Encompassing as the vast ocean Blazing the way to glory









Haitong Securities Official WeChat Platform

# 2018 CSR REPORT 2018 HAITONG SECURITIES CO., LTD.



# Contents



- 75 Appendixes
- 83 About the Report

# **Community Participation** for Common Development 67 Green Economy 68 Green Operation 71 Charity

# Message from the Chairman

# Message from the CEO



2018 marks the 40<sup>th</sup> anniversary of the China's reform and opening-up and the celebration of the 30<sup>th</sup> anniversary of the Haitong Securities. Thanks to the continuous prosperity of China's economy and the entire capital market, and adhering to the concept of prudent operation, we've laid a solid foundation for comprehensive financial services through group development, acquired the first-mover advantages in cross-border operations through prospective global layout, continuously strengthened the construction of four pillars as R&D, personnel, IT and risk management and compliance, created value for stakeholders as the shareholders, clients, employees and community, and become an industry-leading large-scale comprehensive securities company.

In 2018, all people at Haitong Securities stayed true to the mission and sought stable progress. Specifically, we earnestly prevent various risks and guaranteed bottom line; we strengthened the support capability of financial services for the real economy, steadily promoted the implementation of bailout funds, and made adequate preparation for listing at science and technology innovation board and the registration-based share offering system; we actively developed financial technology, drove the comprehensive digital transformation and created "Smart Haitong"; we organized a series of corporate culture activities to celebrate the 30th anniversary of the Company, which significantly improved the sense of honor, sense of responsibility and sense of mission of the employees; we vigorously developed the green finance, and supported the development of energy saving and environmental protection industry, in order to realize the balanced development of economy and environment; we gave full play to the role of the capital market, explored the function and mechanism of inclusive finance, and implemented the targeted poverty alleviation policy to aid people in need and demonstrate the effectiveness of poverty alleviation; and we actively mobilized employees to carry out long-term and extensive charity programs, aiming to improve the awareness of the charity brand of "Love in Haitong".

2019 marks the 70th anniversary of the foundation of the People's Republic of China, also a key year to promote the reform and opening-up policy with a better starting point, a higher level and a bigger objective. Against the backdrop, we should forge ahead to embrace a brighter future. In 2019, the Company will encounter more challenges and difficulties. We should have full confidence, strengthen vigor and motivation, advocate for profession and concentration, continuously focus on the three major challenges of mitigation of significant financial risks, targeted poverty alleviation and pollution control, improve the service and management capability and level, facilitate the construction of corporate culture, keep full passion and morale, understand the situation, identify the trends, break the bottleneck, explore development paths, and further deepen the reform and transformation based on the 3-decade experience in the new era.

2018 is an extraordinary year for us. Haitong Securities encountered numerous challenges in terms of operation and management against the background of increasingly complex global political and economic situation, increased downward pressure of China's economy and the intensive introduction of new national and industry regulations. Adhering to the guidelines of "stay true to the mission, give full play to advantages and seek stable progress" established in the beginning of the year, all people at Haitong forged ahead, acted prudently and practically, actively addressed challenges, strived to mitigate risks, and finally realized satisfactory business results.

In 2018, the Company continued to rank the top in the industry in terms of the major financial indicators, kept the highest AA category rating in the industry, facilitated the implementation of technological development plan, officially launched the construction of Zhangjiang technological site, officially launched the e-Haitong Cai Version 7.0, ctively implemented the bailout program to support private sector, and successfully granted the first bailout fund for limited partnerships at the provincial-level state-owned assets platform in the industry.

In 2018, the Company actively gave play to the advantages of a financial group with securities at the core, proposed the targeted poverty alleviation model of "Leading + Supporting", further deepening the results of targeted poverty alleviation through direct fund support, the "Futures + Insurance" financial poverty alleviation program and "Haitong•Love Spreads" recycled computer room program; established the Haitong Charity Special Fund to carry out "Love in Haitong" charity activities, and actively provided services for China International Import Expo in Shanghai to make contribution to the social prosperity; underwrote green bonds and promoted the green data center to realize the sustainable development of environmental protection.

What's past is prologue. Looking into 2019, the Company should quickly adapt to the new situation, develop new supporting mechanism, foster new drivers, and grasp new opportunities, in order to promote the high-quality development. To this end, we will further strengthen the "customer-centered" development idea, deeply advance the delicacy management and strategic management; we will further enhance the talent guarantee and keep pushing forward the construction of the corporate culture ; we will help to address the major challenges of mitigation of financial risks, targeted poverty alleviation and pollution control, and continuously strengthen the support capability of financial services for the real economy, in order to develop the Company into a first-class domestic and internationally influential pace-making investment bank in China.

A and

# **Glorious Past and Brighter Future**

## Hilestones of Haitong Securities over the past 3 decades



## 8 achievements of Haitong Securities over the past 3 decades Rank the top Strong Strong in terms of workforce customer operating results, base steadily CAGRs of total assets, net assets The number of employees reached 10,391, up by 80,000% reach 35%、36% respectively. million

**Multi-field** market leadership Strong group landscape

Market leadership in fields of brokerage business, investment bank, private equity investment, offshore business, financial leasing and research, etc.



One of the first batch of securities companies acquiring multiple licenses for direct investment, securities margin trading, NEEQ market making, options market making, Free Trade Area business and Shanghai-Hong Kong Stock Connect ;

Won Shanghai Financial Innovation

# of prudent operation

offshore bank, etc.

culture of "one concept, one policy, one objective and one brand"

Completed private placement of H-share; Acquired Japaninvest Group plc and Banco Espírito Santo de Investimento, S.A. (BESI), and changed the name of BESI to Haitong Bank, deepening its global strategy

0

#### 2018

Haitong International, a subsidiary of Haitong Securities, officially carried out market-making business in the US, becoming the first ever Chinese-funded market maker in Nasdaq Stock Market

0

Award for consecutive years

04





The number of domestic and overseas customers reaches 14



Financial service group covering fields of brokerage, investment bank, assets management, private equity investment, alternative investment, financial leasing and



Developed 330 securities and futures sales offices across China

Established branches or subsidiaries in 14 countries



# About Haitong Securities

## Company Profile

Founded in 1988, Haitong Securities Company Limited ("Haitong Securities" or "the Company") is the only large-sized securities company that was not renamed and did not receive capital injection among the oldest securities companies in China. The Company has developed outstanding comprehensive business platform and mature offshore business platform, established global business network, and ranked the top in terms of total assets and net assets in securities industry in China since 2007. In 2018, the Company has basically developed into a financial holding group integrating multiple fields as securities (as the core), futures, private equity investment, funds and financial leasing, etc.

With the objective of becoming a benchmark investment bank leading in China and influential around the world, Haitong Securities has been adhering to the same development blueprint, undertaking the responsibility of serving the real economy and implementing national strategy, committing to the construction of five centers and four brands of Shanghai, seeking development by deepening reform and breakthrough by continuous innovation, creating value for employees for a better life, creating value for customers for common growth, creating value for shareholders for outstanding returns and creating value for community for common development.



### **Business segments of Haitong Securities**



#### **Global presence**

The establishment of an industry-leading, comprehensive and cross-region global business platform can assist the Company in grasping the increasing cross-border business opportunities, meeting the cross-border business requirements of customers, and improving the global influence of the Company. Through the acquisition and integration of Haitong International Securities and H Bank and the establishment of a branch in China (Shanghai) Pilot Free Trade Zone, the Company has established an industry-leading business platform, and acquired first-mover advantages in the Asian-Pacific region and the prospective strategic reserves in Europe and America.



# Organization structure



# Here and the second sec

#### **Awards**

Outstanding Enterprise Award at CSR Summit of Public Co Shanghai

Best Healthcare Poverty Alleviation Program Award of Securities Industry 2018 in China

Pioneering Investment Bank for Poverty Alleviation Program Finan

Best Targeted Poverty Alleviation Program Award of Securities Industry 2018 in China

Company with Top-class Brand Value

Treasury Bonds Futures Excellent Transaction Team Award 2017 Most Active Chinese-funded Broker in Shanghai-Hong Kong Stock Most Active Chinese-funded Broker in Shenzhen-Hong Kong Stock Best Broker 2018

Advanced Unit in Shanghai Network Security Level Protection 201

#### Excellent Underwriter Award

Excellent Underwriter Award of China Bond Green Bond Index Bond

Broker with Top-class Brand Influence

First Award of China Bond and Financial Bond Prediction in Income Market Prospect Survey 2017

Top Award for Fixed Income Market Investment Team 2018 in Chin

Top 10 Exchange Bond Investment Bank 2018 in China

Top Award for Refinancing Investment Bank 2018 in China

Top Award for Excellent Futures Company 2018

Top Award for All-round Investment Bank 2018 in China

Top 10 Inter-bank Bond Investment Bank 2018 in China

Five-star Green Bond Underwriter 2018 in China

Gold Award for Best Creativity

Top 10 Brands in Outstanding Securities Company APP Contest 20

Top Fund Sales Broker

Top 10 APP in Securities Company APP 2018

Top Broker 2018

Pioneering Broker for Promotion of Hong Kong Stock Connect 201 China

Hong Kong Stock Connect Excellent Information Service Broker

Jinniu Broker Equity Investment Institution

Jinniu Broker Equity Investment Elite

Listed Company with Top-class Brand Value

Outstanding Creativity Award 2018 in the energy saving and emiss competition of key energy consumers of financial system in Shang 08

#### Issued by

	· · · · · · · · · · · · · · · · · · ·
ompanies in	Shanghai Association for Public Companies
s and Futures	Securities Times
ncing 2017	International Financial News
and Futures	Co-sponsored by Securities Association of China, China Futures Association and Securities Times Sina Finance
	China Financial Futures Exchange
< Connect	HKEx
k Connect	HKEX
	AsiaMoney
18 x Constituent	Office of Important Information System Security Level Protection Coordination of Shanghai Municipality China Central Depository & Clearing Co., Ltd. China Central Depository & Clearing Co., Ltd.
	National Business Daily
China Fixed	Thomson Reuters
na	Securities Times
	Shanghai Stock Exchange
.018	Quanshangcn
	Quanshangcn CHINAFUND Sina Finance
	Sina Finance
	HKEX
	HKEX
	HKEx HKEx China Securities Journal
	Obies Converting Langel
	Ta Kung Pao
sion reduction Jhai	Financial Service Office of Shanghai Municipality

## Responsibility philosophy and Management

#### **Responsibility philosophy**

Haitong Securities adheres to the operation philosophy of "pragmatic, pioneering, prudent and excellent", establishes the operation objective of "first-class management, talents, services and benefits", and relies on the financial professional advantages to actively fulfill our responsibilities for shareholders, clients, employees and community.



### **Responsibility Management**

#### Stakeholder communication

The Company always deems CSR as an indispensable part of the entire operation. The Company has established regular communication mechanisms with six major stakeholders involving shareholders, customers, employees, government and regulators, suppliers and partners, and the community, which integrates demands from all the stakeholders into our operation and decision-making procedures, in order to create value for them.

