republic of China,” “Trade Union Law of the People’s Republic of China,” the “Employment Ordinance” of the Government of the Hong Kong Special Administrative Region, and other national laws and policies, and signs labor contracts with all employees on the basis of equality, free will and mutual agreement so as to establish lawful hiring relationship. We prevent the employment of child labor through effective recruitment process, and prohibit compulsory labor by the Regulation on Attendance Management. We do not allow discrimination by gender, geography, nationality, religion and other factors in recruitment, remuneration, training, promotion and other matters. All employees are guaranteed to equal, just and open job opportunities.

Our team





Care for Employees

We strive to maintain a stable team by offering competitive remuneration schemes, creating safe and healthy working environment, and balancing employees' work and life through formulating and continuously improving a series of policies and systems. In 2017, we managed to maintain the turnover rate at 13% – about the same as that of the previous year.

Improve the benefit system

We have built up and kept improving the benefit system, ensuring competitive benefits to our employees.

A benefit system that matches our business performance is in place to guarantee the competitiveness of our benefit packages and to promote business development. We optimize the remuneration structure and strengthen the bridge between bonus and performance with stronger incentives. We have designed a differentiated incentive system to meet the requirements of

various business units and enhance incentives to core talents and key talents. We take employees' interests into consideration when designing payment schemes to best motivate them. We actively participate in industrial remuneration surveys to stay updated with the latest trends. We review the competitiveness of our benefit packages and make timely adjustments.

In terms of benefits, we have established a multilevel endowment insurance system. Social insurance, including basic endowment insurance, basic medical insurance, local medical insurance, work injury insurance, and unemployment insurance is purchased for all employees. Supplementary insurance, including group accident insurance, critical illness insurance and generic health insurance, is also purchased. We set up corporate pension plan that prepares pensions for those with certain length of service to enhance employees' loyalty and to share our business success with them. The social and commercial insurance as well as the corporate pension constitute a comprehensive benefit system, supporting the employees' daily lives during their service and after retirement.

Create friendly working environment

We strive to build a comfortable and harmonious working environment for our staff to ensure their health and safety so they can work happily.

In terms of employees' health, we comply with labor laws and regulations, follow the "Attendance Management Requirements", and guarantee employees' rights to rest and paid leave to maintain their positive work attitudes and work-life balance. We reinforce labor protection to prevent occupational diseases and relevant hazards. We organize an annual health check which covers all staff. Various recreational events and health talks are held for staff.

In terms of working environment, we attend to every detail to ensure employees' safety and well-being. For example, we have set "Administrative Procurement Management Implementation Measures" to require decoration companies and furniture suppliers should provide raw materials and finished products that are recognized as harmless to the human body and meet the national E1 standard. Suppliers are also required to present inspection reports of the main materials upon delivery. We hire professional companies for security, cleaning, and greenery to provide a safe and clean work place for our people.

Work-life balance

Leisure activities

Our Labor Union was established on our founding, representing the benefits of all employees. Meanwhile, union groups were set up at each department and branch. Currently, the participation rate of our employees has reached 100%. It works as a Staff Home to address staff's needs and difficulties. Greetings are sent to staff at festivals such as the Lantern Festival, Dragon Boat Festival and Mid-Autumn Festival, as well as birthdays. Networking events are held for young staff. Representatives are sent to visit sick staff or pregnant colleagues.

The union consists of clubs for soccer, basketball, badminton, tennis, Go, singing, photography and other recreational activities. Events are regularly held to enrich staff's leisure life and cultivate rapport.

In 2017, badminton, soccer, basketball, tennis, walking, singing contest and other activity events were held, attracting over 600 staff from 32 units in Guangdong, Shenzhen, and Hong Kong to join. The recreational and sports competitions showcased our corporate culture and teamwork spirit. Our employees became more engaged, their spirits were lifted, and their leisure lives were enriched.

In 2017, badminton, soccer, basketball, tennis, walking, singing contest and other activity events were held, attracting

32 units

in Guangdong, Shenzhen, and
Hong Kong to join

over
600 staff
attend the contest

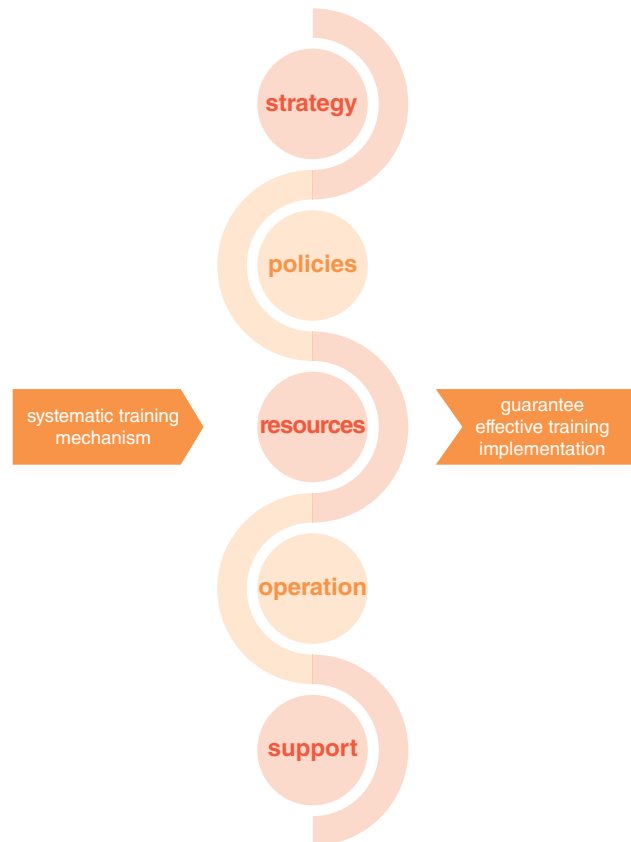
Platform for Career Development

In order to optimize our team structure, reinforce the management of key talents and maintain our competitiveness, we set up the “Policy on Position Ranking” that defines the career path for staff in different position units. In the meantime, the Company has established a systematic training mechanism that consists of strategy, policies, resources, operation and support to guarantee effective training implementation, so that they can be promoted based on their professional capabilities and performance.

