

**LUCION**

**山東省國際信託股份有限公司**

**Shandong International Trust Co., Ltd.**

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1697



**2017**

**ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT**

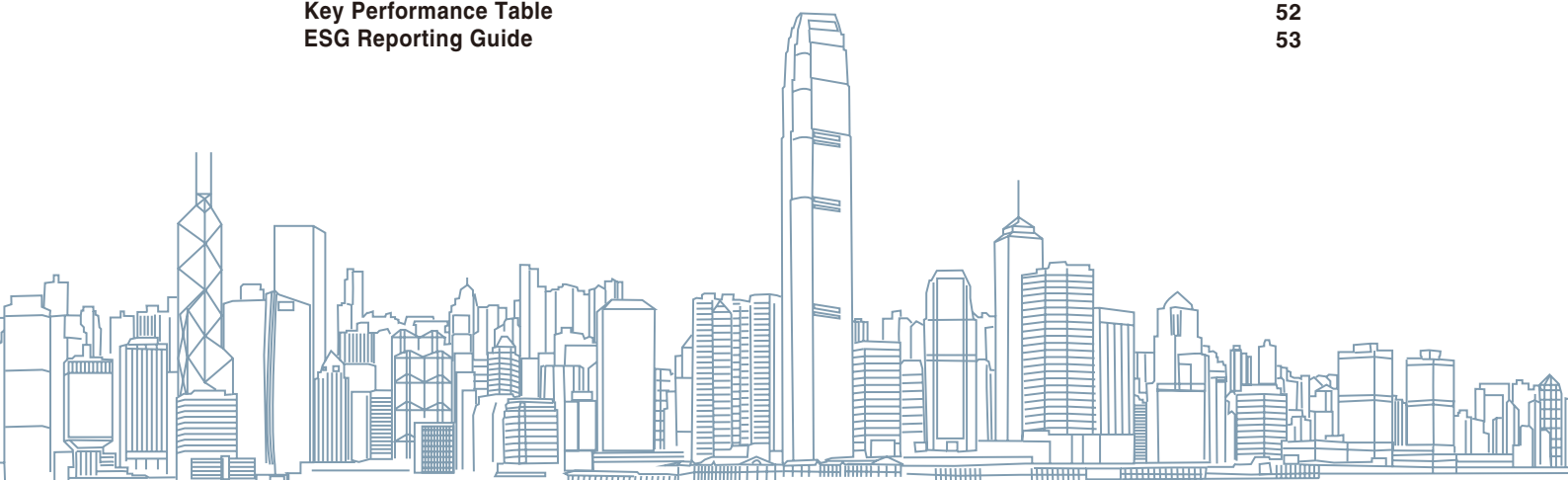


# LUCION



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## ABOUT THIS REPORT



### REPORTING SCOPE

Unless otherwise stated, this report covers Shandong International Trust Co., Ltd. (hereinafter referred to as "SITC", the "Company" or "we").

### REPORTING PERIOD

The reporting period is from 1 January 2017 to 31 December 2017.

### REPORTING CYCLE

This report is prepared annually.

### BASIS OF PREPARATION

This report has been prepared by the Company in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as "ESG Reporting Guide") described in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Stock Exchange"), for the purposes of disclosing the comprehensive performance of SITC in creating values for shareholders and customers whilst proactively discharging social responsibility. This report is the first environmental, social and governance report prepared by SITC.

### SOURCE OF INFORMATION

The financial information in this report is extracted from the 2017 annual report of SITC, and other information and data are sourced from the internal management documents and statistical information of the Company. Unless otherwise indicated, the currency for denomination in this report is Renminbi (hereinafter referred to as "RMB").

### FORM OF PUBLICATION

This report is issued in the form of printed version and electronic version. The printed version is available for inspection by the Company's shareholders and stakeholders at the Company's office of securities business; the electronic version can be downloaded from the official website of the Company ([www.sitic.com.cn](http://www.sitic.com.cn)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).





## DIRECTORS' STATEMENT

The year of 2017 was an extraordinary year in the history of SITC. With the keynote of achieving steady growth, SITC strove for transformation and innovation and obtained “dual success” of listing and operation by grasping listing preparation on the one hand and seizing business management on the other hand. Taking into consideration the actual conditions of the Company, we gave full play to trust advantages and gave impetus to the real economy, and pursued restoration of the core business, optimised business structure and imposed stringent risk control measures, always paying attention to the expectations and demands of stakeholders and persistently assuming the social responsibility as a state-owned enterprise in enhancing the ability to create our own values. The Company achieved a net profit attributable to the shareholders of RMB894 million (representing a year-on-year increase of 7.4%) and a return on equity for the shareholders of 13.4%, thereby generating substantial returns for shareholders. The actual tax payment in 2017 was RMB274 million, and the payment of trust interest to beneficiaries was RMB15.494 billion. Through actively cultivating the concept of social responsibility and demonstrating social responsibility with actions, the Company has achieved mutual development with all parties and has truly contributed to the construction of a better society with the spirit of trust.

We continued to promote transformation and innovation, constantly improved the standard of financial services, and created higher value for shareholders and customers. Reform in the “large-scale operation” management model raised the quality of customer service and the efficiency of business process in a comprehensive way; adhering to the service concept of “customer-oriented”, we created a brand of family trust, and committed ourselves to providing professional, diversified, differentiated investment and financing services, as well as wealth management service; we attached high importance to nurture investors and protect consumers’ rights and interests, through various social activities such as conducting “delivering financial knowledge to thousands of households” to popularise trust culture and deepen the public's recognition of trust so as to penetrate the trust concept into their minds.

We gave full play to the advantages of the trust system and comprehensively gave impetus to the development of the real economy and environmental protection. We vigorously supported the flourished development of emerging industries such as information technology, high-end equipment, new energy and new materials, helped boost the transformation and upgrading of traditional industries such as high-end chemical and high-tech agricultural industries, and facilitated structural reform of the supply side through the “real estate investment trust” pathway; we firmly grasped the needs of people from their livelihoods and increased investment in and the financing of infrastructure such as river improvement, sewage treatment, landscaping and afforestation as well as other infrastructure construction which was closely related to the publics’ lives, and contributed our modest effort to environmental protection and human health.



## DIRECTORS' STATEMENT (Continued)



We actively participated in social and public welfare to contribute to a better life with the power of trust. The first secretary, who was deployed to station in target village, took the lead in initiating “targeted poverty alleviation”; we actively established charitable trusts, providing a standardised, credible platform for the public welfare industry and charitable causes such as setting up educational scholarships, poverty alleviation and orphan rescue launched by social forces; we searched for connection with the cultural industry, established the Trust of the Zilan Culture Series, supported the construction of the rural tourism PPP project in a scenic spot of Yellow River Ancient Town of Binzhou and so on, in order to advance the prosperous development of the cultural creative industry, and give impetus to better livelihoods for citizens.

We adhered to the people-oriented principle and provided an extensive platform for employees to achieve their own values. SITC is committed to working with all of its employees to build the “home culture” by paying attention to, concerning about and taking care of the growth of employees, continuously deepening the human resources management mechanism, strengthening the construction of a team of talents, and pursue the joint establishment, mutual sharing, and common growth together with all of its employees.

2018 is the first year of SITC being listed in Hong Kong. Standing at a new platform and a new starting point, we will uphold the corporate values of “professionalism, honesty, diligence and accomplishment”, constantly demonstrate the concept of social responsibility of state-owned enterprises, and raise the standard of modern financial services, so as to create an outstanding value for investors, clients and staff and to grow with them.

For and on behalf of all directors

**Wan Zhong**

*Executive Director*



## ABOUT US

The Company, formerly known as Shandong International Trust Corporation (山東省國際信託投資公司), was established as a non-banking financial institution in March 1987, with the approval of the People's Bank of China and the People's Government of Shandong Province. The Company is currently a director member of the China Trustee Association. In December 2017, the Company was listed on the Hong Kong Stock Exchange, becoming the first trust company in the PRC listed on the Hong Kong Stock Exchange.

For 30 years since its incorporation, the Company has been devoted to serve the economic and social development by applying the trust platform, and to develop the ability of entrusted asset management. Through building platforms for wealth management, and investment and financing services, the Company provides professional, differentiated, personalised and integrated financial services for numerous investors, and offers quality investment and financing services for the development of national and local economies.

The Company aims at establishing its image as a first-class professional asset management service provider and an outstanding integrated financial service provider. The Company has become an integrated financial service institution with major businesses of financing trusts, investment trusts and administrative management trusts with various investment forms including loan, equity investment, asset securitisation, income right securitisation and financial leasing. The Company has a pool of quality corporate partners and loyal clients with high net worth and has formed a regulatory company governance system. The comprehensive strength of the Company is growing, profitability is increasing and the Company has a good social reputation and brand influence.

The growth of the Company in recent years has been recognised and praised by different sectors in the society. In the assessment of the trust industry conducted by the China Trustee Association for the years of 2015, 2016 and 2017, the Company was awarded with the highest rating of "Class A" for three consecutive years. The Company was successively awarded more than 20 national and industrial awards, including the "Integrity Trust – Excellent Company Award", "Integrity Trust – Management Team Award", "Best Innovative Trust Company", "Best Socially Responsible Trust Company Award", "Best Financial Service Organisation Award", "Excellent Financial Enterprise in Risk Control", "Trust Company with the Greatest Regional Influence in China" and "Best Wealth Management Trust Company". As a state-owned enterprise in Shandong, the Company received high recognition in the province for its development and was awarded the honorary title of "Advanced Company Contributing to Financial Development of Shandong Province" by the government of Shandong province. Also, the Company won the "Financial Innovation Award of Shandong Province" for three consecutive years. The Company was awarded with the highest rating of "Grade AAA" for five consecutive years in assessment of provincial corporate financial performance conducted by the Shandong Provincial Bureau of Finance.



## ESG CONCEPT AND MANAGEMENT



In the course of the 30 years of business development, SITC has always upheld the corporate cultural concepts of “professionalism, honesty, diligence and accomplishment”, fully leveraged the advantage of trust. “Being entrusted by and managing wealth for customers”. In actively creating values for shareholders, meanwhile, it provided better investment returns for trustors. It contributed its effort to the sustainable development of the society through a close interaction with stakeholders and actively undertook social responsibilities. The Company continued to promote transformation and innovation, and strived to provide customers with high-quality wealth management services, and supported the development of the real economy through various trust tools. The Company actively built the “home culture” and provided extensive development platform for employees to accomplish their own values. Committing to environmental protection, the Company placed emphasis on improving employees’ awareness of environmental protection, adopted various measures to reduce energy and resources consumption in the course of business operation to minimise impact on the environment, and worked with stakeholders to promote a sustainable development of the environment.

### ESG MANAGEMENT STRUCTURE

In combination of its own business nature and development strategies, the Company integrated the ESG concept with the Company’s business management. By identifying the main duties of each department, the Company has initially formed an ESG management organisational structure comprising the decision-making body, management body, and executive body in relation to the ESG management.