,	Communication and response
	<ul> <li>General meeting of shareholders</li> <li>Regular information disclosure</li> <li>Investor communication meeting and survey</li> <li>Roadshow and reverse roadshow</li> </ul>
on	<ul> <li>Customer survey</li> <li>Customer inquiry and complaint</li> <li>Customer satisfaction survey</li> <li>e-Haitong Cai APP</li> <li>WeChat public account and so on</li> </ul>
benefits fety and	<ul> <li>Trade Union activities</li> <li>Personnel training</li> <li>Corporate OA platform</li> <li>Employee activities</li> <li>Haitong Wealth Management Academy</li> <li>WeChat public account and so on</li> </ul>
ntee on	<ul> <li>Cooperation in regulators' inspection</li> <li>Participation in government survey</li> <li>Policy implementation</li> <li>Information disclosure</li> </ul>
ıt	<ul> <li>Cooperation and communication</li> <li>Formulating purchasing management measures</li> <li>Routine communication</li> <li>Bidding activities</li> </ul>
n	<ul> <li>Poverty alleviation programs</li> <li>Employee volunteer activities</li> <li>Research and implementation of charity programs</li> <li>Supporting real-economy-related business</li> <li>Green operation</li> <li>WeChat pubic account and so on</li> </ul>

#### Identification and Analysis of Material Issues

To make the CSR Report properly respond to the requirements and expectations of the stakeholders, the Company carried out the identification, analysis and assessment of the CSR issues, defined the material issues of significance to the Company and stakeholders, and provided disclosure and response in the Report this year.



#### Matrix of material issues of Haitong Securities

12



## Feature: Comprehensive Digital Transformation Driven by Financial Technology



"Finance + Technology" is not only a technological revolution but also an important strategic engine to promote the high-quality development of the securities industry.

Considering technology as one of the four pillars of the corporate strategy, the Company developed the five-year plan for technological development in 2016. Guided by the concept of "central management, independent & controllable, convergent service and driving development", the Plan aims to promote the comprehensive digital transformation of the Company and provide full support for building a benchmark investment bank through continuous improvement in technological capability in terms of production operation, software development and technological management.



#### Objective

- Build integrated, open, shared and cloud-based infrastructure;
- Build safe, reliable, flexible and scalable key IT system;
- 🔀 Gradually realize independent & controllable key business system and improvement in overall capability of software development;
- $\aleph$  Realize integrated, 7\*24 and intelligent production operation;
- Representation of the Company's big data strategy, and strive to build Haitong Brain with big data platform as the core and artificial intelligence platform as the foundation.

# <sup>+</sup> Case

# Haitong Securities signed the comprehensive strategic partnership agreement with Huawei Technologies Co., Ltd.

With the wide application of cloud computing, big data, artificial intelligence, blockchain and other technologies in the finance industry, the digital transformation of the finance industry is overwhelming, which brings in unprecedented challenges and requirements for the construction of Information and Communication Technology (ICT) infrastructure.

On May 25th, 2018, Haitong Securities officially signed the comprehensive strategic partnership agreement with Huawei Technologies Co., Ltd. in Shenzhen. CIO of Haitong Securities and President of Enterprise Business Huawai Shanghai Office signed the agreement respectively on behalf of the two companies, and Qu Qiuping, CEO of Haitong Securities, and Yan HUAWE @ ibititat 30 Lida, Director and President of Enterprise Business of 通证券股份有限公司 华为技术有限公司 Huawei, attended the ceremony to witness the signing of partnership.



industries.



Technological Development Plan 2016-2020 of Haitong Securities



- Realize integrated management and improve IT governance mechanism;

Relying on the valuable insights of Huawei on trends of the finance industry and customer requirements, Haitong Securities will carry out dynamic exploration in digitization of finance industry, striving to provide more competitive solutions for finance and securities

## (C) Financial technology empowers securities wealth management

In recent years, the Internet securities industry has entered the era of fine operation and intelligence, the financial technology empowers securities wealth management, which further meets people's investment requirements and improves the social level of financial resources allocation.

At Haitong Securities, we strive to build the comprehensive Internet finance brand-e-Haitong Cai, and build five comprehensive, professional and intelligent investment transaction platforms, providing retail and high-net-worth customers with integrated wealth management services.

In 2013, Haitong Securities released mobile client of e-Haitong Cai APP. With years' iterative updates, the Company officially released e-Haitong Cai APP Ver. 7.0 in 2018. Based on the specific requirements of various customers, the APP client connected to PC client can comprehensively improve membership service and help customers make quick and right decisions.



e-Haitong Cai APP 7.0 and PC client product launch



Speech delivered by Qu Qiuping, CEO of Haitong Securities



- and investment advisory of Haitong Securities to interpret micro economic situation online, selects influential opinion expert and scholars to share market hotspots, and integrates mainstream media to provide immediate, accurate and professional news
- "Administrator" provides integrated online and offline services, providing certain customers with online one-to-one service by senior investment advisory service

In 2018, e-Haitong Cai APP realized: Online account opening **99.67%** Online business handling 72.81% APP transaction coverage of **81.02%** 

APP customer base of **23.39** million

• Develop and improve products in 6 dimensions of strategy (massive intelligent investment), opinions (live presentation by senior analysts), products (premium wealth management), accounts (secured ROI), membership (service upgrade) and multiple-screen (PC client) in order to assist customers in decision making

- Based on diverse stock selection logic of customers, develop intelligent selection covering over 300 popular sectors and over 400 selection factors, boasting the securities company with the most factors
- · Over 10 quantitative strategies and over 20 stock market monitoring indicators save customers' time

#### Securities Daily: Best Intelligent Securities Company

Cheetah Data: **Best Securities** Transaction APP 2017





Meet the highnet-worth customers' needs for PC client

Create massive intelligent investment to help customers make quicker and better

• The first securities company in China to independently develop a integrated market information transaction terminal

Use advanced encryption technique to guarantee the security of customer transaction

The connectivity between e-Haitong Cai PC client and APP realizes the synchronization of optional stock, closing information and account information

Sina Finance: Top 10 APP Most Creative APP



App Annie: Best Securities Company APP 2017



# Financial technology supports intelligent operation

Based on the transformation needs of operational capability of securities industry and the technological base provided by financial technology, the intelligent operation transformation is emerging. With the support of intelligent operation, securities companies can take advantage of data analysis to monitor operation chain in a more rapid, comprehensive and accurate manner and make optimal decision.

Haitong Securities actively takes advantage of financial technology to explore the transformation path of intelligent operation. The Company has built operation monitoring platform, process robot and financial document review applications to improve efficiency, reduce cost and mitigate risk. Meanwhile, the Company continuously expands the breadth and depth of application of new technologies, aiming to gradually realize comprehensive intelligent operation, automatic operation of end-to-end process, transparent management of various business lines, data support for decision making and real-time monitoring of risk compliance.

#### Share intelligent operation achievements at IT Symposium of Case Shenzhen Stock Exchange

In 2018, at the IT Symposium of Shenzhen Stock Exchange, Haitong Securities made a special report titled "Financial Technology Supports Intelligent Operation", presenting the latest achievements of intelligent operation. Meanwhile, as the representative of securities companies, the Company provided a on-site exhibition of the achievement of application of intelligent semantic analysis technology to financial document review in the form of interactive booth, gaining the extensive recognition of the participants.

With the intelligent review of bond documents as the starting point, the APP of intelligent semantic analysis of financial documents introduced the cutting-edge semantic analysis techniques to realize review functions as semantic error identification and consistency check, and designed the functions of onebutton error reporting and user behavior statistics, in order to assist the manual text check and data check, reduce the time of document review and improve work efficiency.



Haitong Securities shared intelligent operation achievements at IT Symposium of Shenzhen Stock Exchange



#### **Feature: Targeted Poverty Alleviation for Social** Contribution



Poverty elimination, people's livelihood improvement and gradual realization of common prosperity are not only the essential requirements of socialism but also the fundamental requirements of building a moderately well-off society in an allround way. Bearing in mind the overall requirements of the strategy of capital market support for the national poverty alleviation program, Haitong Securities strives to play a role in poverty elimination of poverty-stricken population and economic transformation of poverty-stricken areas in multiple means and measures.

# "Leading + Supporting" further improves targeted poverty alleviation

Haitong Securities continuously focuses on urban-rural construction and development of poverty-stricken areas. Since 2018, the Company has provided paired support for Guangming Village of Pudong New Area, Chongming District, Jinshan District Shanghai, Lixin County, Bozhou City, Anhui Province, Ningdu County, Ganzhou City, Jiangxi Province, Shucheng County, Liu'an City, Anhui Province, and Xichou County, Wenshan Prefecture, Yunnan Province, and supported the urban and rural development with a series of means including fund support, financial poverty alleviation, consumption poverty alleviation and charity poverty alleviation.

#### 2008

The Party committee of Haitong Securities paired with general Party branch of Guangming Village of Pudong New Area to provide support via the channel of Party organizationw

#### 2016

Responding to the call of "One Company One County", the Company has signed paired support agreements with national poverty-stricken counties including Lixin County, Bozhou City, Anhui Province, Ningdu County, Ganzhou City, Jiangxi Province, Shucheng County, Liu'an City, Anhui Province successively

2013

The Company donated a total of RMB 25 million (5 million each year) to Chongming District for comprehensive support of villages in the District, and provided the 3rd round of Party organization support to three areas with weak economy including Jianshe Township of Chongming District, Langxia Township of Jinshan District and Guangming Village, Xuanqiao Township of Pudong New Area

#### 2015

The Company built the charity brand "Love in Haitong" to carry out ongoing poverty alleviation activities for poverty-stricken people and left-behind children

### 2018

Responding to the call of "Double Hundred" village-enterprise pair, the Company signed "One Company One County" paired support agreement with Xichou County, Wenshan Prefecture, Yunnan Province to support three poverty-stricken villages in the county

The Company donated RMB 2.25 million to Xixian County for construction of village-level photovoltaic power station program

The Company improved poverty alleviation effectiveness by continuously providing support in fields of fund support, financial poverty alleviation and charity poverty alleviation \_\_\_\_\_

For the construction of poverty alleviation mechanism, the Company has set up a poverty alleviation team led by Secretary of Party committee and Chairman and consisting of working groups and function organization. Meanwhile, the Company actively integrates the force of various branches and subsidiaries to form a "three linkages" system including linkage of management and business departments, linkage of HQ and branches and linkage of financial support and personnel guarantee, so as to provide strong guarantee for the implementation of poverty alleviation work.

In 2018, based on the analysis and summary of the poverty alleviation work in the past two years and our own advantages and characteristics in terms of targeted poverty alleviation, the Company carried out systematic design of "One Company One County" paired support, and proposed the new "Leading + Supporting" poverty alleviation model, which gives direction of further deepening targeted poverty alleviation and improving support effectiveness.

### "Leading + Supporting" poverty alleviation model of Haitong Securities

#### **Direct fund support**

Assign RMB 1 million to each government of paired poverty-stricken area for local public pension and assistance; Assign RMB 500,000 to three povertystricken villages in Yunnan Province respectively for park and breeding base

#### Charity poverty alleviation

to local Red Cross and insurance coverage of registered poverty-stricken households, as well as consumption poverty alleviation by purchasing local specialty

# 

In 2018, Haitong Securities invested a total of RMB

9\_2657 million

for targeted poverty alleviation.