The “Policy on Position Ranking” regulates the management of position rankings, drives the construction of talent teams, and supports our business development. The Company has defined six position rankings – MD, ED, D, VP, AS and AN, and specified requirements and appraisal criteria including education background, qualifications, work experience, performance results, training hours, professional capabilities and management capabilities for each ranking based on the Company’s requirements for the professional levels of employees at various positions. We devise training plans and implement training programs based on the curriculum for different rankings and positions. We continuously improve the curriculum, upgrade the internal trainer team, build online training platform, introduce various training and other talent development methods, and develop training and personal development guidance in accordance with each position and ranking.

In 2017, we continued to optimize the qualification system. The contribution assessment results and MD position rankings system were linked together to be applied in position ranking adjustment. The correlation of position rankings and employees’ capabilities were clearly defined through benchmarking of each position ranking and relevant qualification requirements, so that each employee had a clear career development path, which was supported with corresponding training program, trainers and resources. Employees’ annual training hours were then bound with position qualification, encouraging employees to develop themselves and move to higher rankings.

We have built re-allocation channels between the head-quarters, departments, and branches, supporting our staff’s career choice and all-round development. In 2017, 217 internal allocations were made to fully utilize the talent resources.





Respectful to Society

We believe that enterprises should not only shoulder economic or legal responsibility, which increase transparent profits in accordance with provisions of laws and administrative regulations, but also commit to their social responsibilities which include ethics and charity. For example, performing events such as poverty relief, educational aid, community building, resources conservation, environmental protection or charity activities can shape our business value, and eventually benefit the society's wealth and health as a whole.



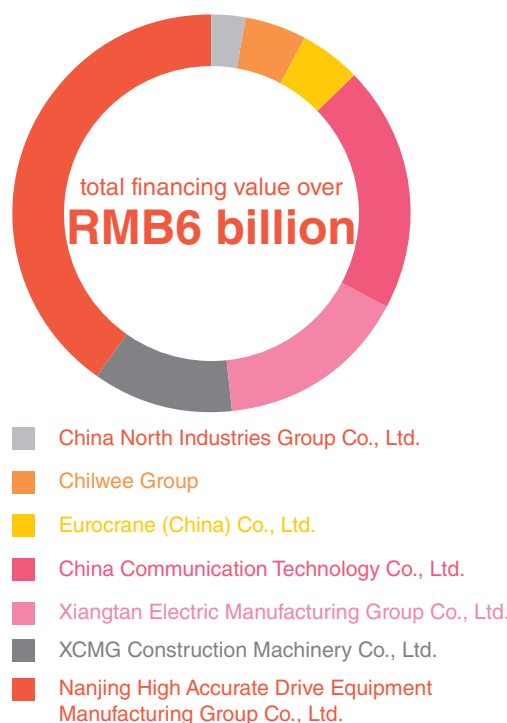
Financial Social Work

Adhering to China's strategic development plan, we served the real economy through innovative financial services, and set benchmark in optimizing the allocation of social resources.

Serving real economy

Facilitate high-end manufacturing

In March 2017, People's Bank of China, Ministry of Industry and Information Technology, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission jointly issued "Guideline of Multi-pronged Financial Support for Strong Manufacturing Power", which called on the development of the multi-layer capital market, and strengthening the capital support in building a manufacturing power for the key sectors and tasks of "Made in China 2025". In 2017, we provided various financing services such as bond and medium-term notes underwriting, and sponsoring to high-end manufacturers of key components, manufacturing equipment, smart facilities, and energy facilities, with a total financing value of over RMB6 billion.



Clients	Services	Financing (Million Yuan)
China North Industries Group Co., Ltd.	Underwriting the issuance of corporate bonds	18.2
Chilwee Group	Underwriting medium-term notes	30
Eurocrane (China) Co., Ltd.	Listing sponsor and leading underwriter	29.28
China Communication Technology Co., Ltd.	Underwriting the issuance of corporate bonds	120
Xiangtan Electric Manufacturing Group Co., Ltd.	Underwriting the non-public issuance of exchangeable corporate bonds	94
XCMG Construction Machinery Co., Ltd.	Underwriting the issuance of renewable corporate bonds	67.5
Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.	Underwriting the issuance of corporate bonds	242

Support industrial transformation

At the end of 2016, National Development and Reform Commission and National Energy Administration issued "the 13th Five-Year Plan for Coal Industry", which pointed out the transformation of the coal industry into a coordinated, safe, efficient and green modern industrial system as a significant historical mission for the industry during the 13th Five-Year period. In 2017, we deeply engaged in the cross-border M&A and key asset restructuring program of Zhengzhou Coal Mining Machinery Group Co., Ltd. and the M&A and accompanied financing program of Taiyuan Coal Gasification Co., Ltd. to optimize the business structure of the two companies, and to transform them from conventional coal-related business to clean energy and automobile accessories business, increasing their profitability and stability.