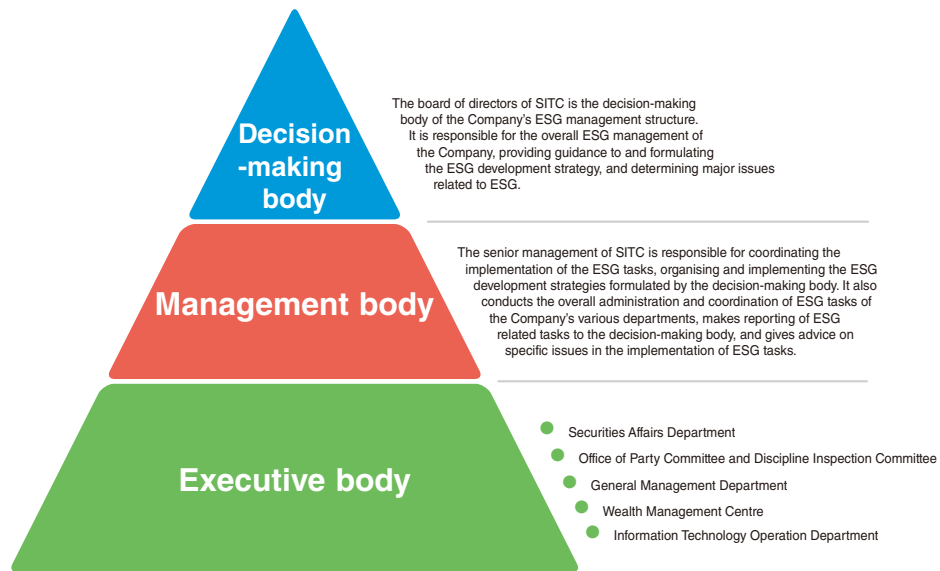
**Decision-making body:** The board of directors of SITC is the decision-making body of the Company’s ESG management structure. It is responsible for the overall ESG management of the Company, providing guidance to and formulating the ESG development strategy, and determining major issues related to ESG.

**Management body:** The senior management of SITC is responsible for coordinating the implementation of the ESG tasks, organising and implementing the ESG development strategies formulated by the decision-making body. It also conducts the overall administration and coordination of ESG tasks of the Company’s various departments, makes reporting of ESG related tasks to the decision-making body, and gives advice on specific issues in the implementation of ESG tasks.



## ESG CONCEPT AND MANAGEMENT (Continued)

**Executive body:** SITC's departments implementing ESG related tasks include the Securities Affairs Department, Office of Party Committee and Discipline Inspection Committee, the General Management Department, the Wealth Management Centre, and the Information Technology Operation Department, all of which support and cooperate with the management body in the implementation of each of the departments' ESG tasks of its own department and gathering statistics, etc.





## ESG CONCEPT AND MANAGEMENT (Continued)



### STAKEHOLDERS AND MATERIALITY ASSESSMENT

Based on the environment of the Company's industry, its own nature of business, and its product characteristics, SITC has identified and assessed the following major stakeholders, including shareholders, regulatory authorities, the government, customers, employees, partners, the community and the public. In its daily operations, the Company maintained close communication with the above-mentioned stakeholders through various channels to fully understand and evaluate their expectations and demands. The major stakeholders of the Company, the mechanism of communication and their main topics of concern are as follows:

Stakeholders	Mechanism of communication	Topics of concern
Shareholders	General meetings, periodic reports, ad hoc reports, daily communication	<ul style="list-style-type: none"> <li>✓ Operating results</li> <li>✓ Timely, accurate and complete disclosure of information</li> <li>✓ Sound and good corporate governance</li> <li>✓ Risk prevention and control</li> </ul>
Regulatory Authorities	Regulatory policies, on-site inspections, off-site supervision, delivery and receipt of official documents, conferences on specific topics, disclosure of information, daily reporting	<ul style="list-style-type: none"> <li>✓ Compliance with laws and regulations</li> <li>✓ Comprehensive risk management system, improved internal control system</li> <li>✓ Improved corporate governance</li> <li>✓ Net capital</li> </ul>
Government	Policy guidance, important meetings, reporting on specific topics, daily communication	<ul style="list-style-type: none"> <li>✓ Implementation of the national macroeconomic and financial policies</li> <li>✓ Support for adjustment to restructuring of national industries as well as transformation and upgrade</li> <li>✓ Support new and old kinetic energy conversion</li> </ul>



## ESG CONCEPT AND MANAGEMENT (Continued)

Stakeholders	Mechanism of communication	Topics of concern
Customers	Product promotion, publicity education, complaint hotline, survey on level of satisfaction, customer visit, WeChat public account, corporate website, due diligence	<ul style="list-style-type: none"> <li>✓ Customer relationship and communication channels</li> <li>✓ Service quality</li> <li>✓ Protection of consumer rights and interests</li> <li>✓ Popularisation of trust knowledge</li> <li>✓ Optimisation of business process</li> <li>✓ Product and service innovation</li> </ul>
Employees	Employee trainings, business salons, outward bound, labour unions, employee representative meetings, company internal journals	<ul style="list-style-type: none"> <li>✓ On-the-job trainings and trainings for professional skills</li> <li>✓ Compensation and benefits</li> <li>✓ Promotion and vocational development</li> <li>✓ Group activities</li> </ul>
Partners	Strategic cooperation, intra-industry exchange	<ul style="list-style-type: none"> <li>✓ Equality and cooperation</li> <li>✓ Mutual benefit and win-win situation</li> <li>✓ Mutual sharing and joint establishment</li> </ul>
Community and public	Public welfare activities, promotion of financial knowledge, WeChat platform, investor relations hotline, Company's website	<ul style="list-style-type: none"> <li>✓ Social responsibility</li> <li>✓ Harmonious community</li> </ul>

In 2017, through conducting analysis of the general expectations and demands of stakeholders, the Company has summarised the issues most concerned by stakeholders, which mainly include product liability, employee training, environmental protection and community investment. The Company regarded the abovementioned key issues as a reference for materiality assessment of this report.



## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE



In accordance with the Listing Rules, *the Company Law of the People's Republic of China* (《中華人民共和國公司法》), *the Guidelines for Governance of Trust Companies* (《信託公司治理指引》) and other relevant provisions, the Company established and improved its corporate governance structure. The general meetings, the board of directors and the board of supervisors all operate in compliance with laws and regulations, and corporate governance continues to improve. The Company strictly complies with national laws and regulations, formulates and effectively implements internal control systems relating to anti-money laundering, business integrity and anti-corruption, supplier management, information technology, and information security and other aspects, hence the internal control system was further improved and the standard of business management continues to improve.

### IMPROVING THE STANDARD OF CORPORATE GOVERNANCE

In 2017, the Company continuously increased the transparency of corporate governance to safeguard shareholders' interests and to raise the Company's value. In accordance with the Listing Rules, *the Company Law of the People's Republic of China*, *the Guidelines for Governance of Trust Companies* and other relevant provisions, the Company has set up a relatively comprehensive corporate governance structure. We stringently complied with the requirements of domestic and overseas relevant laws, regulations and regulatory documents for regulated operation, and continuously optimized the corporate governance structure and system in order to promote the corporate governance level. The composition of the board of directors of the Company and the special committees under the board of directors are in compliance with the requirements of the Listing Rules. The Company clearly classified the responsibilities of the general meeting, the board of directors, the board of supervisors and senior management. The general meeting acts as the highest authority of the Company and the board is held accountable to the shareholders. The board of directors has established a total of six special committees, namely the Business Decision Committee, the Strategies and Risk Management Committee, the Audit Committee, the Human Resources and Nomination Committee, the Remuneration Committee, and the Trust Committee, which operate under the leadership of the board of directors and provide opinions on the decisions of the board of directors. The board of supervisors oversees the business operation of the Company and monitors the performance of duties by the board of directors and senior management. Under the leadership of the board, the senior management of the Company is responsible for the implementation of resolutions from the board of directors and the day-to-day operation and management of the Company, as well as periodic reporting to the board of directors and the board of supervisors. Clear power and responsibilities between the general meetings, the board of directors, the board of supervisors and senior management, operation regulations, mutual coordination and mutual checks and balances have formed sound corporate governance system.

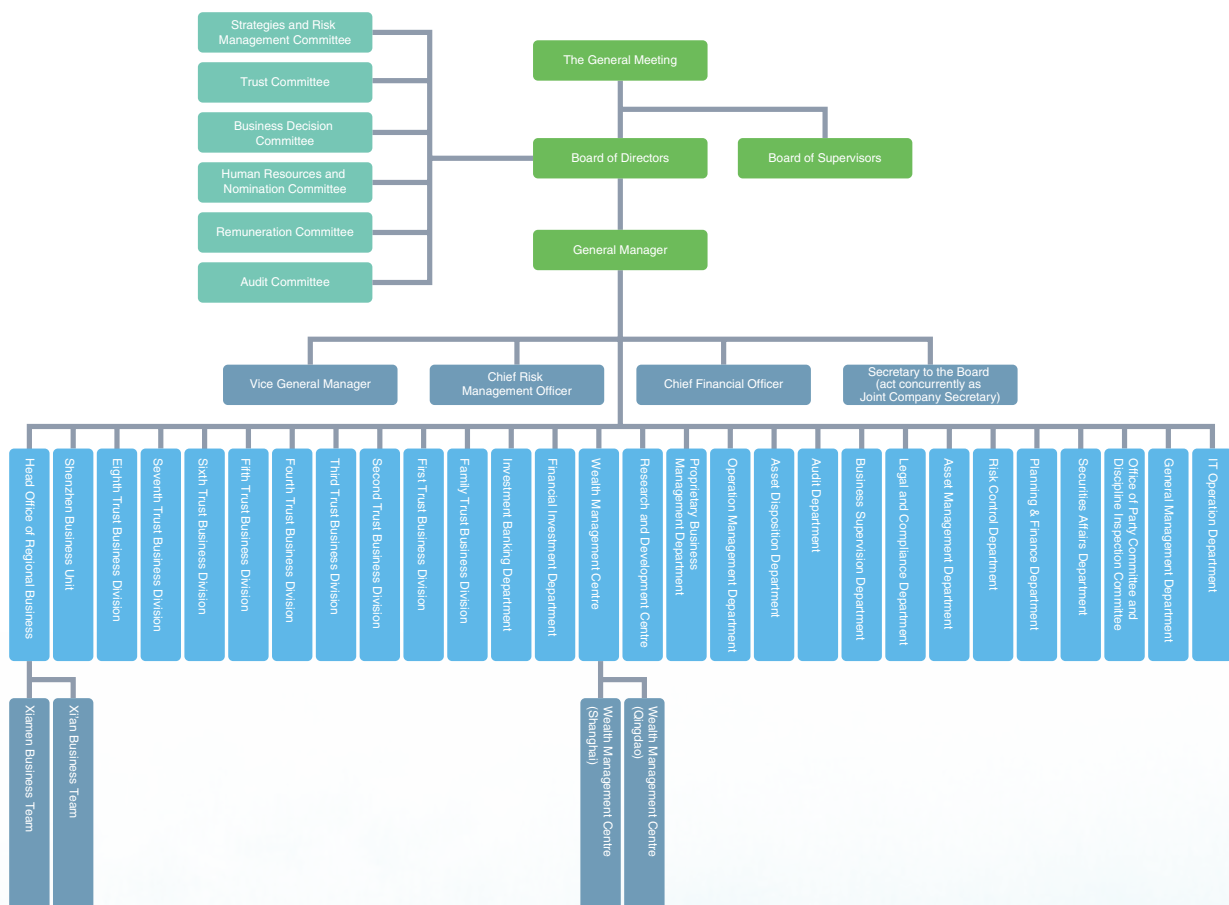


## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)

In 2017, the Company has convened a total of 16 major meetings such as the general meetings, meetings of the board of directors and meetings of the board of supervisors, considered 51 resolutions in relation to resolutions such as the Work Report of the board of directors, the Work Report of the board of supervisors, the Financial Budget Report, the Final Account Report and the Profit Distribution Plan, and heard 15 debriefings.