Specifically, it consists of industry poverty alleviation fund of RMB



and social poverty alleviation fund of RMB

4.6635 million.

#### Financial poverty alleviation

arket financing to help paired povertytricken areas expanding financing channe nd identifying sustainable growth point of

alleviation program to mitigate the market risk of price declining of agricultural

Provide capital market knowledge training to combine poverty alleviation with knowledge support

# Integrate Advantages and Explore New Model of Inclusive-Finance Poverty Alleviation

#### Provide financial support for poverty-stricken areas

Based on the advantages of a financial group focusing on securities business, Haitong Securities focuses on financial support for paired poverty-stricken areas, and provides comprehensive financial services for enterprises in poverty-stricken counties in terms of financing planning, bond issuing, IPO and merger & acquisition, etc., in order to help relevant enterprises expanding financing channels, reducing financing costs, mitigating market risks and facilitating their development.





Lixin County Chunlei Agricultural Development Co., Ltd., with Haitong Securities as the lead underwriter, acquired the approval of SSE for private placement of special poverty alleviation corporation bonds in June 2018 and completed the bookkeeping and registration in December 2018.

Chunlei Agricultural Development Co., Ltd. is located in Lixin County, Bozhou City, Anhui Province, a national-level poverty-stricken county. To promote its rapid poverty elimination, Haitong Securities carried out active communications with local government and SSE to continuously advance the bonds project. The successful issuing of the corporation bonds effectively mitigated the year-end financial pressure of Chunlei Agricultural Development Co., Ltd. and laid a solid foundation for the poverty elimination of Lixin County in 2019.

<sup>↑</sup> Case

financing services

Registered in the Ningxia Hui Autonomous Region in 2010, Ningxia Jiaze Renewables Co., Ltd. ("Jiaze Renewables") is a private listed power generation enterprise engaged in the development of green energy.

In 2015, Haitong Securities worked with Jiaze Renewables and supported its successful IPO at SSE in July 2017, making it the first enterprise listed in the main board in Ningxia over the past 14 years. After its IPO, the Company carried out in-depth cooperation with Jiaze Renewables in capital market through issuing exchangeable bonds for the shareholders and private placement, which not only strengthened its strength but also increased jobs and promoted local economic development of Ningxia.



### Provide Ningxia Jiaze Renewables Co., Ltd. with ongoing diversified

### "Insurance + Futures" model to mitigate risk of agricultural products market

Based on the diversified financial service means of Haitong Securities, the Company integrates the advantages and resources of subsidiaries, and encourages the subsidiaries to provide paired support for poverty-stricken areas to assist the poverty elimination through multiple ways.

In the end of 2016, Haitong Futures, a subsidiary of Haitong Securities, launched its "Insurance + Futures" poverty alleviation program to provide customized OTC options risk management service for national-level poverty-stricken counties including Jinping County, Yunnan Province and Huachuan County, Heilongjiang Province, which fully takes advantage of the roles of futures market and insurance market to form a loop of risk transfer and hedging and effectively assist local farmers in mitigating market risk of price dropping of agricultural products.

By the end of 2018, the "Insurance + Futures" poverty alleviation program of Haitong Futures has provided service for 8 poverty-stricken counties in 6 provinces, providing guarantee for notional principal of RMB **36.71** million and benefiting **8.938** people.

#### **Overview of "Insurance + Futures" program of Haitong Futures in 2018**

Program name	Description
"Insurance + Futures" program for rubber in Jinping County, Yunnan Province	Cooperated with PICC to provide insurance coverage for 4,000-ton rubber capacity (about 40,000 mu) of 3,661 insured farmers (including 3,613 poverty-stricken people)
"Insurance + Futures" program for apples in Yanchang County, Shaanxi Province	Donated RMB 500,000 to provide professional guarantee for 2,000-ton apples of local farmers
Rubber industry in Jinping County, Yunnan Province Soybean industry in Huachuan County, Heilongjiang Province White sugar industry in Lianghe County, Yunnan Province Cotton industry in Yengisar County, Xinjiang	Provided risk hedging management tool for 5,110 registered households, and invested fund of RMB 6.51 million, guaranteeing notional principal of RMB 190.74 million

Case

Yunnan Province

In 2018, with the vigorous support of Shanghai Futures Exchange, Haitong Futures worked with PICC to launch the "Insurance + Futures" program for natural rubber in Jinping Miao, Yao, Dai Autonomous County, Yunnan Province, providing guarantee for the development of local rubber industry and the income of farmers.

Haitong Futures paid RMB 3.6 million as the insurance premium of the Program, which covered 4,000-ton rubber (about 40,000 mu) in Jinping County, Yunnan Province. To reflect the characteristic of targeted poverty alleviation, the Program focused on the coverage of the rubber capacity of 3,613 registered poverty-stricken households (3,661 insured households in total). By the end of 2018, the Phase IV of the Program was successfully closed with a total of due compensation of RMB 2.02 million, winning the extensive recognition of local government and people.

Moreover, Haitong Futures provided trainings on capital market knowledge and futures business to spread financial knowledge to people in poverty-stricken areas, aiming to combine poverty alleviation with knowledge support to provide comprehensive financial support for poverty-stricken areas.



>>>Haitong Futures attended the Yanchang County Symposium for Financial Targeted Poverty Alleviation



>>> Haitong Futures provided financial training for "Insurance + Futures" program for rubber in Jinping County, Yunnan Province

#### "Insurance + Futures" program for rubber in Jinping County,

# Achieve multi-dimensional and multi-level diversified support

Based on the actual needs of each poverty-stricken area, Haitong Securities implemented the supporting poverty alleviation programs in terms of education, charity, healthcare and infrastructure, in order to earnestly solve the most urgent and widespread issues of each poverty-stricken county.

## Implementation of supporting poverty alleviation program in paired poverty-stricken county



Model	Program	Achievement	Paired poverty- stricken county
Education	"Haitong•Love Flies" rural teacher training program	Provided 14-day training for 50 rural teachers	Lixin County, Bozhou City, Anhui Province Ningdu County, Ganzhou City, Jiangxi Province Shucheng County, Liu'an City, Anhui Province
poverty alleviation	"Haitong•Love Spreads" recycled computer room program	Invested RMB 230,000 to build 3 recycled computer rooms for 3 primary schools in Ningdu County	Ningdu County, Ganzhou City, Jiangxi Province
	Technical school construction investment	Invested RMB 850,000 to purchase multi- media teaching equipment and aid poverty- stricken students and outstanding students	Ningdu County, Ganzhou City, Jiangxi Province
Charity poverty alleviation	"Love in Haitong" insurance charity program	Provided 3-year accident insurance for 2,315 rural teachers	Lixin County, Bozhou City, Anhui Province
Healthcare poverty alleviation	Aid for children with congenital heart disease	Donated RMB 368,757 to treat 24 children with congenital heart disease	Shucheng County, Liu'an City, Anhui Province
Infrastructure poverty alleviation	Road works investment	Invested RMB 1 million for road works in poverty-stricken villages to benefit over 3,500 villagers	Shucheng County, Liu'an City, Anhui Province



"Haitong•Love Spreads" recycled computer room program

Haitong Securities and its branches and subsidiaries cooperated with Shanghai Zhonggu Charity Youth Development Center to launch "Haitong-Love Spreads" recycled computer room program, which aims to integrating various quality resources to bring education concepts and teaching equipment in developed cities to students in poverty-stricken areas in the form of charity.

On June 27, 2018, "Haitong+Love Spreads" Recycled Computer Room Completion Ceremony, one of the charity activities of Haitong Securities in Ningdu County, Ganzhou City, Jiangxi Province themed "See the World with You", was officially held in Ningdu Dutou Primary School. Through professional selection and treatment of recyclable computers, the Company donated computers with good performance to Dutou Primary School to improve the education hardware and development in poverty-stricken areas.



# Case

#### Charity free-of-charge surgery for children with congenital heart disease in Shucheng County

Since 2016, Shucheng County, Anhui Province has been focusing on targeted poverty alleviation in the field of healthcare by providing special treatment of major diseases. As the paired unit of Shucheng County, Haitong Securities paid attention to the special group of children with congenital heart disease by vigorously supporting charity free-ofcharge surgery for children with congenital heart disease in Shucheng County.

On June 17, 2018, Shucheng County, Anhui Province screened children with congenital heart disease in poverty-stricken households in the County, and sent 24 children diagnosed with congenital heart disease from 54 suspected children to Beijing for surgery. Haitong Securities paid the extra expenses of RMB 368,757.62 to guarantee free-ofcharge treatment, thus avoiding poverty due to disease of poverty-stricken households.

On August 3, 2018, Wu Hongwei, Deputy Secretary of Party Committee and Secretary of Committee for Discipline Inspection of Haitong Securities, paid a visit to 24 postoperative children with congenital heart disease in Shucheng County, Anhui Province, witnessing that they were rehabilitated with due happiness of ordinary children. In October 2018, the charity free-of-charge surgery for children with congenital heart disease in Shucheng County won Haitong Securities the award of Best Healthcare Poverty Alleviation Program in the Securities & Futures Industry in China in 2018.



# Sound Development and Compliant Operation

Haitong Securities follows the business philosophy of "pragmatic, pioneering, prudent and excellent", adheres to the guidance of Party building, continuously improves operation management and profitability, improves corporate governance and optimizes comprehensive risk management system and internal control system, so as to create sustainable investment value to shareholders.

 Continuously improved operation capacity to maintain sound business results and create sustainable investment value to shareholders



 Adhered to the guidance of Party building, guaranteed "three adheres", "three priorities" and "three aspects" in Party building, and organized various theme activities to improve competitiveness of cohesion of the Company

The Party building microvideo won Top 100 Cases of microvideos demonstrating innovative achievements of national financial system

 Actively fulfilled the anti-money laundering responsibility of financing institutions by carrying out internal and external anti-money laundering publicity and training







# **Economic contribution**

In the new era of transforming from rapid development to high-quality development of China's economy, based on the industry trend of "real economy service, financial risk prevention and financial reform deepening" and the historical mission of building a world-class modern investment bank, Haitong Securities establishes a long-term development vision, builds a customer-oriented service system, improves cross-border business platform, and promotes the comprehensive digital transformation driven by financial technology.

The Company adheres to the policy of finance serving the real economy, seizes market opportunities, and actively addresses challenges to maintain sound business results. The Company adheres to the policy of finance serving the real economy, seizes market opportunities, and actively addresses challenges to maintain sound business results. By the end of 2018, the Company realized total assets of RMB 575.724 billion yuan, net assets attributed to parent company of RMB1,178.59 billion yuan, operating revenue of RMB 237.65 billion yuan and net profits attributed to parent company of RMB 5.211 billion yuan.