Serving small and medium-sized enterprises (SMEs)

In response to the call of "starting businesses with innovations by the general public", we actively engaged in the designing, drafting, polishing and finalizing of relevant business provisions regarding bonds/convertible bonds of start-up business, which was led by the two stock exchanges and China Securities Depository and Clearing Corporation Limited (CSDC). After the announcement of relevant business rules, we dispatched delegations to the themed promotion respectively sponsored by Shanghai Stock Exchange and CSRC's Department of Corporate Bond Supervision, and Shenzhen Stock Exchange and National Equities Exchange and Quotations Co., Ltd.. During the promotion, we shared the related information and experiences on the convertible bonds



of innovation enterprises with the participants, which was well received. At the same time, we assisted Shenzhen Value Online Information Technologies Inc. (hereinafter referred to as Value Online) to issue non-public convertible corporate bonds in 2017, marking the first unlisted and unquoted company that offered such financial product, which set an important example for the market, and showcased our value and capacity in providing life-time service for SMEs. Prior to Value Online, there were three NEEQ companies that had issued non-public convertible corporate bonds of innovations and business startups in Shanghai and Shenzhen Stock Exchanges.

Financial risk mitigation

We closely followed instructions on expanding the scope of non-performing asset-backed security (ABS) pilots. In 2017, we underwrote a total amount of RMB5.559 billion in non-performing ABS for 11 large commercial banks. Among them, we underwrote “NPA-backed securities of Hongfu 2017-1”, “NPA-backed securities of Xingrui 2017-1” and “NPA- backed securities of Longxing 2017-1”, all of which were the first batch of projects after the expansion of the pilots. Longxing 2017-1 was the first public NPA project after the expansion of the pilots. The successful issuance of these products indicates investors are gaining confidence in NPA-backed securities products – a new standardized method for banks to dispose non-performing assets.

Optimization of resource allocation

PPP financing

Since 2014, local governments’ reliance on financial platforms to steer investment has been impacted by the “State Counsel’s Debt Management of Local Governments Regulations” (No. 43 document), while the total number of fixed asset investment throughout China is still considerable. Under the double pressure of maintaining steady growth and controlling debt risks, developing PPP financing mode by introducing social capital has become an effective solution to the dilemma. Therefore, PPP financing mode has been widely approved and promoted by the top decision makers.

However, the large investment sum and the long recovery period of PPP pose constraints to social capital. PPP asset securitization offers social capital an exit channel, driving social capital to engage in PPP.

In March 2017, China Merchants Securities took the lead to complete the first PPP ABS program in China, namely, the China Fortune Land Development Co., Ltd (CFLD) heating fee income right asset-backed special plan of new urbanization PPP project at the Industrial Park of Gu’an County. The project adhered to the state’s guidance of “improving the allocation of available resources and increasing high-quality supply,”

and signaled the implementation of documents issued by National Development, Reform Commission (NDRC) and CSRC. In 2017, the Company completed two PPP ABS programs, with a total amount of RMB3.906 billion.

Green finance

In 2017, CSRC, National Association of Financial Market Institutional Investors (NAFMII) and People’s Bank of China issued guidance and policies regarding green bonds. The regulatory policies of green bonds are getting in shape. In response to the regulators’ call, we underwrote six green financial debts, green business debts and green ABS, approximating a total amount of RMB10 million. Among them, “Export-Import Bank of China (EIBC) Green Financial Bond 2017-1”, jointly underwritten by our company, was the first market-oriented green financial bond of the bookkeeping issuance for global investors to support the “Belt and Road” project. As for the “Green Credit Asset Backed Securities of Nongying 2017-1”, with us as the leading underwriter, was the first certified green credit asset securitization product in the inter-bank market.

Science and technology financing

We chose companies in line with national policies as main target clients. In 2017, we successfully recommended five high-tech companies to be listed on the main board, SME board and GEM board, with a total amount of RMB3.64 billion. Taking advantage of our full-chain service platform, we continued to provide follow-up services for listed companies, including 55 sessions of targeted private placement services, and marketing making services for another 14 companies.

In 2017, the Company completed two PPP ABS programs, with a total amount of RMB

3.906 billion

In 2017, we successfully recommended five high-tech companies to be listed on the main board, SME board and GEM board, with a total amount of RMB

3.64 billion

Poverty Alleviation

In 2017, we actively responded to the government's appeal towards helping impoverished areas and ensured effective implementation in forms of skills training, industry developing and educational aid. Most importantly, we focused on helping the impoverished develop their own strengths to break through the poverty barrier in a more effective and sustainable way.

Poverty alleviation in industrial development: We provided financing services in various forms, such as equity financing on NEEQ, IPO sponsoring, setting up or participating in industrial funds, exchangeable bonds issuance as well as green bond issuance, achieving a total financing value of RMB7.175 Billion by end of 2017.

Poverty alleviation in finance: We leveraged our financial specialty to propose development plan for poverty stricken counties, and to offer comprehensive financial services to local companies.

Poverty alleviation in consumption, we spent over RMB1.9 million to purchase honey melons and dates in Makit County, Xinjiang, edible plants and mushroom in Neixiang County, selenium-rich rice in Shitai County, and mineral water in Mulao Autonomous Region, Guangxi, and to promote pear planting in Xi County, Shanxi. We collected, sorted and published information of the agriculture products in the two paired counties on the "consumption platform for poverty alleviation" launched by Securities Association of China to enhance marketing impacts and expand sales channel. We promoted tourism in Shitai County and Neixiang County via internal magazine to unleash the consumption potentials in tourism in the two counties.