### Corporate Governance Structure



## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)

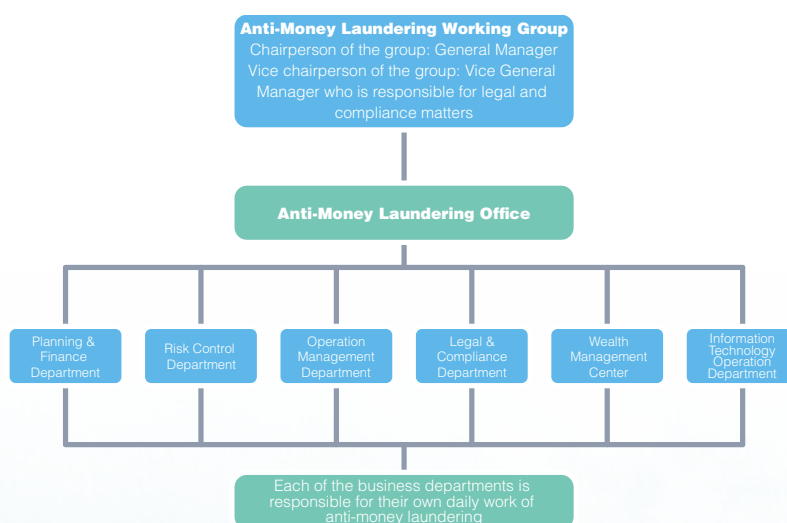


### IMPROVING THE INTERNAL CONTROL PROCESS

#### Stringent Implementation of Anti-money Laundering Measures

Pursuant to the *Anti-Money Laundering Law of the People's Republic of China* (《中華人民共和國反洗錢法》), the *Counter-terrorism Law of the People's Republic of China* (《中華人民共和國反恐怖主義法》), the *Anti-Money Laundering Provisions for Financial Institutions* (《金融機構反洗錢規定》) and other relevant laws, administrative regulations as required, the Company has formulated and adopted its own "Administrative Measures on Anti-Money Laundering" (《反洗錢管理辦法》). Such measures set out the anti-money laundering system of the Company and regulate the anti-money laundering management of the Company, ensuring that the Company can perform the anti-money laundering obligations in accordance with applicable anti-money laundering laws and regulations.

The Company has established an Anti-Money Laundering Working Group responsible for anti-money laundering management, appointed the General Manager of the Company as the chairperson of the group, the Vice General Manager who was responsible for legal and compliance matters as the vice chairperson of the group, and the heads of other relevant departments as members of the group. The Company has also established an anti-money laundering office under the Anti-Money Laundering Working Group, consisting of the heads of the Planning & Finance Department, the Risk Control Department, the Operation Management Department, the Legal & Compliance Department, the Wealth Management Center and the Information Technology Operation Department, in order to organise and conduct anti-money laundering management. Each of the business departments is responsible for their own daily work of anti-money laundering.





## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)

In accordance with requirements of the relevant anti-money laundering laws and administrative regulations, the Company has established and implemented a client identity identification system. Pursuant to the Company's "Administrative Measures on Anti-Money Laundering", the Company has established a client identification system, which requires employees of the Company to effectively verify and continuously update the identity information of the Company's clients. Also, employees of the Company are required to continuously update such clients' identification information during its daily operation, in particular where there are any material changes.

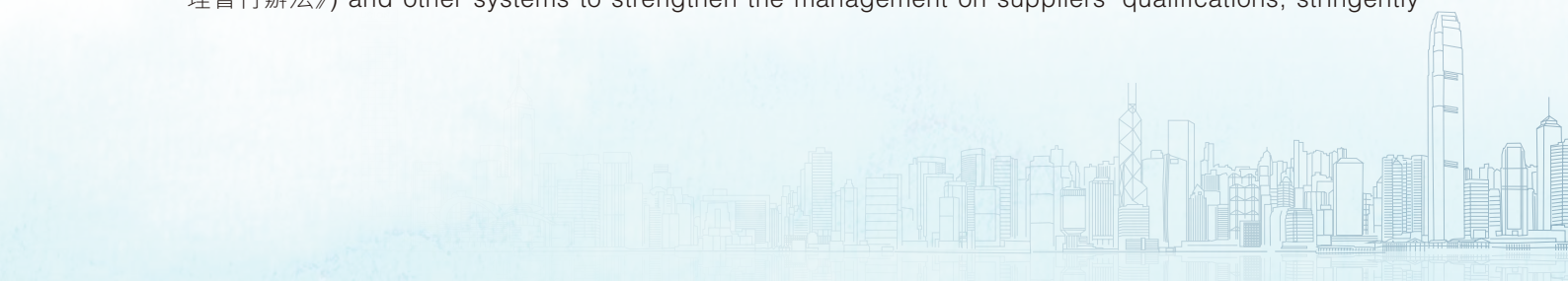
Furthermore, the Company's "Administrative Measures on Anti-Money Laundering" also specify certain criteria of demining a suspicious transaction and establish a suspicious transaction reporting system. Based on such criteria, the Business Department of the Company is required to immediately report to the Anti-Money Laundering Office of the Company if they identify any suspicious transaction during their daily operation. The Anti-Money Laundering Office of the Company is required to conduct investigation and analysis on the reported transaction. Once confirmed, it is required to report such transaction to the Anti-Money Laundering Working Group of the Company, which shall also report to the PRC Anti-Money Laundering Monitoring and Analysis Center under the People's Bank of China.

### Improvement of Intellectual Property Rights, Trademarks and Advertising Management

In strict compliance with *the Copyright Law of the People's Republic of China* (《中華人民共和國著作權法》), *the Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), *the Patent Law of the People's Republic of China* (《中華人民共和國專利法》), *the Contract Law of the People's Republic of China* (《中華人民共和國合同法》), and other laws and regulations as required, the Company is entitled to own intellectual rights such as trademarks and domain names by applying for registration or third party licensing and other methods to use and protect the Company's intellectual property rights. In the meantime, in strict compliance with *the Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》), *the Administrative Measures of Collective Trust Scheme of Trust Companies* (《信託公司集合資金信託計劃管理辦法》) and other laws and regulations, the Company commissioned advertising companies to publish advertisements, without any act of openly marketing or promoting the Company's trust products.

### Further Standardisation of Supply Chain Management

The Company integrates the supplier's procurement management into the Company's business management system, and embeds in the Company's establishment of business integrity. The Company formulated and implemented the "Interim Management Measures for Tender and Procurement" (《招標採購管理暫行辦法》) and "Interim Management Measures for Non-Tender and Procurement" (《非招標採購管理暫行辦法》) and other systems to strengthen the management on suppliers' qualifications, stringently



## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)



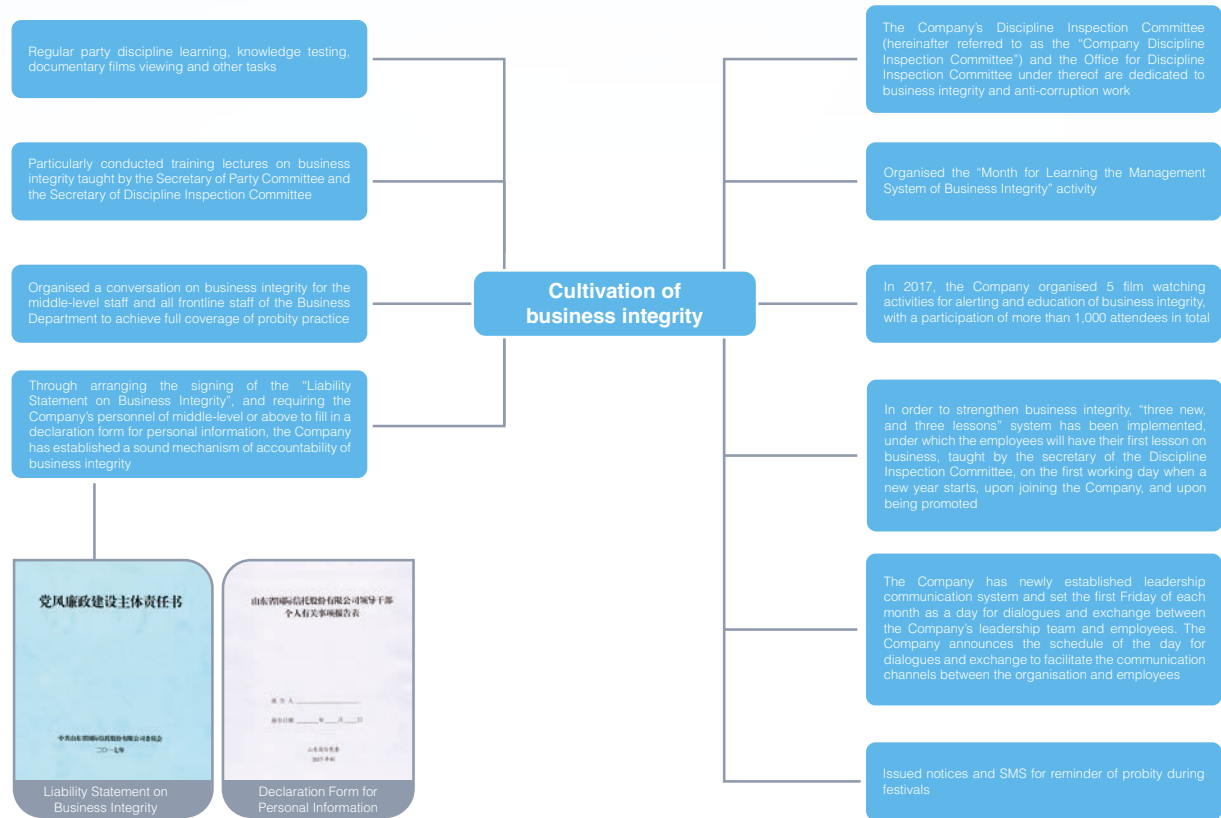
regulate external procurement actions, substantially increase the openness and transparency of procurement work, raise the quality and efficiency of procurement work, and prevent employees from taking advantage of their positions to seek improper benefits for themselves and others. In view of the characteristics of the Company's operations, most of the Company's suppliers are intermediaries such as law firms and assessment agencies. Given the circumstances, the Company has formulated and implemented the "Administrative Measures for Selecting and Appointing Intermediaries for Legal Service" (《法律服務中介機構選聘管理辦法》), "Administrative Measures on the Legal Service Fees of the Trust Business (Trial)" (《信託業務法律服務費管理辦法(試行)》), "Administrative Measures for Alternative Pools of Assessment Agencies" (《評估機構備選庫管理辦法》), and "Administrative Measures on Assessment Fees of Trust Business" (《信託業務評估費管理辦法》) and other targeted internal management system. The Company selected and established a candidate list for law firms and a candidate list for assessment agencies, thereby achieving openness and transparency in procurement of intermediary services. In the selection of suppliers such as intermediaries, the Company regards the supplier's business qualifications, records of legal and regulatory violations in the past three years, and punishment records by regulatory authorities in the past three years as core indicators for assessment, and the candidate will be removed once there is any negative records.