# So Main business contribution

Indicator	Unit	2016	2017	2018
Total primary business income	RMB 10,000	2,801,101.46	2,822,166.72	2,376,501.46
Total profit	RMB 10,000	1,116,172.70	1,288,939.70	757,036.69
Total tax	RMB 10,000	703,811.27	490,943.39	540,793.61
Total assets	RMB 10,000	56,086,584.62	53,470,633.28	57,462,363.41
Earnings per share	RMB 1	0.70	0.75	0.45

The social contribution value per share reflects the full value created by Haitong Securities for shareholders, employees, customers, community and the whole society, making it an important indicator for assessing the fulfillment of social responsibility by the Company. In 2018, the social contribution value per share of Haitong Securities was RMB 2.40 yuan.

Indicator	Unit	2016	2017	2018
Social contribution value per share		2.69	2.57	2.40

Note: Social contribution value per share = (net profit attributed to shareholders of ordinary shares after deducting non-recurring profit and loss + amount paid to government + employees' pay and benefits + interest paid to banks and other creditors + value created by external donations for other stakeholders – other social cost due to environmental pollution, etc.) ÷ total shares of the Company



# Guidance of Party Building

## To strengthen grass-roots Party building

The Company deeply follows the guiding principles of the 19<sup>th</sup> National Congress of CPC, adheres to the guidance of Xi Jinping's concept of socialism with Chinese characteristics for a new era, and focuses on the core tasks of the Company to carry out grass-roots Party building. During the reporting period, the Company developed the Party Building Development Program 2018-2020, Studying System for Theoretical Study Center Group of Party Committee of Haitong Securities, and Implementing Rules for General Election of Grass-Roots Party Organizations of Haitong Securities Co., Ltd., and issued Party Building Work Priority 2018 and Implementation Scheme for Grass-Roots Party Building Assessment 2018, in order to further improve institutional building.

In 2018, the Company focused on "three adheres" to earnestly fulfill the responsibility of Party governance, highlighted "three priorities" to earnestly lay a solid foundation for grass-roots Party building, and compared with "three aspects" to earnestly fill the gap.

#### Main Party building work of Haitong Securities

Category	Content	De
Focus on	Adhere to considering the studying and implementation of Xi Jinping's concept of socialism with Chinese characteristics for a new era as the primary political task	O Ci Im
"three adheres"	Adhere to the concept of considering proper Party building as the biggest political achievement	Se m we
	Adhere to properly implementing Party building at all levels	Dor
	Priority of institutionalized "Two Studies and One Action" Education Campaign	O in Cl st
Highlight "three priorities"	Priority of standardizing regular activities of Party organization	G m cl or
	Priority of institutional building to give play to the role of battle fortress of Party organization	D gu ac m ar ar re
	Compared with the work of the previous year	D to di
Compare with "three aspects"	Compared with the identification and correction of issues of the Party organization democratic life meetings of the previous year	E
	Compared with the assessment results of Party building of enterprises managed by Shanghai Municipality	D st sy

#### escription

Organized monthly theoretical study of Center Group of Party Committee for systematic special study of Studying, Absorbing and mplementing New Ideas

Secretary of the Party committee of Haitong Securities chaired 11 meetings to research and advance the Party building and ideology work of the Company

Developed 45 assessment items in 5 aspects for 39 Party organizations under the Company

Organized Party building microvideo competition themed "Haitong n My Mind" on the occasion of celebrating the 97th anniversary of CPC and the 30th anniversary of Haitong Securities for cohesion of strong positive energy for development

Guaranteed regular Party member education, standardized Party member management, institutionalized Party activities, long-term customer service and concrete role playing in order to make Party organizations and members pioneers of corporate development

Deeply carried out Party building activities themed "implement the guiding principles of the 19th National Congress of CPC & gain achievements in the new era", deepened the construction of "Party member demonstration post" and "Party member responsible area", notivated the entrepreneurship of Party members and cadres, and earnestly strengthened the sense of urgency and sense of responsibility of seeking reform and development

Developed the Party Building Development Program 2018-2020 to give full play to the Party Committee's guiding role of defining direction, making overall planning and supporting implementation

Earnestly completed 15 correction items in 6 aspects

Developed 16 correction items for strengthening system implementation, standardizing trace management and promoting Party building IT system



Party building activities themed "implement the guiding principles of the 19th National Congress of CPC & gain achievements in the new era"

In order to deeply study and implement the guiding principles of the 19th National Congress of CPC. the Partv Committee of the Company organized extensive Party building activities themed "implement the guiding principles of the 19th National Congress of CPC & gain achievements in the new era" among Party organizations at all levels, aiming to give full play to the positive role of promoting reform, development, innovation and transformation of the Company and advancing the construction of a benchmark investment bank in China of the grass-roots Party organizations and members and cadres.

During the reporting period, a total of 137 grass-roots Party organizations submitted the cases of Party building activities with extensive content, rich form and carrier and good effectiveness, fully demonstrating the important role of Party building activities in strengthening the competitiveness and cohesion of the Company.





Party building activity of Investment Bank Department Party building activity of Capital Management Department

#### Haitong's Party building microvideo won the award of "Top 100 Cases" Case

2018 marked the 40th anniversary of the reform and openingup policy and the 30th anniversary of Haitong Securities, in order to strengthen the Party's leadership in ideological work, the Party Committee of Haitong Securities organized a 3-month microvideo solicitation & selection activity themed "Haitong in My Mind" among all units and employees.

On August 3, 2018, the Party building microvideo titled "Enhancing cohesion through five services & Promoting development through guidance of Party building" submitted by Haitong Securities won the award of "Top 100 Cases" of the Party building innovation achievements microvideo competition in the national financial system co-hosted by Research Association of Ideological and Political Work of China Financial Institutions and ZIGUANGGE magazine affiliated to CPC Central and National Organs Work Committee. Focusing on the work methodology of "bring confidence to development, dedication to work, care to personnel, cohesion to team and support to community", the microvideo presented the Party building innovation achievements of Party branches at various offices under the leadership of the Party Committee of Haitong Securities.



Party building microvideo titled "Enhancing cohesion through five services & Promoting development through guidance of Party building" made by Shanghai Huangpu District Fuzhou Road Office won the first prize

#### Strengthen Construction of a clean Party Committee and company

Haitong Securities deeply implements the requirements of the Party Central Committee and the State Council for construction of a clean Party Committee and company, and strictly abides by Supervision Law of the People's Republic of China, Inner-Party Supervision Rules of CPC, Regulations on Integrity of Executives of State-owned Enterprises, CSRC Regulations on Integrity of Securities and Futures Institutions and Their Staff, etc. The Company has developed Measures for the Implementation of Strengthening Cadre Supervision Interview System of Haitong Securities Co., Ltd., Measures for the Implementation of Preventing Conflict of Interest of Managers at All Levels in The Operations of Haitong Securities Co., Ltd., and List of Fulfilling the Party Committee's Principal Responsibility and Discipline Inspection Commission's Supervision Responsibility for Construction of a Clean Party Committee and Company of Haitong Securities Co., Ltd., in order to advance the construction of a clean Party Committee and company through promoting synergy of four responsibilities, enhancing disciplines execution, implementing routine supervision and providing integrity education.

#### Four-in-one construction of a clean Party Committee and company

Promoting synergy of four responsibilities	<ul> <li>Secretary of the Party committee to personally assign important coordinate key links, and person</li> <li>Other members in the leadership</li> <li>The Company has issued List of and Discipline Inspection Comm Clean Party Committee and Com</li> <li>The Company has signed Ress Committee and Company level b</li> </ul>
Enhancing disciplines execution	<ul> <li>The Company implements discip Committee Discipline Inspection Assets Supervision and Adminis</li> <li>The Company adheres to disc disciplines execution</li> <li>The Company strengthens disciplines</li> </ul>
Implementing routine supervision	<ul> <li>The Company explores the rebranches and subsidiaries</li> <li>The Company adheres to and focuses on the risk points of bus</li> <li>The Company implements spemanagers at all levels</li> <li>The Company resumes the system personal issues, and strengthere</li> </ul>
Providing integrity education	<ul> <li>The Company highlights the read of and company at annual meeting meetings</li> <li>The Company incorporates eductraining program for all the employed</li> </ul>

- ee of the Company works as the principal responsible person tasks, personally inquire about major issues, personally nally supervise the major cases
- ip fulfill dual responsibilities at the same posts
- of Fulfilling the Party Committee's Principal Responsibility mission's Supervision Responsibility for Construction of a mpany of Haitong Securities Co., Ltd.
- sponsibility Agreement on Construction of a Clean Party by level
- iplines execution under the guidance of Shanghai Municipal on Commission's office at Shanghai Municipal State-owned stration Commission
- ciplines and rules and pays attention to the four forms of
- iplines inspection and has zero tolerance with violations
- outine inspection system to implement inspection on 5
- d deepens the supervision consultation mechanism and siness development
- ecial self-inspection of prevention of conflict of interest of
- tem of requiring cadres above middle management to report ns the routine supervision and inspection

..........

equirements for construction of a clean Party Committee ngs, interim meetings and financial budget and statements

ucation on Party discipline and professional ethics into the bloyees



# Party committee of Haitong Securities held Conference on Party Building & Construction of a Clean Party Committee and Company 2018

On February 5, 2018, the Party committee of Haitong Securities held the Conference on Party Building & Construction of a Clean Party Committee and Company 2018, which comprehensively reviewed and summarized the work in 2017, analyzed the situation and tasks, and arranged the work of Party building & construction of a Clean Party Committee and Company in 2018. Over 260 people attended the conference.



#### Anti-corruption performance indicator

Indicator	Unit	2016	2017	2018
Times of employee training on bribery and corruption	Time	4	6	8
Person-times of trainees	Person-time	2,460	1,385	1,588

# **Corporate governance**

#### To improve corporate governance

According to the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, regulations of CSRC and HKEx listing rules, Haitong Securities has established a corporate governance structure featuring separation and checks and balances among general meeting of shareholders, board of directors, board of supervisors and the management team. The well-defined powers and responsibilities guarantee the standard operation of the Company and the scientific, standardized and transparent corporate governance.

During the reporting period, according to the requirements of Measures for the Management of Compliance of Securities Companies and Securities Investment Funds Management Companies (CSRC Decree No. 133) issued by CSRC, the Company amended the Articles of Association, Rules of Procedures for Board of Directors and Rules of Procedures for Board of Supervisors, and adopted the relevant proposals at the first extraordinary general meeting 2018 held on March 1, 2018.



### To provide ongoing information disclosure

As a company listed in A-share and H-share markets, according to the requirements of listing rules of SSE and HKEx, Haitong Securities has established an information disclosure system meeting the requirements of both SSE and HKEx and investors, which focuses on true, accurate, timely and complete information disclosure, strengthens transparency of information disclosure, safeguards the legal interests of investors, and provides effective decision basis for investors.

In 2018, in A-share market, the Company disclosed 12 monthly financial data reports, 67 interim announcements and 4 regular reports, winning Level-A rating in information disclosure work assessment by SSE; in H-share market, the Company disclosed a total of 208 overseas regulation announcements, notifications and circulars.