We provided financing
services in total of

RMB7.175 billion

spend over

RMB1.9 million

on poverty alleviation
in consumption



Respectful to Society

Poverty alleviation in education: We organized various forms of training and education support in multiple poverty stricken areas to enhance the finance knowledge of local officials and entrepreneurs, and to introduce advanced education mindset.



14 “Dream Classrooms” in Shitai County and Neixiang County were built and put in use, to bring in advanced education mindset to the local educators.

Donated RMB1.2 million to organize four rounds of six-day training program on “understanding the capital market, developing local economy” for 120 cadres in companies and public institutions in Shitai County, Anhui Province, and Neixiang County, He’nan Province.

Participated in the themed training on securities financing and NEEQ listing held by the Finance Office of Ganzi Tibetan Autonomous Prefecture, and introduced knowledge on NEEQ listing and securities financing through case study and Q&A. The training brought in new ideas on direct financing to the Ganzi Prefecture, and proved to be a meaningful tryout for local governments to tackle the financing difficulties faced by local companies, and to build innovative financing platforms to develop local economy.

Poverty alleviation in industrial development “One-on-one” poverty alleviation

Based on the characteristics of Shitai’s resources and industries, China Merchants Securities has used its own advantages to support Shitai to carry out investment, industrial chain integration, corporate restructuring, and mergers and acquisitions, and provided relevant professional services. We also helped the county enhance cooperation among agriculture, tourism, industry, and other areas, promoting industrial management in enterprises and economic development in Shitai.

Alleviated area:
Shitai County
in Chizhou of
Anhui Province
(forecast economic
improvements in 2019)

Poverty alleviation in education

Organized six-day training camp on “understanding the capital market, developing local economy” for cadres in companies and public offices.

In May 2017, we held a financial work conference in Shitai County to deliver training on the OTC investment banking business.

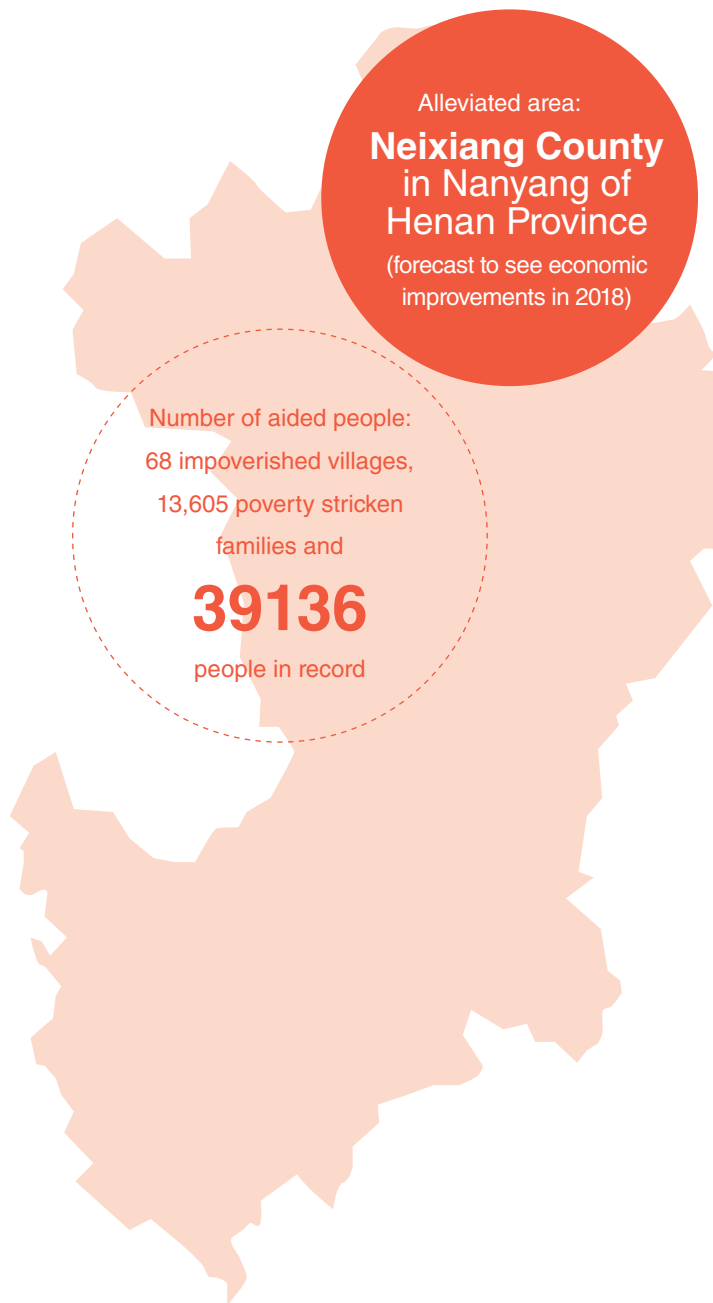
7 “Dream Classrooms” were built and put in use, to bring in advanced education mindset to the local educators.

Number of people aided:

15333

poverty stricken people

“One-on-one” poverty alleviation



Poverty alleviation in finance

In response to the county official's need, we set up a securities branch in Neixiang County, Henan, to provide underwriting, M&A, asset restructuring, finance consulting, investment consulting, and other integrated financial services.