## ENHANCING BUSINESS WITH BUSINESS INTEGRITY

The Company attaches high importance to the establishment of probity practice for all employees, especially leading cadres, and strictly complies with institutional regulations such as *Several Provisions on Probity Practice for Leaders of State-owned Enterprises* (《國有企業領導人員廉潔從業若干規定》), *Provisions Regarding Reporting Relevant Personal Matters by Leading Cadres* (《關於領導幹部報告個人有關事項的規定》), and *Opinions on Further Promoting the State-owned Enterprises' Implementation of the Decision-making System for Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money* (《關於進一步推進國有企業貫徹落實「三重一大」決策制度的意見》). Focusing on institutional development, the Company established a robust system of probity practice and a solid system for punishment and prevention for breaching the probity practice. The bodies within the Company have set up the *Interim Provisions on Employees' Business Integrity* (《員工廉潔從業暫行規定》), "Administrative Measures for Reporting Violation of Rules and Regulations" (《違規違紀舉報管理辦法》), "Implementation Rules for Party-Style Probity Practice Establishment and Responsibility System and Assessment Method" (《黨風廉潔從業建設責任制考核辦法實施細則》), "Implementation Rules for Certain Regulations Regarding the Probity Practice of Leading Cadres" (《領導人員廉潔從業若干規定實施細則》), "Convention Regulations for Party-Style Probity Practice (Trial)" (《黨風廉潔從業建設約談制度(試行)》), as well as other relevant rules, in order to establish a long-term mechanism of probity practices.



## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)



All employees of the Company watched an educational film on business integrity called "Never Ending Anti-corruption Struggle"



The Company's Secretary of the Discipline Inspection Committee gave the first lesson to all employees on the first working day when a new year starts





## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)



### INCREASING ASSURANCE OF INFORMATION SECURITY

With a view to speeding up the overall construction of the Company's information technology and to further strengthen organisational leadership and ensure the implementation of information technology strategic planning, the Company has set up the Information Technology Management Committee in June 2017. The general manager serves as the officer of the Information Technology Management Committee, and the deputy general manager of the Information Technology Management Committee serves as the deputy officer. The members are department heads from part of the front desks, middle and back offices.

According to the *Guidelines for IT Risk Management of Commercial Banks* (《商業銀行信息科技風險管理指引》), the *Regulatory Guidelines on Information Technology Outsourcing Risks of Banking Financial Institutions* (《銀行業金融機構信息科技外包風險監管指引》), the *Guiding Opinions of CBRC Office on Enhancing the Construction and Management of Information Technology by Non-Bank Financial Institutions* (《中國銀監會辦公廳關於加強非銀行金融機構信息科技建設和管理的指導意見》) promulgated and implemented by the China Banking Regulatory Commission (hereinafter referred to as "CBRC") in relation to the requirements for the construction of information technology by financial institutions and other provisions, the Company regards the acceleration of the construction of informatisation and establishment of an information management system covering the whole business process as the basic components of the Company's core competitiveness. In accordance with the principle of "prospectiveness, openness, science and character", the Company has gradually built the platform for integrated business system "propping up core business, and supporting innovative products" to enable it to become an important driver for improving management efficiency and a strong impetus for business transformation, innovation and development, which incorporated business processing, accounting processing, customer information management, internal employee and organisational management, business monitoring and other aspects into the integrated management information system, thereby realising the exchange of data within the system, so as to raise efficiency of the Company's business decision-making process, business management and level of risk control in a comprehensive manner.

As a financial institution, the Company attaches great importance to the protection of customer information and privacy, and to the elimination of customer data and customer information. With strict compliance with the *Cybersecurity Law of the People's Republic of China* (《中華人民共和國網絡安全法》), the *Announcement on Preventing and Cracking down on Crimes of Telecommunication Network-related Fraud* (《關於防範和打擊電信網絡詐騙犯罪的通告》), the Company has formulated and implemented the "Management Measures for Security of Information System" (《信息系統安全管理辦法》), the "Management Measures for Computer Room" (《計算機機房管理辦法》), the "Management Measures



## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)

for Backup of Information System Data” (《信息系統數據備份管理辦法》), the “Management Measures for Emergencies Occurred in Information System” (《信息系統突發事件應急管理辦法》), and the “Management Measures for Users and Authorisation of Information System” (《信息系統用戶及權限管理辦法》), the “Management Measures for Computer Network” (《計算機網絡管理辦法》), and “Management Measures for Information System Database” (《信息系統數據庫管理辦法》) and other internal control systems. Through taking technical preventive measures such as reinforcing the supervision and configuration management of information systems, checking the implementation of information security, controlling the user authorisation of information system, standardising the security emergency and safety response process of the information system, and protecting security level of the information system, the Company has increased employees’ awareness of safety, monitored and facilitated the implementation of safety management work, reduced the possibility of network security problems caused by human factors, thereby effectively improving the standard of information security to protect customer information security.

With the development of SITC’s business, continuous expansion of servers and network equipment in the engine room, and ongoing increase in equipment load, the Company started expansion and renovation of the data centre in 2017. The expansion and renovation plan of the data centre, which is based on the principle of integrating completeness, reliability, security, advancement and practicality, taking into account of green energy conservation, scalability and other factors, was formulated in accordance with the “Code for Design of Digital Information System Room (GB 50174-2008 B standard)” (《電子信息系統機房設計規範》)(GB 50174-2008B類標準). After the upgrade and renovation of the engine room by the Company, the original single physical space of the data centre was divided into three physical areas, namely the engine room area, the power supply area, and the operation room, realising the physical separation of personnel, power distribution equipment, and core equipment. The Company optimised the power supply and distribution methods, increased lightning protection modules, renewed ancillary facilities of fire prevention and control, constructed a smart management system for power and environmental monitoring, and improved the overall safety and stable operational capacity of the engine room. After the expansion and renovation, the data centre project was officially launched, and the Company’s information infrastructure and the standard of information management has had a great qualitative improvement.





## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)



The Company's data centre

## SAFETY LIABILITY AS A SUBLIME MISSION

SITC has always prioritised safety production management. In accordance with the requirement that “those responsible for business must be responsible for safety”, the Company continues to improve and optimise the responsibility system for safety production, that is “the Party and government sharing the same responsibility, one post with two responsibilities, joint control and management”, adheres to the principle of “safety first and prevention as the main concern”, and has made great efforts to build a lasting and effective mechanism for production safety management to ensure the ongoing stability of the Company’s safety production situation. As a non-production-based company, in strict compliance with the rules and regulations on safety production such as the *Fire Prevention Law of the People’s Republic of China* (《中華人民共和國消防法》), the *Production Safety Law of the People’s Republic of China* (《中華人民共和國安全生產法》) and the *Regulations on Safety Production in Shandong Province* (《山東省安全生產條例》), the Company conducted compliant and legal operation, developed a series of internal ruling systems including “*Principal Accountability for Production Safety*” (《安全生產主體責任制度》), “*Safety Accident Management System*” (《安全生產事故管理制度》) and “*Inspection and Treatment of Potential Accidents*” (《事故隱患排查治理制度》). Guided by such systems, the General Management Department and other departments of the Company enhanced all basic work related to work safety, and constructed a firm guarantee for work safety. The Company always regards “fire prevention, theft prevention and accident prevention” as the three highlights of safety production work. In particular, it



## STRENGTHENING CONSTRUCTION OF INSTITUTIONAL AND SYSTEMATIC MECHANISMS, AND RAISING THE QUALITY AND EFFICIENCY OF INTERNAL GOVERNANCE (Continued)

pays close attention to fire safety, constantly improves the Company's safety production system and mechanism, strictly implements the primary responsibility of production safety with fire inspections, and emergency drills as the two main forces, and consistently enhances employees' awareness of and ability in fire safety. The Company has always maintained a good record of zero accident in relation to production safety since its incorporation.



2017 monthly educational event for safe production



Safety production billboards of the Company



## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY



Following the regulatory requirements and development trend of the industry, the Company continuously increases the pace of business transformation and innovation, sufficiently leverages the advantage of trust, and strives to provide customers with personalised and differentiated wealth management services. The Company continues to strengthen the consciousness of product liability, raises customer service quality, focuses on enhancing the protection of consumer rights and interests, maintains good customer relationship, and proactively responds to investors' needs.

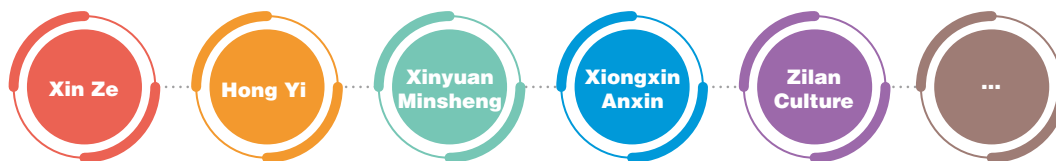


The Company won the "2017 Best Wealth Management Trust Company Award" with glory

## OFFERING DIVERSIFIED WEALTH MANAGEMENT SERVICES

### 1. Abundant product lines of trust products

In recent years, the Company has built a series of trust brands such as "Xin Ze" (信泽), "Hong Yi" (弘毅), "Xinyuan Minsheng" (信元民生), "Xiongxin Anxin" (雄心安心), "Zilan Culture" (兹兰文化), with a focus on the investment and financing service platform and wealth management platform.



## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)

### 2. Wide scope of investment services

The scope of investment services provided by the Company covers the real economy, capital market, and monetary market, providing customised products and services catering for customers' needs under different economic cycles and situations.



### 3. Customised products

The products offered by the Company covers the monetary market products, fixed income products, equity products and different types of portfolio products, and it provides customised trust products according to different wealth management needs of customers.



### 4. Realisation of inheritance of wealth by family trust

The Company is committed to conducting family trust business which can provide high-net-worth family clients with standardised, high-quality family trust services to assist customers in achieving their goal of wealth succession.



The "Wealth Succession Family Trust Plan" (財富傳承系列家族信託計劃) of the Company won the "Best Family Trust Scheme 2017" (2017年度優秀家族信託計劃) and the "Integrity Trust Best Family Trust Product 2017" award (2017年度誠信託最佳家族信託產品獎).

## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)



### COMMITTED TO CREATING A PROFESSIONAL, HIGH-QUALITY WEALTH MANAGEMENT TEAM

The Company attaches great importance to and endeavors to strengthen the establishment of a professional team of talent of wealth management, and to sharpen the professional skills of the wealth management team by incorporating qualification authentication into the annual assessment and conducting asset allocation analogy contest for employees and several other ways.

At present, employees from the Company's wealth management centre who have obtained the Associate Financial Planners (AFP) Qualification Certificate issued by the Financial Planning Standards Council of China (中國金融理財標準委員會) account for more than 80% of all of the wealth management managers, and the establishment of the wealth management talent team has reached a new level, laying a solid foundation of professional talent base for providing clients with high net worth with better and more comprehensive financial and wealth management services.



A professional, high-quality wealth management team





## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)

### REGULATING SALES OF TRUST PRODUCTS, AND FACILITATING CONVENIENT INQUIRIES FOR PRODUCT INFORMATION

According to the *Administrative Measures on Collective Fund Trust Scheme of Trust Companies* (《信託公司集合資金信託計劃管理辦法》), *Provisional Regulations on the Administration of Audio Recording of Dedicated Sales Areas in Banking Financial Institutions* (《銀行業金融機構銷售專區錄音錄像管理暫行規定》) and other relevant provisions, the Company has formulated and implemented the “Management Measures on the Sale of Trust Products of Shandong International Trust Co., Ltd.” (《山東省國際信託股份有限公司信託產品銷售管理辦法》) and “Management Measures on the Issuance of Collective Fund Trust Scheme” (《集合資金信託計劃發行管理辦法》) to administer and standardise the launch of trust products, and provided product reservation and inquiry channels to customers through the Company’s website, WeChat public account, “Investor Handbook”, wealth management and consultation hotline as well as various online and offline channels.

#### 1. Pre-sales stage

Through business premises, the Company’s website, WeChat public account, wealth management hotline and several other ways to promote trust products offered by the Company to customers.

#### 2. Sales stage

When signing contracts with customers, the “double-record” requirement shall be stringently carried out to fully reveal the basic information of products, risk control measures, main risks, etc., and customers shall be required to transcribe, sign and confirm the reminder statement.