### To strengthen investor communication

Haitong Securities pays attention to the management of investor relations, and actively communicates the corporate value to investors through various channels. The executives of the Company personally participate in investor service and set up fulltime investor relations service team. The Company strengthens the communications with domestic and overseas investors and improves the corporate transparency through multiple means including investor inquiry hotline, online interaction, email, teleconferencing, on-site reception, results presentation, investor interview, roadshow and SSE E-interactive platform.

In 2018, the Company further enhanced the communication with investors. A team led by the Chairman of Haitong Securities carried out roadshow of annual report 2017 for overseas institutional investors, and another team led by Secretary of the Board and CFO carried out roadshow of annual report 2018 H1 for domestic and overseas institutional investors. The Company visited 45 institutions, gaining extensive market recognition.

As for market hotspots including stock mortgage risk, bailout funds and science and technology innovation board, the Company communicated with the stakeholders through multiple forms including reception of domestic and overseas analyst, on-site investor survey and exchange meeting of securities companies, aiming to reduce market cognitive deviation due to information asymmetry.

By the end of 2018, the Company:		
Received domestic and overseas analysts and carried out on-site investor surveys for 26 times	Received	Participated in <b>12</b> exchange meetings of securities companies



2017 & 2018 Interim performance conferences

# Compliance and risk management

#### Comprehensive risk management system

The Company pays great attention to the financial risk prevention, adheres to the risk management concept of "prudent and even conservative" and prudent risk preference, strictly abides by Company Law of the People's Republic of China, Securities Company Comprehensive Risk Management Standards and Articles of Association, and establishes relatively complete risk management structure system.

The major risk types identified by the Company include compliance risk, credit risk, market risk, operational risk, liquidity risk and reputational risk. During the reporting period, the Company deeply advanced the comprehensive risk management construction groupwide in two dimensions as risk management capability and risk management support measures.

#### Comprehensive risk management system

	Full coverage	The Company set which covers all t subsidiaries, impl assessment, mease strengthens preven
Risk	Monitorability	The Company set tolerance & limit and and assessed extre
management capability	Measurability	The Company mea continuously optir assessment mecha live for ongoing ass
	Analysis	The Company deve major risk events irr
	Answerability	Based on risk asses response strategy, specific emergency
	Cultural publicity	The Company de risk culture throug Haitong Wealth Ma
Risk	Institutional building	The Company esta system based on I Securities Co., Ltd. factors.
management support measures	System construction and data management	The Company bui various risks and measurement, asse risk data marketplace
	Personnel building	The Company recrupersonnel, and esta
	Risk control investment guarantee	The Company do increased investme implementation of ri
Case	Establish comp	rehensive risk r

To establish a central risk indicator monitoring platform Company developed the comprehensive risk management of view system to carry out monitoring and warning of multi indicator system.

In terms of central comprehensive risk management, the sy realizes risk data analysis, summary and display across bus forms, risk types, subsidiaries, departments and branch terms of design of indicator system hierarchy, the system sets risk management indicators for group risk, major risk events tolerance and risk control, and specific risk management indic for market risk, operational risk, credit risk and liquidity risk, realize the central analysis, summary and display of various and day, provide inquiry of subview, multi-dimension and deta warning line and fluctuation trend analysis; in terms of monitor risk information reporting, monitoring & warning and notification

t up a well-defined risk management organizational structure, the risk types, business lines and departments/branches/ proves risk management process including identification, surement, monitoring, reporting and response, and continuously ntion, monitoring and inspection & disposal of various risks.

et up a three-layer system including supervision indicator, ad business risk control indicator, carried out ongoing monitoring, eme risks through various stress tests.

easured market risk, credit risk and liquidity risk respectively, mized measurement model and method, and established anism and process for model development, validation and gosessment and check of quantitative model.

eloped analysis reports for various risks regularly and reports for regularly, and included subsidiaries into the report scope.

essment and warning results, the Company selected appropriate *i*, established effective response mechanism and developed y system.

eveloped risk management culture, and communicated gh various trainings, symposiums, journals and courses of lanagement Academy.

tablished risk management system, and improved multi-level Measures for Comprehensive Risk Management of Haitong d. to cover various risks, businesses, subsidiaries and control

uilt professional systems for risk management, which cover d business lines and have functions of risk identification, sessment, monitoring and reporting, and built and improved the ace to effectively support the risk management groupwide.

ruited risk management personnel, improved skills of risk control ablished and improved personnel development mechanism.

leveloped special budget for information system, and nent in risk management information system to guarantee the risk management groupwide.

#### management central view system

n, the	集团风险			189/070		
entral	scens, shot	autenotation				201852
. Laura I	1084-01-0700-02	SIREE.42		<u></u>		201812
-level	801 MILLS	21019-92		C		201852
	CORR. 198	Diskak All		£		201442
	SAUGEST BRITE RULLS	ADDITION AND		L		201415
ystem	公司风险容忍度	0800		85800	CORNEL	NP no.
siness			-			
a a u i m	60		( x	1	60	
es; in	( )		0.6	•)	( )	,
s total		1 .				□ ·//
o riok	Rtied (	nea 🖂 🛛 s	540 C	fittes 🖂	F242 - 0	ines 📼
s, risk	Screen of	of compreh	nens	sive risk	manade	ment
cators						
which	central v	iew systen	n			
indicator	systems by	dimensior	ns of	f year, q	uarter, n	nonth
aile and d	lisplay in illu	istrativo di	aara	ome inclu	idina co	cknit
	1 5		0		0	
oring and	warning, the	e system h	as f	unctiona	l module	es for
on.						

#### **Compliance management system**

According to the laws and regulations including Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies and Guidelines for Implementation of Compliance Management of Securities Companies, the Company has established a comprehensive compliance management system with reasonable structure and well-defined responsibilities.

In 2018, the Company developed and updated 13 management systems or notice requirements including Notice on Strengthening Compliance Management of Employee Conduct and Measures for The Implementation of Compliance Inspection of Haitong Securities Co., Ltd., in order to earnestly meet the requirements of Guidelines for Implementation of Compliance Management of Securities Companies.

The Company advocates for a compliance culture of compliance by everyone whenever and wherever possible. In 2018, the Company further improved its compliance training system, which consists of internal training system, building of compliance harbor, laws and regulations publicity, development of various professional training courses as interpretation of new rules, and organization of training on compliance managers.

#### Complaint and reporting handling

The Company established compliance compliant and reporting system, providing an unhindered communication channel for internal and external stakeholders to participate in compliance management. External stakeholders can make complaints via letter, e-mail, telephone, fax, visit and Internet, while internal employees can report problems via OA system to discipline inspection platform.

The Company focuses on the whistleblower protection. Upon receiving complaint and reporting, the Company carries out investigation and handling in strict accordance with relevant procedures. Moreover, the Company has developed Measures for Management of Discipline Inspection and Supervision of Haitong Securities Co., Ltd., which provide that the Company shall not disclose the personal information of the individuals making complaint and reporting such as name, capacity and organization without the consent of the individuals in question, and keep the capacity confidential during investigation.

#### **Anti-money laundering**

The Company actively fulfills the anti-money laundering responsibilities of financial institutions, strictly complies with applicable regulations including Anti-money Laundering Law of the People's Republic of China, Management Measures for Block Trading and Suspicious Trading Report by Financial Institutions and Measures for Management of Customer Identification and Retention of Customer Identity and Transaction Records by Financial Institutions, and sets up a three-level anti-money laundering organization structure led by anti-money laundering leading group of Haitong Securities HQ to implement various anti-money laundering work.



The Company has developed relatively sound anti-money laundering internal control system, and included anti-money laundering content in supporting systems including archives management, compliance assessment and punishment rules, so as to earnestly fulfill the anti-money laundering responsibilities. In 2018, the Company amended the Rules for Implementation of Management of Customer Risk Grading in Anti-Money Laundering of Haitong Securities Co., Ltd., and carried out customer identification, customer risk grading, retention of customer identity and transaction records, suspicious trading report, anti-money laundering publicity and training, so as to strengthen the antimoney laundering risk management.

According to the requirements of the Company and local PBOC branches, the branches and their offices set up anti-money laundering publicity banners, posters, circularly displayed anti-money laundering publicity slogans and videos on LED screen, set up anti-money laundering information desk, distributed anti-money laundering brochures to customers, distributed Antimoney Laundering Leaflets of Haitong Securities, and sent anti-money laundering SMSs, so as to strengthen the effectiveness of anti-money laundering campaign.

In 2018, the Company organized 5 special trainings on anti-money laundering, covering 15,179 attendances.





Distributed brochures

Distributed flyers





Set up the anti-money laundering publicity arch Set up the anti-money laundering publicity station

#### Supply chain management

The Company, as a financial service institution, mainly purchases IT software/hardware, office supplies, equipment & facilities and services. As we don't have too many suppliers, our supply chain doesn't pose a big negative risk to environment and society

As for the supply chain management, the Company formulates Purchasing Management Measures of Haitong Securities to regulate purchase procedures. When choosing suppliers, the Company puts much emphasis on business ethics and social responsibility of suppliers, and carries out screening, assessment and regular inspection of suppliers for strict oversight on and prevention of all kinds of commercial bribery. In 2018, the Company found no actual or potential negative effect due to the suppliers' violation of business ethics, environmental protection and labor rules.

#### **Compliant product marketing**

The Company carries out financial product marketing according to the requirements of the Advertising Law of the People's Republic of China and the regulators. It has developed Management Measures for Financial Products Distribution Business of Haitong Securities Co., Ltd. based on laws and regulations including Regulation on Supervision and Administration of Securities Firms and Management Measures for Financial Products Distribution of Securities Firms, thus regulating the Company's distribution of financial products business, ensuring true and complete product information for customers and safeguarding legal interests of investors.

During the distribution of financial products, the Company and its marketing personnel shall strictly follow the principles of voluntariness & equality, integrity & credit, and fair trade, to fully and objectively disclose relevant product information to investors and explain clearly the credit risk, market risk and liquidity risk of products. The marketing personnel shall select eligible customers for unsolicited marketing based on risk levels and investment objectives and shall not mislead or defraud investors.

In 2018, the Company was not founded in any violation in respect to product and service information and identification of product and service, nor was it engaged in any violation in respect to marketing and publicity.



Sent anti-money laundering publicity SMSs





Anti-monev laundering theme publicity campaign of Haitong Securities office

# Quality service, grow together with customers

As the blood for the real economy, finance has the bounden duty of supporting the real economy and preventing financial risks. As one of the core carriers of the capital market, Haitong Securities actively implements the national strategy, and adheres to the concept of customer orientation, in order to provide investors with quality financial products and services and meet the increasing demands for comprehensive financial services.

 The Company gave full play to the advantages of the capital market to provide direct and indirect financing services as NEEQ listing and bonds issuing, helping eliminating the bubbles of the real economy

In 2018, the Company provided the real economy with financing



 The Company carried out the activity of customer satisfaction improvement season by introducing intelligent robot to optimize customer experience

The Company realized a customer complaint

handling rate of

 Relying on the Rainbow Lecture investor education site, the Company carried out brand investor education activities including "Future Financial Leaders" to strengthen the risk awareness of investors







#### Bailout funds solve financing difficulty of private sector

As a key component of the national economy, the private sector plays an important role in promoting social development, technological progress and economic growth. However, as the economy marketization of China accelerates, the financing difficulty has become a major constraint for the survival and development of the private sector.