In November, working with experts from the Institute of Finance and Banking of Chinese Academy of Social Sciences, the Company launched the development of a three-year strategic finance program for Neixiang County to address its hope in building a finance high ground within the region.

Poverty alleviation in industrial development

In 2017, through non-public offering of shares and preferred shares, we raised over RMB5.55 billion for Muyuan Group in Neixiang County, Nanyang for pig production expansion, bank loans repay and supplement of company liquidity, to enhance the company's sustainable profitability. In addition, we helped Muyuan Group reduce liabilities, increase liquidity, improve the solvency indicators, reduced financial risks and financial expenditure, to further enhance its profitability, strengthen financing ability, and broaden its financing channels.

From July to November, 2017, we visited Haolin Fruit Company, Dongfu Pottery Company, KEDETIANBO, Nanyang Guoyu Seal Development Co., Ltd, Furuizi Biological Technology Co., Ltd., Nanyang Shenwei Demolition Co., Ltd, Nanyang Yinxing Steel Co., Ltd. and other dozen companies in Neixiang County five times, and provided suggestions on their business models, business management and capital operation.

In November 2017, we looked into the Donglei lithium projects in Nanyang, preparing the docking of early capital market for the project's settling in Neixiang County. In the same month, we launched the development of a three-year strategic finance program for Neixiang County to unleash its productivity, enabling self-driver poverty alleviation.

Poverty alleviation in education

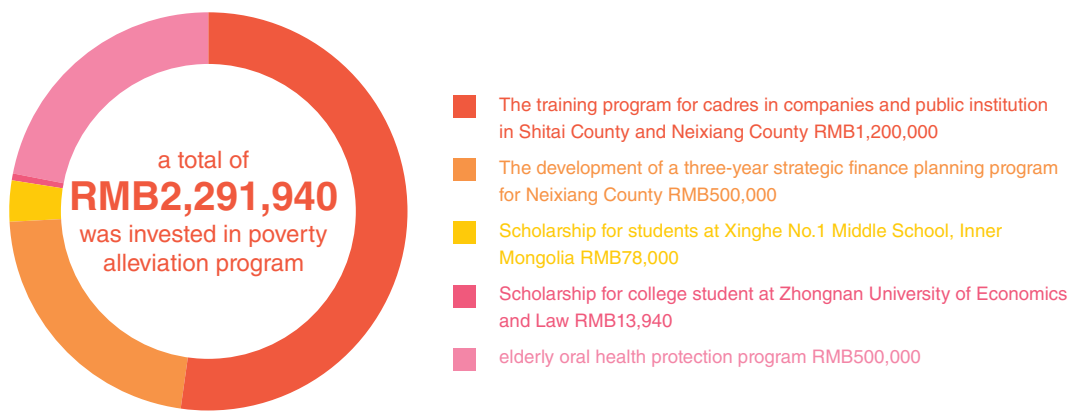
Organized six-day training camp on “understanding the capital market, developing local economy” for cadres in companies and public offices.

7 “Dream Classrooms” were built and put in use, to bring in advanced education mindset to the local educators.



Shenzhen Merchants Securities Foundation

Shenzhen Merchants Securities Foundation was founded in 2015 with RMB2 million as initial fund. In 2017, China Merchants Securities donated another RMB10 million to the foundation to support its development. The Foundation is committed to poverty alleviation, supporting education, caring for the vulnerable groups, and other public charity projects. During the year, a total of RMB2,291,940 was invested in multiple projects.



Future Leadership Education Fund

In 2015, the company and the Peking University Education Foundation set up “Future Leadership Education Fund”, a permanent fund financed in the proportion of 1:1. It enables outstanding students to fully develop with investment income, making a meaningful attempt at the new mode of school-enterprise cooperation. The fund is on-going.

College Student Employment Fund

Given that college graduates have faced employment pressure and structural contradiction in recent years, college student employment has become a tough task for society. On August 8, 2016, the Company and the China Youth Venture Foundation initiated the joint movement “One Thousand Schools, Ten Thousand Jobs” to help with college student employment. We also donated RMB5 million through the Shenzhen Merchants Securities Foundation to the China Youth Venture Foundation, and established the “China Merchants Securities College Students Employment Special Fund” for college graduates to carry out activities related to financial knowledge, employment skill training, and overseas exchanges. In 2017, we continued our finance training for impoverished college student with our campus recruiting system.

Enhance oral health for the elderly

In order to help the poor elderly edentulous patients receive timely and effective repair treatment, and solve the serious teeth-missing problem, Shenzhen Merchants Securities Foundation donated RMB500,000 to China Oral Health Foundation in October 2017, as a special fund for the elderly oral health protection program. The program was carried out in Chengdu, Ji’nan, Rizhao and Yantai, where a partner hospital was selected to provide dental medical assistance for the poor elderly edentulous patients over 60 years old.

The program will last 12 months, aiming to provide 400 elderly that meet the denture setting conditions with free dental service. Funded by Shenzhen Merchants Securities Foundation through China Oral Health Foundation, the partner hospitals will provide RMB1,000 worth of treatment to each recipient and are responsible for the follow-up maintenance.



Environmental Protection

Following the “Law of the People’s Republic of China on Energy Conservation” and the “Law of People’s Republic of China on Environmental Protection”, we advocate sustainable development, and actively promote green commuting and green office.

Green commuting

At present, the Company only has a small fleet of corporate vehicles, which are under strict management. We provide training on driving skills and efficient use of energy. Meanwhile, we encourage employees to take public transportation to save energy and reduce gas emissions. The Company is equipped with video and audio conference call systems. At the same time, we encourage employees to do self-study and take exams through the E-learning system, reducing business trips and the use of vehicles.