#### 3. After-sales stage

Announcements on product launch, operating conditions, revenue distribution and other information were disclosed to customers via the Company’s website, WeChat public account, letters and several other ways; whenever there are changes in information such as components of trust products, announcements on temporary information should be promptly sent to customers.



## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)



### STRENGTHENING THE PROTECTION OF CONSUMER RIGHTS, AND SAFEGUARDING THEIR LEGITIMATE RIGHTS AND INTERESTS

#### 1. System construction

The Company always adheres to customer orientation, persists in services as the first priority, actively performs the obligation of information disclosure, complies with the principle of fair transaction, and safeguards the consumers' legitimate rights and interests according to laws. In order to fully promote and ascertain the protection of consumer rights and interests, the Company has established the Working Committee for Consumer Rights Protection which effectively promoted the implementation of consumer rights protection work in all aspects of business and facilitated the thorough understanding and recognition of the significance, implications, and regulatory guidance of protecting consumer rights and interests of all of the Company's staff, so as to achieve a unified understanding and coordinated actions at the company level. In 2017, the Company organised three working conferences on the protection of consumer rights in relation to system revision, work progress, and annual review.

While strictly abiding by *the Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》), *the Guiding Opinions on Strengthening the Protection of Financial Consumers' Rights and Interests* (《關於加強金融消費者權益保護工作的指導意見》) and relevant laws protecting and regulations, the Company continued to establish sound working system and mechanism for protecting consumer rights, formulated and implemented the "Management Measures for the Protection of Consumer Rights of Shandong International Trust Co., Ltd. (Trial)" (《山東省國際信託股份有限公司消費者權益保護管理辦法(試行)》), the "Interim Management Measures on the Promotion and Education of Financial Knowledge of Shandong International Trust Co., Ltd." (《山東省國際信託股份有限公司金融知識宣傳教育管理暫行辦法》), the "Administrative Measures for Customer Service" (《客戶服務管理辦法》) and the "Interim Management Measures for the Confidentiality of Corporate Customer Data" (《公司客戶資料保密管理暫行辦法》) and other series of internal control systems related to consumer rights protection and customer service, thereby clarifying and specifying the organisational structure and operating mechanism of consumer rights protection work, the confidential management of customer information, and other work processes, thus ensuring the work of safeguarding consumer rights to be rule-based, quickly responded and in place.



## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)

### 2. Promotion of financial knowledge and investor education

After years of efforts, the Company has established and formed a multi-layered and multi-channel investors' promotion and education mechanism. In addition to daily promotion and education as well as answers of and consultation on financial knowledge, it also included special, centralised service for promotion activities. In addition to on-site promotion at physical outlets, there were also non-physical outlets such as the Company's website, WeChat public account, SMS and other channels, constantly advancing the in-depth, systematic, and sustainable development of financial knowledge promotion and education.

#### (1) Diversified publicity channels

In 2017, we increased our efforts in promoting our own promotion materials, third-party media and others, printed folding pages, posters, parking cards and signage boards that promote the concept of protecting consumer rights and interests, published trust knowledge in the "Qilu Finance" page jointly with "Qilu Evening News" and at the same time adopted foldable page display in hall, electronic screen display, WeChat messages, bulk SMS and several other ways to strengthen promotion and education of financial knowledge. The above diversified active publicity methods have provided a more convenient channel for the majority of investors to understand and study trust knowledge and to raise their awareness of risk prevention in investment, thus achieving better publicity results, which have been well praised by investors.



Promotion materials of the Company

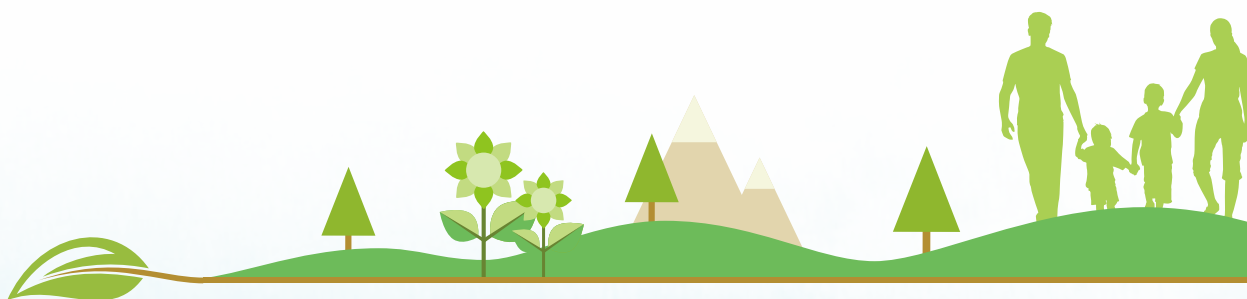
## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)



In the meantime, for the purposes of improving the transparency of consumer rights protection and the timeliness of information dissemination, the Company set up the “Consumer Rights” column in the “Customer Service” section on the official website to promptly report on activities relating to consumer rights protection launched recently and timely disclose relevant information.



Wealth management managers of the Company delivered trust knowledge to customers, creating a good atmosphere for promoting financial knowledge





## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)

### (2) Plenty of investor education activities and community promotion activities

In 2017, the Company conducted a variety of investor education activities. In addition to daily promotion, the Company's employees actively went into the community, schools and enterprises etc., to conduct targeted and centralised activities for the promotion and education of financial knowledge, and fully cooperated with the regulatory authorities to carry out a monthly promotion campaign of “delivering financial knowledge to thousands of households”. The activities had achieved remarkable results.



Billboards for “delivering financial knowledge to thousands of households”



## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)



The wealth management managers of the Company promoted the trust financial knowledge and typical financial fraud cases to the employees at Xinwen Mining Group Co., Ltd..

At Wenhua Yuan Community, Lixia District, Jinan City, the Company conducted special education activities targeted at the elderly in the community by introducing various wealth management products and trust products on the market and tips for avoiding financial frauds to the elderly in a comprehensive way.



At Shandong Normal University Affiliated Elementary School in Lixia District, Jinan City, the Company's employees carried out a small-scale but innovative classroom activity relating to financial knowledge for primary school students. Through slide presentations, quizzes, exchange of experience and other means, the students were introduced to the way to manage their daily funds, to spend in a reasonable manner, and to save and invest with their own "small treasures", etc.



## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)

### STRENGTHENING COMMUNICATION AND MAINTAINING GOOD CUSTOMER RELATIONSHIP

In order to deeply understand consumer demand and constantly improve customer experience, the Company actively organised customer-focused activities with themes such as exchange forum for investment strategies, the “Overseas Studying and Immigration” salon, consumer rights protection, exchange forum for financial industry peers, and traditional Chinese medicine health maintenance and wellness salon. In the past three years, the Company organised nearly **50** customer communication activities, covering more than **2,200** customers.

The Company regularly concluded the feedback opinions, suggestions from customers and experience sharing of wealth management managers after the activities to constantly raise the standard of customer service and improve customer satisfaction.

The Company held an investment strategy exchange forum for high-end customers jointly with Zhongyue Capital



The Company held an event for delivering and promoting financial knowledge to the community titled “Lucion Financial Exchange: Choose the Right Basket and Allocate Eggs” in Qingdao.



The Company launched an “Overseas Studying and Immigration” salon for high-end customers, jointly with YMG Global Consulting Group



The Company held the “Join Hand-in-hand Altogether Towards Creating the Future: Exchange Forum for Customers of the Financial Industry Peers”



## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)

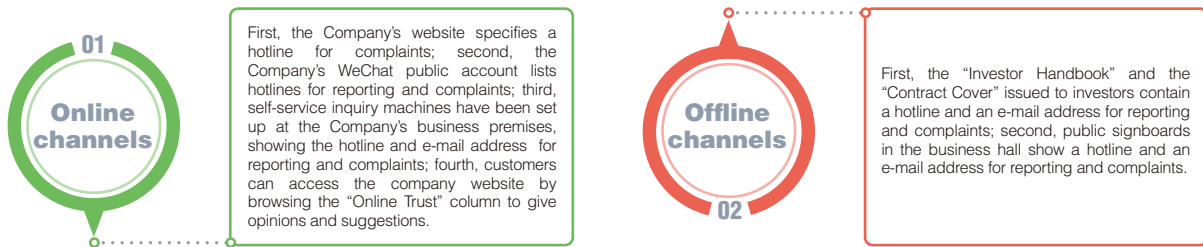


### ACTIVE RESPONSE TO CUSTOMERS COMPLAINTS AND REPORTING

In order to improve the standard of financial services, standardise customer complaint handling process, and actively maintain cordial customer relationship, the Company formulated and implemented the “Interim Management Measures for Complaints and Reporting of Customers by Shandong International Trust Co., Ltd.” (《山東省國際信託股份有限公司消費者舉報投訴管理暫行辦法》) to clarify the customer complaint channels, complaint handling process, responsibility recognition, complaint feedbacks and other major issues.

#### 1. Channels

Through the company website, WeChat, printed “Investor Handbook”, self-service inquiry machines, public signboards in the business hall and several other channels, the Company announced reporting and complaint methods for consumers to ensure the reporting and complaint channels are smooth, effective, convenient and eye-catching.



#### 2. Process

The Company has established the Leading Group for Consumer Reporting and Complaints, designated the Wealth Management Centre as an agency for general acceptance of consumer reporting and complaints, and assigned specialised personnel to undertake work related to reporting and complaints. Based on the degree of generality and significance of the incidents, classification was specifically made on general and major incidents involving reporting and complaints, and regulations were clearly provided for the handling process time limits, responsible departments, persons-in-charge and other aspects of reporting and complaints.



## PROVIDING HIGH-QUALITY WEALTH MANAGEMENT SERVICES AND STRENGTHENING AWARENESS OF PRODUCT LIABILITY (Continued)

### 3. Improvement

The Company regularly tracks and manages consumer reporting and complaints matters, periodically summarises and analyses customer opinions, collects reporting complaint reports and other information, finds and checks weaknesses, risks and hidden dangers of products and services, ascertains improvements one by one, and practically performs the pre-warning and corrective functions of reporting and complaints. The Company, on a regular basis, summarises customer reporting and complaints, reports to the Leading Group for Consumer Reporting and Complaints, procures relevant departments to make improvements in the management system, operation mechanism, operation process, versions of agreements and other aspects, so as to practically protect consumers' legitimate rights and interests.

**In 2017, the Company did not receive any consumer reporting or complaint.**





## UTILISING THE ADVANTAGES OF THE TRUST SYSTEM, AND GIVING IMPETUS TO REAL ECONOMY AND ECOLOGICAL CIVILISATION



The real economy is the source of the Company's existence and development. The Company gave full play to the institutional advantages of trusts across the "real economy, capital market, and money market", integrated the use of various financial instruments such as equity and debt, effectively connected the fund providers with the fund demanders, provided wealth management service to fund providers and offered diversified financing services to fund demanders, thereby effectively supporting the development of the real economy and the construction of ecological civilisation.