At the private sector symposium in November 2018. General Secretary Xi Jinping pointed out to unswervingly encourage. support and guide the development of non-public sector and support the expansion of private sector. Haitong Securities actively answered to the call of government and regulator, fully gave play to the advantages of the capital market, broadened the financing channels of private sector, and assisted the listed private enterprises in mitigating equity pledge risks, so as to support the sound operation and quality development of the private enterprises.

In October 2018, Securities Association of China organized 11 securities companies, as the co-sponsors, to contribute RMB 25.5 billion to launch the Series Assets Management Programs for the Support of Development of Private Sector by the Securities Industry. As the securities company contributing the most with its own funds, Haitong Securities contributed RMB 5 billion to establish the Series Assets Management Programs for the Support of Development of Private Sector by the Securities Industry · Haitong Securities Assets Management No. 1 FOF Program ("Parent Fund"). Moreover, the Company set up the special group for bailout funds for private sector, which guided and directed branches nationwide to work with local governments and financial offices to support the sound development of private enterprises and the real economy.

As of December 31, 2018, the Parent Fund has provided RMB 890 million to 3 subfunds, and other subfunds participated by the Parent Fund were under establishment or communication. Shanghai Haitong Securities Asset Management provided bailout through providing funds for existing and new collective assets management programs (not participated by the Parent Fund) and transferring part of the equities of controlling shareholders of 3 listed companies in the form of agreement.

#### Establishment of bailout funds for private sector supported by Haitong Securities

Series Assets Management Programs for the Support of Development of Private Sector by the Securities Industry • Haitong Securities Assets Management No. 1 FOF Program

The program aims to support the development of private sector and mitigate the risk of equity pledge of shareholders of listed private enterprises.

Contribution of Haitong Securities



Series Assets Management Programs for the Support of Development of Private Sector by the Securities Industry • Haitong Securities Assets Management No. 5 Collective Program

RMB

billion

The program aims to provide bailout fund for Markor Investment Group through subscribing for exchangeable bonds in three-phase subfunds.

Contribution of Haitong Securities



Shanghai Guosheng Haitong Private Equity Partnership (Limited Partnership)

The fund program has a total scale of RMB 10 billion, with the first phase of RMB 4.501 billion (RMB 2.251 billion paid). Based in Shanghai and covering the Yangtze River Delta, the program aims to improve the liquidity of key private enterprises including industry leaders, enterprises offering numerous jobs and strategic emerging enterprises.

Planned RMB billion, Contribution of Haitong Securities with RMB 500 million paid

Xiamen Bailout Development Private Equity Partnership (Limited Partnership)

The fund program has a total scale of RMB 10 billion, with the first phase of RMB 1 billion (RMB 200 million paid). The program aims at the shares with risk of equity pledge of the listed companies in Xiamen, equities of enterprises to be acquired by the listed companies and equities of controlling shareholders and affiliates.

Contribution of Haitong Securities Planned RMB 200 million, with RMB 40 million paid

2

The Parent Fund proposed to firstly contribute RMB 500 million to participate in the Zhong'an Haitong Private Equity Partnership (Limited Partnership) (tentative name). The fund program has a total scale of RMB 10 billion, with the first phase of RMB 3 billion (RMB 1 billion paid). Shanghai Iron Asset Management Co., Ltd. is the proposed manager, the Parent Fund, Anhui Railway Development Fund Co., Ltd. and Anhui Zhong'an Financial Assets Management Co., Ltd. are the proposed limited partners, and Shanghai Haitong Securities Asset Management Co., Ltd. is the proposed investment adviser. Currently, the fund is under establishment, with the name pre-approval documents submitted and partnership agreement under internal approval.



On November 9, 2018, Xiamen Jinyuan Investment Group Co., Ltd., with Haitong Securities as its joint lead underwriter, successfully issued its special bailout bonds (Phase I) 2018. The bonds raised a total of RMB 1 billion, with subscription multiple of 22 and nominal rate of 4.15%, aiming to serve as the market-oriented sources of bailout funds in Xiamen and support the capital market stability.

As the first special bailout corporate bonds at Shenzhen Stock Exchange and the first special bailout bonds in Fujian Province, the successful issuance of the bonds played a significant demonstrative role in mitigating the liquidity risk of equity pledge of listed companies, and marked the solid step of Haitong Securities's efforts to mitigate liquidity risk of listed private enterprises through working with strategic partner Jinyuan Investment Group, attracting social capital and linking equity and debts.

#### To accelerate the development of intelligent manufacturing industry

Acceleration of the development of intelligent manufacturing is the only way to develop the new driver of the economic growth of China, and is of strategic significance for promoting the supply-side structural reform of the manufacturing industry, creating new competitive advantages of the manufacturing industry and realizing the objective of a manufacturing power. In this regard, Haitong Securities provides manufacturing enterprises with comprehensive financial services including supervision. listing and financing, in order to support the transformation and upgrading of the manufacturing industry.



Guangzhou ZS Robot Intelligent Equipment Co., Ltd. ("ZS Intelligent") is a base layer enterprise under the listing and continuous supervision of Haitong Securities. As a leading high-tech enterprise in the field of integration of intelligent equipment system, ZS Intelligent is mainly engaged in robot application system integration, and marketing and technical support of robots and accessory equipment.

Upon fully understanding the development needs of ZS Intelligent, Haitong Securities actively provided it with supporting services in capital market, including participation in design of proposals of capital market operations as direct financing by borrowing from shareholders, indirect financing by applying for credit from financial institutions, transferring part of the equities of subsidiaries and establishing a wholly-owned subsidiary in Wuhan, which effectively improved the standard governance of ZS Intelligent and supported its steady development in the intelligent manufacturing industry.

#### Provided ZS Intelligent with supporting services in capital market

#### To optimize financial resources allocation

#### Solved the financing difficulties of medium, small and micro enterprises

Due to small scale and poor management system, the medium, small and micro technological and innovative enterprises are often faced with financing difficulties and high financing costs, etc. Haitong Securities strengthened its support for medium, small and micro enterprises by provided direct and indirect financing services including NEEQ listing and bonds issuance, aiming to broaden their financing channels, solve their financing difficulties and motivate their development vigor.



+ Case Assisted Youngch Electronics in successful NEEQ listing

Shanghai Youngch Electronics Co., Ltd. ("Youngch Electronics") is a solution provider and operation service provider with intelligent commercial display at the core, providing visual solutions and shared broadcasting platform including intelligent commercial displays, AI hotels, intelligent restaurants and intelligent display.

During providing services for Youngch Electronics, Haitong Securities assisted it in establishing equity incentive platform, regulating the compliance of related party transaction and fund use, successfully completing the independent environmental impact assessment, and realizing successful listing in NEEQ, which helped expanding the customer resources and investor channels and supported the sound development of SMEs.

Case

Assisted China Minsheng Banking Corp in successfully acquiring approval of RMB 80 billion special financial bonds for small and micro businesses

On November 20, 2018, as the lead underwriter, Haitong Securities successfully issued the first phase of "18 China Minsheng Banking Corp 01 bonds", with issuing scale of RMB 40 billion, 3-year maturity and nominal rate of 3.83% (a new low record in 2018), which assisted China Minsheng Banking Corp in supporting small and micro businesses.

As the first national joint-stock commercial bank proposing the small and micro business finance concept in China, China Minsheng Banking Corp is a pioneer and practitioner in the field of small and micro finance. As the lead underwriter of "18 China Minsheng Banking Corp 01 bonds", Haitong Securities carried out numerous communication and coordination for the successful application and issuance of the bonds, which played a crucial role in supporting the successful issuance of special financial bonds for small and micro businesses, expanded the financing channels and strengthened the financial support for the real economy.

#### Improved the financing efficiency of excellent enterprises

In December 2018, the National Development and Reform Commission (NDRC) issued the Notice on Supporting the Direct Financing of Excellent Enterprises and Further Strengthening the Capacity of Corporate Bondsfor Supporting the Real Economy. which proposed the strict risk prevention and encouraged the eligible excellent enterprises to independently and efficiently carry out direct financing based on their own financing needs and strengthen the capacity of corporate bondsfor supporting the real economy.

Haitong Securities gave full play to the role of direct financing in supporting high-guality development of the real economy. assisted excellent enterprises in the application and issuance of bonds under the guidance of relevant policies, continuously and optimized bonds financing services through the issuance management mode of single quota approval & independent issuance in phases, in order to further improve the efficiency of financial services in supporting the real economy.

Case

In October 2018, as the joint lead underwriter, Jiangsu Communications Holding Co., Ltd. successfully issued its first phase of corporate bonds ("18 Jiangsu Communications Bonds 01"), marking the successful implementation of the program of approved RMB 20 billion excellent entity corporate bonds.

The funds raised from the bonds issued will be invested into the construction of projects including south Yangtze River high-speed rail, north Yangtze River high-speed rail and Lianyungang-Huaian-Yangzhou-Zhenjiang highspeed rail of Jiangsu Province Expressway, which were included into the "Top 3 Strategy" reserve expressway and national expressway network program, and provided important support for the promotion of major strategies and major planning and guarantee of major projects. The above high-speed rail projects aim to fill the gap of major infrastructure construction project, and strengthen the construction of Yangtze River Delta integrated development demonstration area. As the joint lead underwriter, Haitong Securities provided strong support for the successful approval and issuance of "18 Jiangsu Communications Bonds 01", set several new records as the quickest innovation step, the largest approval scale and the optimal financing cost, and earnestly demonstrated its role in supporting the quality development of the real economy through direct financing services.

#### "18 Jiangsu Communications Bonds 01" set several new records



44

## Issued the first excellent entity corporate bonds in Jiangsu Province

tity corporate bonds at provincial level China
cale of approved single corporate nwide
, the lowest among the 5-year nt two years with a scale of over RMB 2 billion



#### **To Improve Customer Inquiry and Complaint Management**

According to the requirements of the Opinions on Further Strengthening the Protection of Legal Interests of Minority Investors in Capital Market, Provisions on Strengthening the Administration of Securities Brokerage Business and other regulations, the Company has formulated Management Measures for Client Complaint of Haitong Securities Co., Ltd., which define responsibilities, complaint handling mechanism, complaint handling emergency mechanism, and complaint accountability, etc., aiming to standardize the customer inquiry and service procedures.

The Company established a 7\*24 customer inquiry and complaint channel including national service hotline 95553, official website and WeChat public account, e-Haitong Cai APP and online trading platform, which integrates telephone inquiry, online inquiry and intelligent inquiry, thus significantly improving the quality and efficiency of customer service and guaranteeing customer interests.