Green office

Our business and daily operation are going digital, so the scrapping of electronic equipment and electricity power consumption are our primary concerns in minimizing environment impacts. To this end, we have taken a variety of measures to train the employees’ consciousness of recycling and saving energy, reducing emissions and protecting the environment.

The Company issued the “Information Technology Assets Management Approaches,” stipulating that before being scrapped or transferred, computer servers, network equipment, printing equipment and other electronic hardware equipment in all securities branches and offices be identified, confirmed and disposed for data-destruction by the computer personnel from IT center or securities branches, and all the information be reported to related departments, IT center and the Finance Department for approval. The systematic management of the Company’s electronic hardware not only demonstrates our effective prevention to information leakage, but also ensure the best use of electronic devices, to reduce electronic waste and adverse impacts on the environment.

We promote the use of LED lamps to reduce lamp consumption, and ensure all lights are turned off when leaving. All office equipment is turned off when not being used. In summer, we maintain the air conditioner temperature at 26 degrees and above. In our offices and securities branches, we put up signage at the faucets and water machines to remind staff to save water. We use water saving faucets and toilets in rest-rooms. Every day after work, security guards check the workplace to make sure all electrical appliances are off in accordance with the relevant requirements in the “Patrol Guidelines to Security Guard”. We recommend customers to use electronic trading platform, including telephone, mobile phone and PAD. In addition, we advocate “paperless office” in the Company, and gradually convert to rented printers with the regular professional maintenance to extend the service life of printing equipment and accessories, and reduce environmental impacts caused by the frequent replacement of toner cartridges and ink cartridges.



2017 Social Recognition

Awarder	Awardee	Award
Shanghai Stock Exchange	China Merchants Securities	2016 Shanghai Stock Exchange Excellent Participant in Local Government Bonds
Insurance Asset Management Association of China	China Merchants Securities	No. 3 in Best Insurance Capital Research Contributing Organization
New Fortune Magazine 11th "New Fortune Best China Investment Bank"	China Merchants Securities	No. 3 in "Best Domestic Investment Bank" No. 8 in "Best Equity Underwriting Investment Bank" No. 2 in "Best Securities Underwriting Investment Bank" No. 10 in "Best IPO Investment Bank" No. 8 in "Best Refinancing Investment Bank" No. 2 in "Best NEEQ Investment Bank" No. 4 in "Most Innovative Investment Bank" No. 5 in "Best Investment Bank in TMT" No. 5 in "Best Investment Bank in Finance & Real Estate" No. 4 in "Best Investment Bank in Medicine & Health" No. 5 in "Best Investment Bank in Modern Logistic" No. 6 in "Best Refinancing Project" No. 4 in "Best Corporate Bond Project" No. 6 in "Best Convertible Bond Project" No. 2 in "Best Asset Securitization Project" No. 8 in "Best Oversea Project"
New Fortune Magazine 15th "New Fortune Best Analysis"	China Merchants Securities	No. 6 in "Best Domestic Research Team" No. 7 in "Most Influential Research Organization"
Securities Times	China Merchants Securities	No. 4 in 2017 China Securities Investment Bank No. 5 in 2017 China Versatile Investment Bank
Securities Times 2017 Excellent Securities Company APP	China Merchants Securities "Zhiyuan Onepass APP"	Top Ten Brand Excellent Operation Most Catchy APP Name
International Financial News 2017 International Pioneer Investment Bank	China Merchants Securities	2017 International Pioneer Investment Bank 2017 M&A Pioneer Investment Bank 2017 Securities Underwriting Pioneer Investment Bank 2017 IPO Pioneer Investment Bank 2017 TMT Industry IPO Pioneer Investment Bank 2017 New Energy Industry IPO Pioneer Investment Bank
Value Line, China Economic Net, Yicai, Xinhua Net	China Merchants Securities	2017 A Shares Best Investment Bank

Awarder	Awardee	Award
ZERO2IPO Group	China Merchants Securities	No. 8 in 2017 Leading Underwriter for (VC/PE Support) Chinese Companies Domestic Listing Top Ten No. 9 in 2017 Primary Securities Trader for (VC/PE Support) Chinese Companies NEEQ Listing Top Ten
Shenzhen Stock Exchange	China Merchants Securities	Shenzhen-Hong Kong Stock Connect Outstanding Contribution
Jinyin Award	China Merchants Securities Client Center Shared Service Center	2017 China Best Client Communication Center – Client Service Award
China Foundation for Poverty Alleviation	China Merchants Securities	China Poverty Alleviation Ambassador 2016 Outstanding Contribution
Shanghai Stock Exchange	Wang Chunbing, Debt Capital Market Department, China Merchants Securities	2016 Shanghai Stock Exchange Excellent Individual Participant in Local Government Bonds
New Fortune Magazine 11th “New Fortune Best China Investment Bank”	Xie Jijun, General Manager of Investment Bank, China Merchants Securities	2017 Best Investment Banker
New Fortune Magazine 11th “New Fortune Best China Investment Bank”	Jiang Ronghua, China Merchants Securities	Elite in Investment Banking
New Fortune Magazine 11th “New Fortune Best China Investment Bank”	Sun Jian, Zhou Jinfeng, China Merchants Securities	Best Underwriting Representative
International Financial News 2017 International Pioneer Investment Bank	Xie Jijun, General Manager of Investment Bank, China Merchants Securities	2017 International Pioneer Investment Banker
International Financial News 2017 International Pioneer Investment Bank	China Merchants Securities International	2017 Growth Pioneer Investment Bank
Securities Times “China Securities Traders” Securities Trader WeChat Account 2017 “Securities Traders Billboard”	China Merchants Securities WeChat service account	2017 Most Influential Service Account Top Ten
Guangdong Research Committee of Corporate	China Merchants Securities	2017 Guangdong Corporate Culture Comprehensive Competitiveness Top 100
Zhengzhou Commodity Exchange	China Merchants Futures	Excellent Member Excellent Member in Industry Service Growth Excellent Member in Category Industry Service