### COMBINING FINANCE WITH INDUSTRY TO FACILITATE THE DEVELOPMENT OF REAL ECONOMY

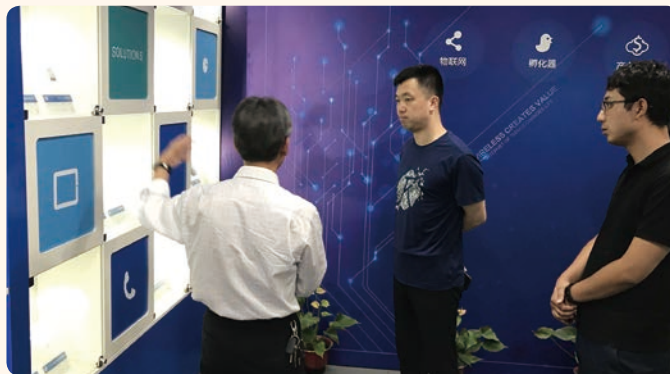
The Company has always adhered to laying solid foundation in the real economy and sufficiently unleashed the unique functional advantages of trust, focusing on combining finance with industry. By integrating the use of various financial assets such as equity, debt, industry funds, asset securitisation, and PPP, the Company vigorously supported the real economy, especially the development of strategic emerging industries encouraged by the country such as high-end equipment, information technology, healthcare, cultural creativity, hence advancing the transformation and upgrade of traditional industries such as high-end chemical engineering, premium tourism, modern and efficient agriculture, and facilitating structural reforms of the supply side. As at the end of 2017, the Company's industrial investment and financing balance was RMB178 billion, which accounted for 65.5% of the balance of its trust assets, effectively leading the entry of social idle funds into the real economy and improving the efficiency of serving the real economy.



## UTILISING THE ADVANTAGES OF THE TRUST SYSTEM, AND GIVING IMPETUS TO REAL ECONOMY AND ECOLOGICAL CIVILISATION (Continued)

SITC's "entering into an enterprise, holding a field trip to a project, visiting a business set-up industrial zone" gave targeted support to enterprises for pursuit of expansion, optimisation and excellence

In order to make the activity a routine and systematic work in which persons-in-charge of financial institutions of "entering into an enterprise, holding a field trip to a project, visiting a business set-up industrial zone", in 2017, SITC firmly conducted an annual event themed "strengthen communication, enhance services and create brand", visited 31 enterprises in total, and tailored integrated financial service solutions for 21 of them, with the loan balance amounting to RMB14.23 billion, providing targeted support to enterprises for the pursuit of expansion, optimisation and excellence, and further enhancing connection and mutual trust between trust companies and enterprises.



The Company was having communication with corporate clients



## UTILISING THE ADVANTAGES OF THE TRUST SYSTEM, AND GIVING IMPETUS TO REAL ECONOMY AND ECOLOGICAL CIVILISATION (Continued)



### SITC supported the construction of the PPP project in a scenic spot of Yellow River Ancient Town of Binzhou by means of PPP

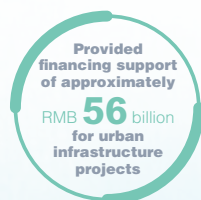
The rural tourism PPP project in a scenic spot of Yellow River Ancient Town of Binzhou is a key tourism construction project in Shandong Province in 2017, involving characteristic agriculture, premium tourism, and the creativity of the ancient Yellow River culture. SITC granted financing support totaling RMB464 million. The scenic spot of Xizhifang Yellow River Ancient Town was opened for business in May 2017 and obtained the “China Best Country Tourism Project Award” in “China Tourism Investment ITIA Award”, which is known as “The Oscars for Tourism in China”.



A scenic spot in Yellow River Ancient Town of Binzhou

## GREEN TRUST, PROMOTING THE DEVELOPMENT OF ECOLOGICAL CIVILISATION

The Company attaches great importance to giving financial support to the development of ecological civilisation and following requirements of various policies including the *Green Credit Guidelines* (《綠色信貸指引》) issued by China Banking Regulatory Commission to continuously increase the financial support to new energy and new materials, environmental governance, ecological environmental protection and other green industries, attract resource allocation to green, recyclable and low-carbon fields, and offer support for advancing the industrial structure towards an energy saving and environmental friendly path, thus practically promoting the practice of environmental protection. In recent years, the Company has provided financing support of approximately RMB56 billion for urban infrastructure projects such as key watershed management, as well as renovation and expansion of sewage pipe network in Xiaoqing River and Bailang River of Shandong Province. As at the end of 2017, the balance of the Company's green trust assets was RMB2.99 billion, which contributed to the development of green economy with the power of trust.

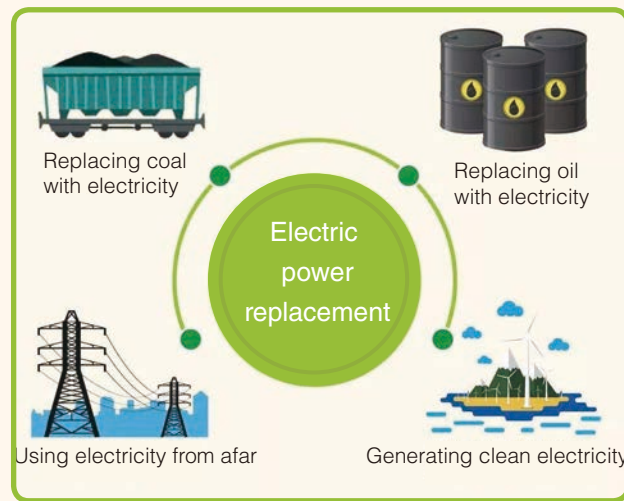


## UTILISING THE ADVANTAGES OF THE TRUST SYSTEM, AND GIVING IMPETUS TO REAL ECONOMY AND ECOLOGICAL CIVILISATION (Continued)

### Initiating the Establishment of Shandong Energy Saving Alternative Promotion Association

On 16 June 2017, with the State Grid Shandong Electric Power Company (國網山東省電力公司) as the main sponsor, 12 units including SITC jointly initiated the establishment of Shandong Energy Saving Alternative Promotion Association in Jinan. SITC was elected as the vice chairman of the Promotion Association. The Promotion Association regards the integration of electric power as an alternative to various resources, establishment of a platform for information sharing, exchange and cooperation, promotion of the development of electric power replacement technology, new product conversion and model innovation as its mission to promote the structural adjustment to energy with electricity as the centre and characterised by clean energy, increase the proportion of electric energy in terminal energy consumption, and assist in solving the problems of fossil energy pollution and greenhouse gas emission.

Being a sponsor who participated in the establishment of the Energy Saving Alternative Promotion Association is another key initiative of SITC to “serve the real economy and build green finance” for years. The Company took this as an opportunity to use the information sharing mechanism of the Promotion Committee, fully leverage the advantages of the trust system, and strive to provide members with various types of green financial services, so as to jointly facilitated the promotion and application of electric power replacement technology, for serving the purposes of making adjustments to economic structure and actively contributing to the prevention of air pollution.



Electric power replacement





## UTILISING THE ADVANTAGES OF THE TRUST SYSTEM, AND GIVING IMPETUS TO REAL ECONOMY AND ECOLOGICAL CIVILISATION (Continued)



SITC supported Hebei Chenyang Industry and Trade Group Co., Ltd. (河北晨陽工貿集團有限公司) on production of environmental-friendly water-based paint

From 2013 to 2017, the Company raised funds through the issuance of a trust scheme and provided financing of RMB290 million in total to Hebei Chenyang Industry and Trade Group Co., Ltd.\* (河北晨陽工貿集團有限公司) to support its production of environmental-friendly water-based paint.



SITC provided financing support to Hebei Chenyang Industry and Trade Group Co., Ltd. for production of environmental-friendly water-based paint



## PROACTIVELY CREATING “HOME CULTURE” FOR JOINT ESTABLISHMENT, MUTUAL SHARING AND COMMON GROWTH

A high-quality team of employees is the Company’s most valuable resource and wealth. The Company strictly complies with applicable laws and regulations in areas such as employee recruitment, employee compensation and benefits, employee training, employee health and safety, and constantly improves the construction of systems and mechanisms relating to employees’ interests, in an endeavor to provide an extensive platform of development for employees growth and accomplishment of their own values, which allows employees to experience the warmth of “home”.

## COMPLYING WITH LAWS FOR LABOUR EMPLOYMENT TO PROVIDE EMPLOYEES WITH THE STRONGEST BACKUP

SITC always integrates the building of harmonious labour relationship into various tasks of the Company’s business management. It facilitates harmony through development, promotes harmony through innovation, seeks harmony through fairness, guarantees harmony through stability, fosters harmony through culture, and strives to form a company with harmonious labour relationship, committing to creating a “win-win” situation in protecting the legitimate rights and interests of employees and advancing the healthy development of the Company.

Adhering to the basic concept of “legal operation and compliant operation” at all times and in compliance with the *Labour Law of the People’s Republic of China* (《中華人民共和國勞動法》), the *Labour Contract Law of the People’s Republic of China* (《中華人民共和國勞動合同法》), the *Regulations on the Prohibited Use of Child Labour* (《禁止使用童工規定》), and the *Regulations on the Labour Protection of Female Employees* (《女職工勞動保護規定》), the *Regulations on Work-related Injury Insurance* (《工傷保險條例》) and other relevant laws and provisions, SITC hires employees in a legal and compliant manner, practically safeguards the legitimate rights and interests of employees and resolutely puts an end to any form of discrimination, and the employment of child labour and forced labour. The Company regards its staff as the most valuable asset. It sets up the concept of employee guarantee with equal emphasis on management and service, as well as development and caring, formulates a compliant and sustainable talent reserve and cultivation system, establishes a comprehensive remuneration and benefit system, establishes a selection and training system through which talents are brought into full play, improves measures for medical health care, and creates an equal and diversified work environment, so as to safeguard employees’ legitimate rights and interests in recruitment, remuneration, promotion, working hours, holiday leave and resignation.



## PROACTIVELY CREATING “HOME CULTURE” FOR JOINT ESTABLISHMENT, MUTUAL SHARING AND COMMON GROWTH (Continued)



The Company has established a series of human resource management systems such as the “Remuneration Assessment Scheme” (《薪酬分配考核辦法》), and has adopted various measures to safeguard the welfare of our employees:

1. It adopted market-oriented reforms to the employees’ remuneration scheme, so that employees’ income is linked to the Company’s performance, therefore bringing about a good situation of “more work, more rewards, and reward the excellent and punish the inferior”;
2. It provided social insurance, provident fund and other related services for the Company’s employees, paid for various expenses on time and in full, and provided protection on basic welfare to employees;
3. In addition to paying “five insurance policies and one reserve fund” for employees according to law, the Company has successively formulated, improved and supplemented the medical insurance system, corporate annuity system, subsidy system for employees and their relatives’ medical fees, employee housing subsidy system, paid leaves system and other systems, further extending the coverage of employee welfare protection. On employees’ birthdays and during various important festivals, the Company sends birthday and holiday wishes via the WeChat public account. Each year, employees enjoy physical examination, and special nursery rooms are set up for women’s breast-feeding. On Women’s Day, special holiday greetings are presented to female workers, and group film watching and other activities are organised to make every employee feel about warmth brought by the “home culture”.



## PROACTIVELY CREATING “HOME CULTURE” FOR JOINT ESTABLISHMENT, MUTUAL SHARING AND COMMON GROWTH (Continued)

As at the end of 2017, the Company has a total of 199 employees, of which there are 111 male employees and 88 female employees.

Items		As at 31 December 2017	
		Headcount	%
Distribution of Age	Aged 25 and below	4	2.01%
	Aged 25–29	48	24.12%
	Aged 30–39	98	49.25%
	Aged 40 and above	49	24.62%
Distribution of Education Levels	Doctoral degree	6	3.01%
	Master's degree	135	67.84%
	Bachelor's degree	48	24.12%
	Junior college	10	5.03%
	Others	0	0.00%
Distribution of Posts	Company management	7	3.52%
	Trust business employees	76	38.19%
	Proprietary business employees	5	2.51%
	Wealth management employees	19	9.55%
	Risk management and audit employees	24	12.06%
	Financial and accounting employees	17	8.54%
	Operation management employees	30	15.08%
	Other staff	21	10.55%

The Company has a team of highly educated, high-quality young talents who graduated from well-known colleges at home and abroad. More than 60% of employees possess various qualifications such as international financial planners, registered financial analysts, certified public accountants and qualified legal practitioners.