#### Haitong Securities client complaint handling flow chart



#### **Client Inquiry and Complaint D**

Indicator		Unit	2016	2017	2018
	Telephone inquiry	Case	761,797	686,609	435,583
Client inquiry quantity	Online inquiry <sup>1</sup>	Case	196,645 <sup>2</sup>	191,351	154,705
	Intelligent inquiry <sup>3</sup>	Case	82,892 <sup>4</sup>	782,225	1,313,481
Including: Complaint quantity		Case	84	130	90
Percentage of complaint solving		%	95.24	99.23	96.7

1: Online inquiry quantity means the quantity of client inquiry handled by online service operators on official website, WeChat account, e-Haitong Cai APP and other Internet platforms; 2: It's the quantity of client inquiry handled by online service operators as of June 2016; 3: It's the quantity of client inquiry handled by intelligent service operators of e-Haitong Cai APP; 4: It's the quantity of intelligent inquiry as of November, 2016.

#### To Improve Customer Service Quality in a Multi-faceted manner

In order to meet customer requirements and improve the efficiency and quality of customer service, based on the sound customer service process, in 2018, the Company carried out a series of activities including "satisfaction improvement season", "Strongest Voice at Haitong Securities" and intelligent customer service system optimization, fully improving the online agent service, intelligent customer service level, overall online and offline service quality.

+ Case

With the improvement of the online service model of the Company, the frequency of online inquiry by customers increased continuously, bringing in significant increase in workload of agents. To guarantee the promptness and effectiveness of the online service response, the Company introduced the intelligent robot to support online customer service, and set up a intelligence knowledge base maintenance team with 10 members to regularly analyze and sort out various business inquiries, analyze the interaction log of intelligent Q&As at the back end and prepare the latest business-related knowledge points, which significantly improved the effectiveness of online customer inquiry.

In 2018, the intelligent robot occupied a proportion of 69%, with a service accuracy rate of 99.5%; the satisfaction rate of online agent service reached 93.99%, which reduced the workload of agents and effectively improved customer service efficiency and customer experience.

Data of Haitong Securities
----------------------------



#### Intelligent customer service system improved online service efficiency

#### **Client Satisfaction Survey Results**

Indicator	Survey channel	Unit	2016	2017	2018	
Survey times	Telephone	Time	207,613	207,640	71,516	
	Online	Time	80,947	67,305	62,301	
Client satisfaction	Telephone	%	96.45	96.92	95.40	
	Online	%	78.61	89.08	93.99	

Note 1: In 2018, the Company's intelligent online customer service was fully applied, so the number of telephone consultations declined.

Note 2: In 2018, the Company adjusted the category of telephone satisfaction evaluation, so the corresponding figures are less than that in 2017.

#### To maintain Client Information Security and Transaction Security

Haitong Securities pays great attention to client information security and transaction security. The Company abides by the policy of "well-defined responsibility, reasonable authorization, standard procedure, combined technology and management" in information security management. It has formulated Management Measures for Information System Security, Network Security Management System, Online Securities Information System Security Management Rules, and Information System Security Check Management Measures of Haitong Securities Co., Ltd. in strict accordance with laws and regulations such as Regulations of the People's Republic of China on the Safety Protection of Computer Information Systems, in order to regulate the customer information and transaction data, prevent the employees from disclosing, trading and abusing customer information, and practically guarantee client information security and transaction security. The Company was not founded in any non-compliance incident in respect to customer information security and transaction security in 2018.

In terms of customer information protection, the Company has formulated management rules at levels of data governance, operation & maintenance and system security, in order to strictly regulate the use and storage of customer information.

In terms of transaction system security guarantee, the Company has formulated Data Management Measures, which provide system requirements for data security, data access control and customer data desensitization, etc. In transaction stage, the Company connects to extranet via edge firewall and routers and adopts middleware technology to guarantee the integrity, confidentiality and reliability of transaction. Moreover, the Company adopts centralized trading system to realize quick response to large-scale concurrent processing and protection of application data.



## **Investor Protection**

#### **To Promote Eligibility Management**

According to the Measures for the Administration of the Eligibility of Securities and Futures Investors issued by CSRC and Implementation Guidelines for the Management of the Eligibility of Investors by Futures Operators (Trial) issued by Securities Association of China, based on the principle of "Know Your Customer (KYC)", the Company released Eligibility Management Measures of Haitong Securities Co., Ltd. (Trial), which define the organization and personnel responsible for eligibility management as well as specific procedures for customer, products and business eligibility management, ensuring the proper implementation.



Based on the construction of eligibility management system, in 2018, the Company continued to promote the management of eligibility of new business and products, and formulated Management Measures for Eligibility of Investors of Pilot Innovative Corporate Share or Depository Receipt Transaction, Management Measures for Eligibility of Investors of equity-based OTC Derivative Transaction and other systems, in order to guarantee that customers are aware of true and complete product information and appropriate products are sold to appropriate customer.

safeguard the interests of customers and investors.

#### (now Your Customer (KYC)

Fully understand the identity, property & income, investment experience, risk preference and credit records of customers, and establish a mechanism to continuously improve customer

Take effective measures to collect, record and identify custon

mplement customer follow-up and review procedures, and verify the authenticity, accuracy and integrity of customer identity

Meanwhile, the Company regularly carries out self-inspection of eligibility management companywide and inspection of branches and subsidiaries, in order to further promote the implementation and improvement of eligibility management and



#### Investor education

In order to help the investors develop rational investment awareness, expand investment knowledge and improve investment skills, Haitong Securities continuously strengthens the investor education. Relying on the Rainbow Lecture investor education site, the Company actively develops various investor education products, organizes various investor education activities, strengthens investor education implementation and fulfills investor education responsibility.





In 2018, in terms of investor education, the Company developed graphic products including Hong Kong Stock Connect and Stock Market Fund, released microfilms including "Rational Investment Awareness for Everyone" and "Review of 30-year China Securities Market", and organized extensive publicity campaign themed "illegal finance precautions" and "illegal investment precautions", aiming to increase the risk awareness of investors through diversified publicity forms.

Moreover, relying on the investor education site and cooperation with various organizations as schools, the Company organized brand education activities as "Future Financial Leaders", "Daily Discussion" and "Visit to Listed Company", in order to actively fulfill investor education responsibility and protect the legal interests of investors.





Brand education activity themed "Future Financial Leaders"

In 2018, Haitong Securities actively implemented the requirements of incorporating investor education into national education system by organizing education activity themed "Future Financial Leaders" for students in primary schools, junior and senior high schools and colleges. In the form of lectures and interesting games, the Company taught the students relevant financial knowledge including listed company financial fraud identification and investment risks; in the interactive form of "presentation + game", the students learnt not only financial knowledge but also the method to identify potential investment risks.





#### In 2018:

- · Haitong Securities won the "Excellent Member for Investor Education" by Securities Association of China
- Investor Education Site of Haitong Securities won "Excellent Investor Education Site in Shanghai" by CSRC Shanghai Office
- Investor education activities won Best Creative Gold Award for Investor Education and Protection, Silver Award of I AM SHAREHOLDER, Silver Award of Best Open Class and Bronze Award of Best Graphic by Shanghai Stock Exchange
- · How to Make Rational Investment won Best Video for Investor Education and Protection Series Activities 2018 by Shanghai Stock Exchange
- Top Player's Tips for SSE 50 ETF Options won Best Graphic for Investor Education and Protection Series Activities 2018 by Shanghai Stock Exchange

# Work with Employees to create a Happy Life

The quality and vitality of the employees are the fundamental drivers of the development of the Company. Haitong Securities pays attention to the guarantee of employee interests and optimization of employee structure, and actively fulfills the employee responsibility in multiple dimensions. The Company strictly implements the recruitment and employment policies, establishes effective communication channels, guarantees basic interests of employees, improves training and promotion systems, builds employee development platform, broaden career development paths of employees, and organizes various cultural and sports activities, in order to realize work and life balance and co-build a happy workplace.

 The Company relied on Haitong Wealth Management Academy to provide employees with diversified and extensive training services like career development, professional skills, continuing education and new employees training.



• The Company developed Spark Program, Prairie Fire Program and Lighthouse Program for management training, and strengthened management team construction.



training sessions of Spark Program

Prairie Fire Program and Lighthouse Program, benefiting



 On the occasion of the 30th anniversary of Haitong Securities, the Company organized various activities including a return banquet





#### **Employee Interests Guarantee**

#### Employment

Haitong Securities strives to provide employees with equal and non-discriminatory work environment, strictly complies with the requirements of Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China, follows the procedure of open recruitment, fair competition and strict assessment, and advocates for diversified personnel reserve. The Company selects employees based on the criteria of "equal stress on integrity and ability", and signed labor contract to establish reasonable and legal labor relationship. During the reporting period, the Company was not involved in any violations as child labor and forced labor.



The Company safeguards legal interests of female employees, actively implements Provisions on Prohibited Work Scope of Female Employees and other policies, pays due remuneration for special periods like marriage, maternity leave and breastfeeding leave, and guarantees of leave arrangement for female employees during their various special periods.

#### **Employee interests and benefits system**

	Support measures	Related institution
Employment	Anti-discrimination: adhere to equal employment, and avoid employment discrimination in terms of sex, religion, family and disability Child labor: verify the identity of candidates to eliminate the employment of child labor Termination: establish contract termination procedures, whose terms and conditions are detailed in Employee Manual	Refer to national laws and regulations
Working hour and leave	Working hour: 40 hours weekly for standard working hour; special working hour mechanism for special posts Leave: statutory holidays, annual leave, sick leave, marriage leave and maternity leave, etc. Forced labor: regular inspection of overtime and labor intensity of employees, and prohibition of forced labor	Employee Manual, Collective Contract, Provisions on Employees' Annual Leave Management, and etc.
Compensation and benefits	Compensation: based on market level and oriented by performance assessment results Insurance and benefits: pay legal social security and housing fund for employees on time and in full, offer all the employees supplementary benefits as enterprise annuity program, supplementary medical insurance and housing allowance	Management Measures for Compensation of HQ of Haitong Securities Co., Ltd. (Trial), Management Measures for Compensation of Branches of Haitong Securities Co., Ltd.(Trial)

#### Employee employment performance indicators

	Indicator	Unit	2016	2017	2018
Total employees	5	Person	5,539	5,717	5,653
_	Male	Person	3,108	3,209	3,194
By sex	Female	Person	2,431	2,508	2,459
Ву	Employment contract	Person	5,539	5,717	5,653
employment	Rehiring after retirementcontract	Person	0	0	0
	>50 years old	Person	426	381	374
By age group	30-50 years old	Person	3,765	3,650	3,904
	<30 years old	Person	1,348	1,686	1,375
Pu region	Mainland China	Person	5,532	5,710	5,646
By region	Overseas (including Hong Kong, Macao and Taiwan)	Person	7	7	7
Employee turnover rate		%	7.00	7.42	6.33
Pucov	Male	%	4.57	4.72	4.02
By sex	Female	%	2.43	3.70	2.31
	>50 years old	%	0.85	0.89	0.07
By age group	30-50 years old	%	4.57	4.26	3.89
	<30 years old	%	1.58	2.27	2.37
Puragion	Mainland China	%	7.00	7.42	6.33
By region	Overseas (including Hong Kong, Macao and Taiwan)	%	0	0	0
Employees'	Actual number of female employees taking maternity leave	Person	107	145	112
leave	Proportion of female employees back to work after taking maternity leave	%	97	95	95

#### **Occupational Health and Safety**

The Company strives to create safe and healthy work environment for the employees, cares for physical and mental health of employees, and provides regular health examination annually. The Company also set up a Health Room. Operated in the model of "Internet + medical care", Health Room offers various services such as visual online inquiry, health consultation, remote expert consultation, as well as appointment, registration, hospitalization arrangement, external hospital accompanying and so on. The Company found no violations related to employee occupational health and safety in 2018.