Appendix 1: List of Policies

ESG INDEX	POLICES
A1: THE EMISSION	Law of the People's Republic of China on Environmental Protection, China Merchants Securities Information Technology Asset Approaches
A2: USE OF RESOURCES	Law of the People's Republic of China on Energy Conservation, China Merchants Securities Patrol Guidelines to Security Guard
A3: ENVIRONMENT AND NATURAL RESOURCES	Law of the People's Republic of China on Environmental Protection, Law of the People's Republic of China on Energy Conservation, China Merchants Securities Information Technology Asset Approaches, China Merchants Securities Patrol Guidelines to Security Guard
B1: EMPLOYMENT	Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Trade Union Law of the People's Republic of China, Employment Ordinance of the Government of the Hong Kong Special Administrative Region, China Merchants Securities Attendance Management Requirements, Management Measures for Brokers of China Merchants Securities, Management Measures for Account Managers of China Merchants Securities
B2: HEALTH AND SAFETY	China Merchants Securities Attendance Management Requirements, China Merchants Securities Administrative Procurement Management Implementation Measures,
B3: DEVELOPING AND TRAINING	China Merchants Securities Policy on Position Ranking, China Merchants Securities Training Management Policy, China Merchants Securities Trainer Management Policy, China Merchants Securities Online Training Policy, China Merchants Securities Outsourced Training Policy, China Merchants Securities Internal Management on Trainer and Training Development, China Merchants Securities Staff Training Hours Requirements, China Merchants Securities Training Curriculum System Interim Management Approaches

ESG INDEX	POLICES
B4: LABOR STANDARDS	Labor Law of the People's Republic of China, Employment Ordinance of the Government of the Hong Kong Special Administrative Region, China Merchants Securities Attendance Management Requirements
B5: SUPPLY CHAIN MANAGEMENT	Law of the People's Republic of China on Tendering and Bidding, China Merchants Securities Procurement Management Policy
B6: PRODUCT LIABILITY	Measures for Compliance Management in Securities Companies and Investment Funds Management Companies, Measures for the Suitability Management of Securities and Futures Investors, Guidelines for the Implementation of the Suitability Management of Investors in Securities Business Institutions (trial), China Merchant Securities Compliance Management Policy, China Merchant Securities Compliance Manual, China Merchant Securities Investor Suitability Management Approaches, China Merchant Securities Confidentiality Requirements, IT System Data Confidentiality Management Approaches, Insider Information Confidentiality Policy, Financial Service Outsourcing Confidentiality Management Approaches, Client Complaint-handling Management Approaches, Retail Client Complaint-handling Measures
B7: ANTI-CORRUPTION	Criminal Law of People's Republic of China, Law of People's Republic of China on Tendering and Bidding, Regulations on the Prevention of Bribery in Hong Kong Special Administrative Region of the People's Republic of China, Measures for Administration of Reporting of Large-amount Transaction and Suspicious Transaction of Financial Institutions, Hong Kong's Regulations on the Fight against Money Laundering and Terrorist Financing (Financial Institutions), China Merchant Securities Compliance Manual, China Merchants Securities Procurement Management Policy, China Merchants Securities Securities Branch Anti-money Laundering Internal Control Policy, China Merchants Securities Client Identification Management Approaches, China Merchants Securities Client Identity Approaches, Transaction Records Documentation and Management
B8: COMMUNITY INVESTMENT	China Merchants Securities Foundation Chapter

Appendix 2: List of Quantitative Data

ESG index		unit	2017	2016
A. Environment				
A1. Emissions				
A1.1	types of emissions, related emission data and density			
	total emission of sulfur oxide	kg	14.4	16.6
	emissions of sulfur oxide, per capita	kg	0.001	0.001
	total discharge of domestic wastewater	ton	99843	93133
	discharge of domestic wastewater, per capita	ton	9.4	8.6
A1.2	emission and density of greenhouse gas			
	Range 1 – total gasoline emissions	ton	2228	2565
	Range 1 – gasoline emissions, per capita	ton	0.2	0.2
	Range 1 – total diesel emissions	ton	5.4	4.3
	Range 1 – diesel emissions, per capita	ton	0.0005	0.0004
	Range 2 – total emissions of purchased electric power	ton	10456	10182
	Range 2 – emissions of purchased electric power, per capita	ton	1.0	0.9
	total greenhouse gas emissions	ton	12689	12752
	per capita emissions of greenhouse gases	ton	1.2	1.2
A1.3	total amount and density of harmful waste produced			
	total amount of ink cartridge	piece	2094	6408
	per capita amount of ink cartridge	piece	0.2	0.6
	toner cartridge	item	4723	4766
	per capita amount of toner cartridges	item	0.4	0.4
	lamp	piece	11535	9471
	per capita amount of the lamp	piece	1.1	0.8
A1.4	total amount and density of harmless waste produced			
	electronic equipment	set	618	1681
	per capita amount of electronic equipment	set	0.1	0.2