In 2017, the Company's employee turnover rate stood at 2.56%, which is at a relatively low level in the industry.





## PROACTIVELY CREATING “HOME CULTURE” FOR JOINT ESTABLISHMENT, MUTUAL SHARING AND COMMON GROWTH (Continued)



### HEALTH AND SAFETY OF EMPLOYEES: PROVISION OF COMPREHENSIVE PROTECTION BY ADOPTING VARIOUS MEASURES

Employees are the most valuable resources of the Company. The Company attaches great importance to the health and safety of the employees and provides the employees with all-round safety protection through adopting various measures. The Company stringently complies with the *Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), the *Fire Control Law of the People's Republic of China* (《中華人民共和國消防法》) and other laws and regulations, and has established the “Fire Safety Management System” (《消防安全管理制度》), the “Measures on Routine Inspection for Safe Production” (《安全生產例行檢查辦法》), the “Administrative Measures on Capital Contribution for Safe Production” (《安全生產資金投入管理辦法》), “Safety and Protection Management System” (《安全保衛管理制度》) and other safety management requirements, in order to develop a healthy and safe working environment for employees in terms of system reliance, capital contribution, safety facilities, human resources protection and other aspects. The Company arranges employees to carry out safety emergency drills for fire prevention on an annual basis, regularly conducts safety inspection on office environment, encourages and supports employees to carry out fitness activities, purchases supplemental medical insurance and annual body check for employees, and comprehensively protects the health of all employees. In 2017, there were no work-related injuries or deaths among employees.



## PROACTIVELY CREATING “HOME CULTURE” FOR JOINT ESTABLISHMENT, MUTUAL SHARING AND COMMON GROWTH (Continued)

### EMPLOYEE TRAINING: FULL PARTICIPATION FOR JOINT ESTABLISHMENT AND MUTUAL SHARING

At the beginning of 2017, the Company's Office of Party Committee conducted a survey of training needs within the whole Company and developed a full-year employee training scheme based on the survey, including new employee training, mid-to-high level training, seminars on special topics, business salons and other modules. The Company has made great efforts and investment in training. In 2017, the Company has invited internal and external experts to hold more than 30 training sessions, with a participation of more than 1,000 employees. The Company explored new internal training methods such as credit system reform, compulsory and elective courses, and business start-up salons, which lead to new changes and vitality to the internal training work. Employees were organised to participate in more than 40 training sessions by organisations such as the China Trustee Association and the China Banking Association. At the same time, with a view to motivating employees to make use of their spare time to enhance learning in professional field and continue to strive for self-improvement, the Company granted material rewards to employees who have obtained professional qualifications in accordance with relevant systems and provisions, so as to better incentivise employees' enthusiasm towards taking initiative in learning.

The Company holds business salons from time to time. In 2017, the Company successfully held 10 sessions of business salons with a participation of nearly 350 persons. It initially established an internal lecturer team and set up a platform of free talks for employees to provide employees with room for improvement of their consciousness of independent learning and keeping track of latest development in the industry.



## PROACTIVELY CREATING “HOME CULTURE” FOR JOINT ESTABLISHMENT, MUTUAL SHARING AND COMMON GROWTH (Continued)



**10** sessions of  
business salons  
participation of  
nearly **350**  
persons



Staff training and business salons

The Company is currently building the “SITC Library”, enriching the collection of books through collective purchases by the Company and voluntary donations by employees, in order to provide employees with a space and venue for quiet reading and thinking. In addition, the Company has also established an “Interest Group for English Learning” to share knowledge and tips in English learning and promote the comprehensive development of employees on a regular basis.





## PROACTIVELY CREATING “HOME CULTURE” FOR JOINT ESTABLISHMENT, MUTUAL SHARING AND COMMON GROWTH (Continued)

### CREATING PRODUCTIVITY WITH JOY: DIVERSIFIED CULTURAL AND SPORTS ACTIVITIES

In order to enrich employees' spare time, the Company organises various cultural and sports competitions from time to time to cultivate employees' team awareness and enhance their cohesiveness and sense of belonging.



The Company organised young employees to take part in a leaderless group discussion with the theme of “let the youth shine on post”



The Company's employees actively volunteered in blood donation



The Company's employees participated in a basketball tournament known as “Call for Health Along the Path of Happiness” hosted by Jinan Branch of China Merchants Bank



The Company organised employees to participate in a football match with Lucion Venture Capital Group. Everyone enjoyed sweating on the court, and unleashed their passion



The Company's employees participated in the 5th session of “Lucion Cup”, an employee badminton competition



## PROACTIVELY CREATING “HOME CULTURE” FOR JOINT ESTABLISHMENT, MUTUAL SHARING AND COMMON GROWTH (Continued)



### Successful Completion of the "Red Theme" Outreach Activity of SITC

To strengthen the Party's education and strengthen employees' cohesiveness, from 29 June 2017 to 23 July 2017, the Company organised 183 employees in four phases to visit the Yimeng "Red Education" Headquarters in Changshan Village, Mamuchi Town, Yinan County in Linyi City to start the campaign themed "Unify and Unite, Join Hands and Go Ahead – SITC "Red Education" Outreach Training". After the successful completion of the "red theme" outreach activity, in order to practise Yimeng spirit, the Company organised a thematic essay contest themed "Unify and Unite, Join Hands and Go Ahead".



The Company's employees participated in SITC Red Education Outreach Training

### Talent Shows of the Company's Employees

At the end of each year, during the employees-talent show, the Company's employees always give full play in their talent shows, demonstrating their passion and team spirit.



Talent shows of the Company's employees



## PRACTISING THE CONCEPT OF SUSTAINABLE DEVELOPMENT AND BUILDING A GREEN BUSINESS MODEL

As a non-production-based company, in strict compliance with applicable laws and regulations such as *the Law on Environmental Protection of the People's Republic of China* (《中華人民共和國環境保護法》), *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), *Law on Prevention and Control of Air Pollution of the People's Republic of China* (《中華人民共和國大氣污染防治法》), *Law on the Prevention and Control of Solid Waste Pollution of the People's Republic of China* (《中華人民共和國固體廢物污染環境防治法》) and *Law on the Prevention and Control of Water Pollution of the People's Republic of China* (《中華人民共和國水污染防治法》), the Company adheres to the concept of “green development”, proactively creates a green operating model, adopts various measures to reduce the use and consumption of resources and energy, and reduces the generation of harmful waste; the Company actively promotes the culture of “green office”, strives to minimise the impact of the Company's operating activities on the environment by exercising energy conservation and emission reduction efforts from several aspects of the Company's operations.

### ECONOMISING RESOURCES USAGE AND REDUCING EMISSIONS

As a financial institution, consumption of resources within the Company mainly comes from the office routine of employees in the office building, including water usage, use of electricity, fuel consumption of company cars and consumption of heat from the central heating supply during winter. SITC always insists on the concept of “green development” and fully considers environmental sustainability. It has adopted renovations for self-owned properties, such as office buildings and staff canteens, for energy-saving purposes, conducted regular inspections and maintenance of energy-consuming equipment in relation to water usage and use of electricity, turned on automatic adjustment function for temperature of the air conditioners in the office, improved and upgraded the energy efficiency of the engine room centre to reduce unnecessary energy consumption. The water used by the Company is the water used by the office building. The Company has implemented a stringent water usage and management system to encourage employees to save water. Meanwhile, the Company continues to increase employees' awareness of energy conservation and environmental protection by providing electric vehicle charging equipment to encourage employees to adopt green travel by public transport, riding shared bicycles and other means. Before and after the annual Tree Planting Festival, the Company's labour union and the youth league committee organised cadres and staff members to travel to the rural area of Jinan City to conduct charitable tree-planting activity as a way to contribute to the construction of ecological civilisation.



## PRACTISING THE CONCEPT OF SUSTAINABLE DEVELOPMENT AND BUILDING A GREEN BUSINESS MODEL (Continued)



### GREEN OFFICE, STARTING WITH ME

SITC actively advocates the culture of “green office” and implements energy conservation and emission reduction by adoption of various means: further promoting office automation in the Company and establishing a collaborative office platform to standardise management processes and improve operational efficiency; enabling an unified corporate instant messaging tool to facilitate communication and raise working efficiency; setting up an electronic money transfer system and electronic file management system to further perform online processing of business processes; organising regularly information system training to encourage employees to prioritise online office systems, reduce the use of office paper, and reuse waste paper; utilising an efficient platform for conferencing to enhance the quality of conferences, performed new conference functions such as electronic whiteboard writing, wireless screen sharing, multi-screen interaction, code scanning and sharing, remote conferencing, and compatible applications, thus making conferences more intelligent, convenient and efficient, and through promoting the use of video conferences and teleconferences, reducing energy consumption incurred by employees in different locations arising from accommodation and transportation for sake of participating in conferences. For the waste produced from daily office work such as toner cartridges, ink cartridges, packaging and waste paper, the property management company will recycle the waste for centralised disposal; waste electronic equipment such as computers and printers will be received by the IT Operating Department and delivered to the recycler for centralised disposal.

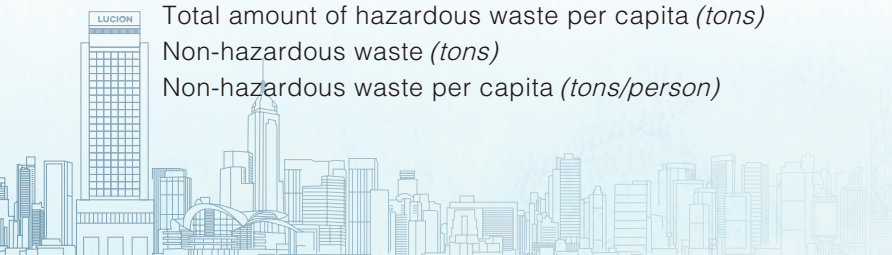
The implementation of the above measures on environmental protection improved the utilisation efficiency of energy and resources of the Company and reduced the generation of emissions.

### 2017 ENVIRONMENTAL PERFORMANCE INDICATORS

The statistical scope of environmental performance indicators in this report is Shandong International Trust Co., Ltd.

#### Emissions

Indicators	2017 Statistics
Total greenhouse gas emissions ( <i>tons</i> )	746.34
Greenhouse gas emissions per capita ( <i>tons/person</i> )	3.82
Greenhouse gas emissions for office area per square meter ( <i>tons/m<sup>2</sup></i> )	0.065
Direct emissions ( <i>tons</i> )	
Fuel consumption of company cars	34.30
Indirect emissions ( <i>tons</i> )	
Electricity	712.04
Total amount of hazardous waste ( <i>tons</i> )	0.45
Total amount of hazardous waste per capita ( <i>tons</i> )	0.0023
Non-hazardous waste ( <i>tons</i> )	34.21
Non-hazardous waste per capita ( <i>tons/person</i> )	0.18





## PRACTISING THE CONCEPT OF SUSTAINABLE DEVELOPMENT AND BUILDING A GREEN BUSINESS MODEL (Continued)

### Notes:

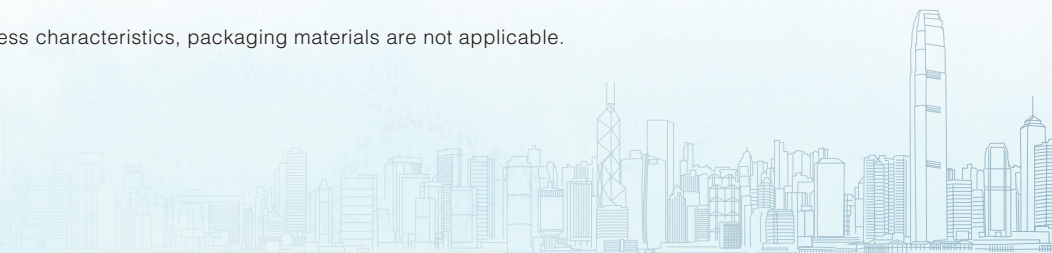
1. Due to the Company's operating characteristics, its gas emissions are mainly greenhouse gas emissions derived from the use of electricity and fuel converted from fossil fuels.
2. Greenhouse gas emissions calculation mainly include carbon dioxide, methane and nitrous oxide, which are mainly derived from purchased power and fuel. Greenhouse gas emissions are measured in carbon dioxide equivalent in accordance with the "China's Regional Grid Baseline Emission Factors 2015" (《2015中國區域電網基線排放因子》) issued by the National Development and Reform Commission of China and the "2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories" (《2006年IPCC國家溫室氣體列表指南》) issued by the IPCC.
3. The per capita data of environmental performance indicators in this report is calculated based on the average number of staff in the Company for the year. The average number of staff in the Company is equivalent to the average of the total number of staff in the Company on 1 January 2017 and the number of staff in the Company on 31 December 2017.
4. The hazardous wastes produced during the operations of the Company mainly include waste toner cartridges and waste ink cartridges, which are handed over to recyclers for disposal by property management company.
5. Non-hazardous waste produced during the operations of the Company, including mainly office waste, is handled over to qualified recyclers by the property management company for central processing. As it cannot be measured separately, we have estimated and adopted 0.7kg per person per day as the basis for calculation according to the "Coefficient Manual of the First National Census on Pollution Sources for the Pollutant Generation and Discharge from Urban Living" (《第一次全國污染源普查城鎮生活源產排污系數手冊》) issued by the State Council in 2008.

### Energy and Resources Consumption

Indicators	2017 Statistics
Total energy consumption (MWh)	1,067.77
Total energy consumption per capita (MWh/person)	5.46
Energy consumption for office area per square meter (MWh/m <sup>2</sup> )	0.092
Direct energy consumption (MWh)	
– Fuel consumption of company cars	130.63
Indirect energy consumption (MWh)	
– Electricity	937.14
Total water consumption (tons)	6,912.00
Water consumption in the office per capita (tons/person)	35.36
Water consumption for office area per square meter (tons/m <sup>2</sup> )	0.60

### Notes:

1. Total energy consumption is calculated according to consumption of electricity and fuel of the Company and the relevant conversion factors provided in the "General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589–2008)" (《綜合能耗計算通則(GB/T 2589–2008)》) issued by Standardization Administration of the People's Republic of China, including the Company's externally-purchased electricity and fuel consumption of company cars.
2. Office water consumption refers to the amount of water used in office buildings of the Company, including tap water and reclaimed water.
3. Due to the Company's business characteristics, packaging materials are not applicable.





## SUPPORTING CHARITABLE AND PUBLIC WELFARE CAUSES, JOINTLY UNDERTAKING SOCIAL RESPONSIBILITY



The Company actively performs its social responsibilities as a corporate citizen, and supports the development of poverty alleviation, charitable and public welfare causes development through actions, and contributes to building a harmonious society and an ideal community with the power of trust.

### LEADING TARGETED POVERTY ALLEVIATION: THE FIRST SECRETARY TO SHOULDER RESPONSIBILITY

The “first secretary” designated by the Company was sent to the Liji Village, Sun Laojia Town, Cao County, Heze City, Shandong Province in February 2015, starting targeted poverty alleviation work for a term of two years. In the past two years, the “first secretary” has conducted solid research, tailored measures and policies according to local conditions, and created an industrial chain for “planting, processing and sale” of peppers, laying an industrial foundation for sustainable development of Liji Village as well as poverty alleviation and wealth accumulation of farmers; constructing tap water pipes, installing solar street lights, and laying cement pavement to improve the infrastructure of Liji Village; raising funds from various parties to build new schools to vigorously improve the education and teaching environment. The work of the First Secretary was unanimously endorsed and praised by the villagers, and fully recognised by the inspection team for poverty alleviation of the National Committee of the Chinese People's Political Consultative Conference and other organisations and departments.



Old appearance of Liji Village Primary School



New appearance of Liji Village Primary School



## SUPPORTING CHARITABLE AND PUBLIC WELFARE CAUSES, JOINTLY UNDERTAKING SOCIAL RESPONSIBILITY (Continued)

### ENTHUSIASTIC TOWARDS SOCIAL WELFARE: MANIFESTING SPIRITS OF LUCION VOLUNTEERS

The Company actively organised all of its employees to carry out public welfare undertakings, and established a team of “Lucion Volunteers”. As at the end of 2017, the Company had a total of more than 60 employees being active in various small groups of “Lucion Volunteers”, who give love to the underprivileged in need of help in the society by means of different methods. With the joining of new employees, the “Lucion Volunteers” team continues to grow and enlarge. Our volunteer activities will never come to an end.

#### The Company proactively carries out social donation activities

February 2017

The Company donated **RMB2 million** to the “Lucion Charitable Fund” for public welfare works such as supporting the disabled and orphans, learning and teaching assistance, and disaster relief, demonstrating an image of a responsible state-owned corporation in the new era.

August 2017

All of the Company's employees donated **RMB101,900** to Suji Village, Zhaozhuang Village and Shaozhuang Village in Cao County of Heze for the construction of rural infrastructure.

October 2017

The Company donated poverty alleviation funds of **RMB200,000** to Miaoshan Village and Xuedong Village, Miaoshan Town, Tancheng County, Linyi City, further establishing a positive social image of the Company in poverty alleviation.

December 2017

The Company's employees voluntarily donated more than **200 pieces** of winter clothing to the villages.



## SUPPORTING CHARITABLE AND PUBLIC WELFARE CAUSES, JOINTLY UNDERTAKING SOCIAL RESPONSIBILITY (Continued)



Lucion volunteers travelled to the Children's Welfare Institute in Jinan City to carry out a charity event



Lucion volunteers donated winter clothing to offer help to the villages in Heze



Lucion volunteers visited the elderly of the Happy Land Nursing Home in Jinan City



Construction of the cultural plaza and a road bridge in Sujici Village with donation by the Company's employees



## CHARITABLE TRUST: ASSISTING IN PHILANTHROPY

On 1 September 2016, China's first basic and general law on charity – *Charity Law of People's Republic of China* (《中華人民共和國慈善法》) (hereinafter referred to as the "Charity Law") was formally implemented. The Charity Law specifies the status of charitable trusts and clearly stipulates that trust companies can act as trustees of charitable trusts. As a new kind of charitable approach, charitable trusts have the greatest advantage over other charitable methods through leveraging on the trust system's characteristics of being safe, flexible, efficient, transparent, and long-lasting, thereby better conducting charitable activities based on the will of trustors, which is a high-quality innovation in performing social responsibility using financial approach.

SITC has always focused on performing the basic function of the trust business and actively fulfilled its social responsibilities. As a consulting company of Charitable Trust Committee of the China Charity Alliance, as at the end of 2017, SITC has respectively succeeded in establishing two standard charitable trusts and several charitable trusts for serving philanthropy in the areas of respecting the elderly and supporting education, and will continue to conduct research for and develop new trust models of charitable trusts, explore new business, spread the spirit of charity in the future, and give impetus to the development of philanthropy.





## SUPPORTING CHARITABLE AND PUBLIC WELFARE CAUSES, JOINTLY UNDERTAKING SOCIAL RESPONSIBILITY (Continued)

### The first standard charitable trust in Shandong Province: Dedicate love to care for the elderly

SITC, being the trustee, set up the first standard charitable trust scheme in Shandong Province, “Datong Series Dream with One Heart Charitable Trust” (大同系列同心揚夢慈善信託). “Datong Series Dream with One Heart Charitable Trust” adopts the management model of a trust company being the trustee plus the charity organisation. In 2017, funds for the first phase of the trust project was donated to the “zero-distance” care project for the alone and widowed elderly in remote mountainous areas in Changting County of Fujian Province. The donated funds were used to purchase blankets, quilts, cotton-padded clothes and shoes, noodles, edible oils, detergents and other daily necessities for the elderly and in the form of granting them living allowances, giving warmth and love to more than one hundred seniors so as to relieve the pressure on their lives and make every effort to improve their livelihood at old age.



Datong Series Dream with One Heart Charitable Trust Project made donations to the alone and widowed elderly

### Entrusted with management of the assets of the Public Security Police Foundation: To pacify the police and enhance morale

Commissioned by the Labor Union Committee of the Public Security Bureau of Shandong Province and the Shandong Police Preferential Treatment Foundation, on 17 June 2016, SITC established single fund charitable trusts, namely Cixin No. 1 and Cixin No. 2. SITC to assist in the building of the public security police team in Shandong Province, supported the police preferential treatment work, and will constantly perform the duties of the trusted charitable fund trustee as stated in the Charity Law. During the five-year term of the product, wealth management and value-added service had been provided for the Public Security Police Mutual Aid Foundation of Shandong Province and the Shandong Police Preferential Treatment Foundation. As at the end of 2017, the assets under management of the two single fund trusts amounted to **RMB256 million**, and an accumulative total investment income of approximately **RMB20 million** was obtained for the two funds.





## KEY PERFORMANCE TABLE



Performance category	Key performance value	As at 31 December 2017	For the year ended 31 December 2017
Economic performance	Total assets ( <i>RMB100 million</i> )	129.02	–
	Total equity ( <i>RMB100 million</i> )	91.47	–
	Revenue ( <i>RMB100 million</i> )	–	16.48
	Net profit attributable to shareholders of the Company ( <i>RMB100 million</i> )	–	8.94
	Size of trust assets ( <i>RMB100 million</i> )	2,634.08	–
	Actively managed trust assets ( <i>RMB100 million</i> )	779.59	–
Social performance	Number of employees ( <i>Persons</i> )	199	–
	Employee ratio by gender	1.26:1	–
	Public welfare donation ( <i>RMB10,000</i> )	–	220
Environmental performance	Balance of green trust assets ( <i>RMB100 million</i> )	29.9	–



## ESG REPORTING GUIDE

Aspects	Contents	Reference Page Number
<b>A. Environmental</b>		
<b>A1 Emissions</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	45
A1.1	The types of emissions and respective emissions data.	46-47
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	46-47
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	46-47
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	46-47
A1.5	Description of measures to mitigate emissions and results achieved.	45-46
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	46-47
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	45-46
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	47
A2.2	Water consumption in total and intensity.	47
A2.3	Description of energy use efficiency initiatives and results achieved.	45-47
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	45
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable as the Company is a non-production-based enterprise



## ESG REPORTING GUIDE (Continued)



Aspects	Contents	Reference Page Number
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	45-46
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	45-46
<b>B. Social</b>		
<b>B1 Employment</b>		
General Disclosure	Information on policies and 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.	37-38
<b>B2 Health and Safety</b>		
General Disclosure	Information on policies and 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.	18-19, 40
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	41-44
<b>B4 Labour Standards</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	37



## ESG REPORTING GUIDE (Continued)

Aspects	Contents	Reference Page Number
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	13-14
<b>B6 Product Responsibility</b>		
General Disclosure	Information on policies and 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.	13, 16-17, 23-28, 30-31
<b>B7 Anti-corruption</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	12-15
<b>B8 Community Investment</b>		
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.	27-28, 48-51