ESG index		unit	2017	2016
A2. Use of resources				
A2.1	energy consumption and density			
	power consumption	kwh	15542884	15054277
	per capita electricity consumption	kwh	1461.8	1391.7
	gasoline consumption	kl	980	1128
	total amount of gasoline per capita	kl	0.1	0.1
	diesel consumption	kl	2.061	1.662
	per capita consumption of diesel	kl	0.0002	0.0002
A2.2	water resources consumption and density			
	water consumption in the office	ton	110936	103481
	per capita consumption of diesel	ton	10.43	9.6
Note: The 2016 environment data consist of the full-year data from the Shenzhen headquarter of China Merchants Securities, 10 branches, 191 securities branches and four controlled subsidiaries.				
The 2017 environment data consist of the full-year data from the Shenzhen headquarter of China Merchants Securities, 11 branches, 193 securities branches and five controlled subsidiaries.				
B. Society				
B1. Employment				
B1.1	number of employees: divided according to gender, type of employment, age group and region			
	number of people	Person	10633	10817
Gender	male	Person	6169	6327
	female	Person	4464	4490
Age	under 30 (including 30)	Person	5945	6688
	31-40	Person	3434	2991
	over 40	Person	1254	1138
Region	within China (mainland China)	Person	10246	10373
	overseas China (including Hong Kong, Macao and Taiwan)	Person	387	444

	ESG index	unit	2017	2016
B1.2	employee turnover and loss ratio: divided according to gender, age group and region			
	general staff turnover rate	%	13	11
B3.1	proportion of trained employees: divided according to the type of employment			
Percentage	non-marketing staff	%	47	36
	marketing staff	%	53	64
B3.2	employees' average training hours: classified according to the type of employment			
Percentage	Non-marketing staff	hour	49	64
	marketing staff	hour	81	58
B6.2	the number of complaints received about products and services	piece	54	63
B7.1	the number of corruption litigation cases			
	the number of cases involving corruption, bribery, extortion, fraud and money laundering	case	0	0
B8.2	resources used in the focus category			
	value of charity donation	10,000 (RMB)	243	

Appendix 3: ESG Index

Environmental, Social and Governance Reporting Guide Index		
Aspects	Provisions	Responding Chapters
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7.4 Environmental Protection Appendix 1: List of Policies
A1.1	The types of emissions and respective emissions data.	Appendix 2: List of Quantitative Data
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2: List of Quantitative Data
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2: List of Quantitative Data
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2: List of Quantitative Data
A1.5	Description of measures to mitigate emissions and results achieved.	7.4 Environmental Protection
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7.4 Environmental Protection
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.4 Environmental Protection Appendix 1: List of Policies
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix 2: List of Quantitative Data
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 2: List of Quantitative Data
A2.3	Description of energy use efficiency initiatives and results achieved.	7.4 Environmental Protection
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	7.4 Environmental Protection
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A (We do not produce a large amount of packaging materials in our business.)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	7.4 Environmental Protection Appendix 1: List of Policies
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.4 Environmental Protection

Environmental, Social and Governance Reporting Guide Index

Aspects	Provisions	Responding Chapters
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Equal Employment 6.2 Care for Employees 6.3 Platform for Career Development Appendix 1: List of Policies
B1.1	Total workforce by gender, employment type, age group and geographical region.	6.1 Equal Employment Appendix 2: List of Quantitative Data
B1.2	Employee turnover rate by gender, age group and geographical region.	6.2 Care for Employees Appendix 2: List of Quantitative Data
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.2 Care for Employees Appendix 1: List of Policies
B2.1	Number and rate of work-related fatalities.	N/A (Our employees conduct their daily work via computers in a safe and healthy working environment. Work injury or work-related fatalities are highly unlikely.)
B2.2	Lost days due to work injury.	N/A (Our employees conduct their daily work via computers in a safe and healthy working environment. Work injury or work-related fatalities are highly unlikely.)
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.2 Care for Employees
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Platform for Career Development Appendix 1: List of Policies
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 2: List of Quantitative Data
B3.2	The average training hours completed per employee by gender and employee category.	Appendix 2: List of Quantitative Data

Environmental, Social and Governance Reporting Guide Index

Aspects	Provisions	Responding Chapters
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Equal Employment Appendix 1: List of Policies
B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Equal Employment
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Appendix 1: List of Policies
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Appendix 1: List of Policies
B6.2	Number of products and service related complaints received and how they are dealt with.	5.4 Improve Complaint Handling Mechanism Appendix 2: List of Quantitative Data
B6.4	Description of quality assurance process and recall procedures.	5.2 Uphold Suitability Management
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.3 Respect Client Confidentiality
Aspect B7: Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.2 Internal Control and Risk Management 5.1 Strict Business Compliance Appendix 1: List of Policies
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 2: List of Quantitative Data
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.2 Internal Control and Risk Management 5.1 Strict Business Compliance
Aspect B8: Community Investment		
General Disclosure	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.	7.3 Shenzhen China Merchants Securities Foundation Appendix 1: List of Policies
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7 Respect to Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	Appendix 2: List of Quantitative Data



China Merchants Securities Co., Ltd

Address: 38-45F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, Guangdong, P.R.China

Postal Code: 518026

For further information, please contact 86-755-82943666

Hotline: +86-95565

Welcome to visit CMS website: www.cmschina.com

This report is printed by environmental paper