To guarantee the mental health of employees, in 2018, the Company purchased 7\*24 telephone counseling service for the employees to provide them with professional psychological counseling and mitigate work, life and emotional stress. During the reporting period, 11 employees received the counseling service.

Indicator	Unit	2016	2017	2018
Employees health examination coverage	%	90	90	90
Number of employees dying from work	Person	0	0	0
Working days lost due to occupational injury	Day	0	2	0
Employees occupational disease incidence	%	0	0	0

Occupational health and safety performance indicators

Note: The above data cover Haitong Securities Co., Ltd.

#### **Employee communication**

沟通与交济



The Company actively establishes the communication channels with employees, and guarantees their rights to participate in the democratic decision-making, management and supervision through the workers' congress under the trade union and communication mechanism set up by the articles of association. In 2018, Haitong Securities held the workers' congress & trade union members's congress meeting, which voted to adopt 6 proposals including Rules on Workers' Congress of Haitong Securities Co., Ltd. (Revision) and Constitution of Trade Union's Fraternity of Haitong Securities Co., Ltd. (Revision).

For issues related to operation and management, the Company has established reasonable and effective communication mechanism to actively communicate with the employees. The Company informs the employees of operation and management situation through press conference and business bulletin regularly and comprehensively solicits their suggestions for work and management from time to time through channels including Party committee mailbox, trade union mailbox, complaint mailbox, employees' ideas and corporate seminar.

Moreover, in order to further strengthen communication with employees and improve overall management level, the Company, carries out satisfaction survey for separated employees to fully understand their opinions and suggestions on corporate development. The survey adopts the form of questionnaire, which covers questions on compensation, work environment, development prospect and corporate cohesiveness, etc. In 2018, the employee satisfaction reached 96%.

# **Employee Development Platform Professional training for employees**

The Company earnestly fulfilled the employee development responsibility and integrated internal and external training resources in order to improve employees' professional quality and skills. Relying on Haitong Wealth Management Academy, the Company has established a training ecosystem consisting of course system, trainer system and operation system so as to realize positive cycle of training and comprehensively build the training system that meets the development needs of the Company.

In 2018, the Company supported employee development through system improvement, course system construction, trainer team development, online learning platform construction, training program implementation and learning activity operation, in order to continuously meet the training and development requirements of employees.



In 2018, based on the characteristics and requirements of employee professional development, the Company developed the training program in terms of on-site training, event-based training, online training, and continuing education & external training, highlighting the priority and covering all the employees.

The Company focused on employee managerial and leadership development training, and developed three programs as Spark Program, Prairie Fire Program and Lighthouse Program for managers. The management training is provided in four dimensions of morality, thinking, management and specialty. In 2018, the Company organized 1 course Spark Program with 43 trainees, 2 courses for Prairie Fire Program with 102 trainees, and 2 courses for Lighthouse Program with 95 trainees.

56



Case

Haitong Wealth Management Academy

The Company has launched e-learning platform of Haitong Wealth Management Academy to provides employees with extensive learning resources and favorable online learning experience, which increases training efficiency.

Haitong Wealth Management Academy has designed scenario virtual academies, namely, the framework of 5 departments and 1 center: career development department, business administration department, professional skills department, continuing education department, subsidiary department and new employees training center, by which Haitong Wealth Management Academy can provide employees with customized training services like career development, professional skills, continuing education and new employees training.



With the model of "open to all employees and targeted donation", the Company combined the point management of online academy with charity programs. The employees can gain points by participating in training courses, which can be donated to selected charity programs, further motivating their learning initiative.



In 2018, Haitong Wealth Management Academy realized person-times of online training

7\_8 training hours per capita



In 2018, Haitong Wealth Management Academy carried out three charity programs, which



Haitong Wealth Management Academy points donation program Desks and chairs donated by Haitong Securities

## Case

Strengthening management team construction

In order to effectively promote the continuous growth of employees and management team construction, and support the Company's HR development strategy and organizational performance, the Company developed three programs: Spark Program for reserve managers, Prairie Fire Program for new managers and Lighthouse Program for unit leaders.

The management training is provided in four dimensions of morality, thinking, management and specialty. Morality dimension aims to improve Party spirit and political quality through on-site teaching and special lectures; thinking dimension aims to develop the management's international vision, strategic thinking and innovation & change thinking; management dimension aims to improve the management's management knowledge and skills; and specialty dimension aims to broaden the management's industry horizon to meet the development needs of the Company.

In 2018, the Company organized 1 course Spark Program with 43 trainees, 2 courses for Prairie Fire Program with 102 trainees, and 2 courses for Lighthouse Program with 95 trainees.



Training for the reserve mangers in 2018





The first training for new managers

#### Case

#### International reserve personnel training

With operations in 14 countries and regions, the development of international personnel provides support for the international business strategy of the Company. In 2018, the Company selected 32 eligible employees as international reserve personnel, and organized training and exchange in Shanghai and Hong Kong for them, aiming to combining the overseas experience and methods with domestic business capacity so as to improve their international vision and overall business capacity.

On-site training

The Company invited some university professors and external experts for the intensive training on capital market, political-economic situation, cross-cultural communication, English expression and foreign affairs discipline, aiming to improve the international vision, international operational capability and discipline risk awareness of the international reserve personnel.

Business exchange and practice in Hong Kong Business exchange and practice in Hong Kong: The Company organized business learning at Hong Kong subsidiary, visit to HKEx, business seminar and expert lecture to strengthen the trainees' understanding about operations of offshore subsidiary and international strategy deployment of the Company.



International reserve personnel training



#### Employees training performance indicators

Indicator	Unit	2016	2017	2018
Person-time of employees training	Person-time	115,622	124,741	101,963
Investment in employees training	RMB 10,000	1,134.30	991.30	1,096.00

Note: The above data cover Haitong Securities Co., Ltd.

#### Coverage of employees training

Indic	ator	Unit	2016	2017	2018
Coverage of employees training		%	100	100	100
Ducey	Female	%	100	100	100
By sex	Male	%	100	100	100
	Senior management	%	100	100	100
By employee category	Middle management	%	100	100	100
	General employees	%	100	100	100

Note: The above data cover Haitong Securities Co., Ltd.

#### Per capita training hours per year

Indic	Unit		
Per capita trainin	Hr		
By sex	Female	Hr	
	Male	Hr	
By employee	Middle and senior management	Hr	
category	General employees	Hr	

Note: The above data cover Haitong Securities Co., Ltd.



#### **Multi-channel promotion mechanism**

The Company focuses on the continuous enhancement of personnel value. As for position promotion, the Company follows the basic principles of systematism, professionalism and market-orientation, and developed the Measures for Headquarters MD Position System, which eliminates the simple administrative hierarchy system and motivates the employees' competition potential through flexible promotion and demotion arrangement.

According to the Measures for Headquarters MD Position System, the Company divides the position system into 8 sequences as investment bank, research and investment horizontally, and into 10 levels as SMD, MD and ED vertically, in order to adapt to various business characteristics and competition requirements. The annual promotion evaluation considers both the horizontal and vertical development needs of employees, and those eligible for the promotion criteria can be promoted to corresponding sequence or other sequences so as to fully realize their value.

In 2018, the Company issued Measures for Organization and Establishment of Subsidiaries and Measures for MD Position System of PE Subsidiaries, in order to further improve employee promotion management of subsidiaries and fully motivate their working enthusiasm.



In terms of employee performance assessment, the Company developed Measures for Performance Management of Haitong Securities Co., Ltd., which set up a reasonable performance management system to assess the performance and capability of the managers and employees fairly and objectively, in order to further improve the overall development level of both the employees and the Company.

Moreover, the Company has established the feedback, complaint and handling mechanism for performance assessment, according to which the unit leaders communicate with the employees based on the assessment results. In case of any objection to the assessment results, the employees in question may apply with HR department for review, so as to guarantee the fair and valid results.



## **Employee care**

#### Employee benefit quarantee

In 2018, the Company renewed the Collective Contract of Haitong Securities Co., Ltd., Collective Wage Contract of Haitong Securities Co., Ltd. and Collective Contract for Female Employee Special Benefits of Haitong Securities Co., Ltd., which incorporated relevant articles on physical examination expenses and leave of female employees to further guarantee the working conditions and other benefits of the employees.

The Company focuses on care for the female employees. For female employees returning to work after delivery, the Company set up a Nursing Room fully equipped with armchairs, benches and double-door refrigerator as well as decorations including flowers, photo wall, and cushions, thus further ensuring coziness for breastfeeding female employees.

In 2018, the Company revised the Constitution of Trade Union Fraternity of Haitong Securities Co., Ltd. to further aid employees encountered with emergency. During the reporting period, the Company offered aid in the forms of sympathy for major diseases, personal sympathy by leaders and fraternity, which aided 54 employees suffering from major diseases with RMB 188,000.

#### **Corporate Culture Construction**

The Company pays great attention to the construction of corporate culture, and actively organizes diversified activities for employees. The Company set up 12 employee clubs including football, photography and flower arrangement, which organize various activities to guarantee work-life balance of the employees.





Employees participated in flower arrangement



Employee badminton match

#### Series of cultural activities celebrating the 30th anniversary of Haitong Securities

#### **Return banquet themed "Glorious Past and Brighter Future"**



On August 22, 2018, Haitong Securities successfully held the Return banquet themed "Glorious Past and Brighter Future" in Huangpu Sports Park. Over 500 people, including officials from competent authorities as CSRC Shanghai Office, Stateowned Assets Supervision and Administration Commission of Shanghai Municipality and Huangpu District People's Government, shareholders, key customers and partners, the mainstream media, current and previous leaders of Haitong Securities as well as employee representatives, attended the event to witness the memorable moment of the 30th anniversary of Haitong Securities.

Microvideo solicitation & selection named "Haitong Securities in My Mind"

Youth forum themed "Glorious Past and Brighter Future – Live the dream of common growth"





On the occasion of celebrating the 30th anniversary of Haitong Securities, the Company held the microvideo solicitation & selection named "Haitong Securities in My Mind", which encouraged employees to record the stories of people at Haitong Securities in the form of microvideos to reflect the performance of outstanding teams and individuals and the work practice of Party and CCYL organizations and trade unions at all levels.





On May 7th, 2018, the Company held the series activity themed "Glorious Past and Brighter Future - Live the dream of common growth", where 5 representative speakers shared their growth experience and feelings at Haitong Securities with the audience, and presented a gift to the 30th anniversary of the Company on behalf of the young employees.

In 2018, on the occasion of the 30th anniversary of Haitong Securities, the Company held a series of celebration activities including return banquet, charity hiking, microvideo solicitation & selection named "Haitong Securities in My Mind" and noon salon themed "Memory over the past 3 decades", which further strengthened the cohesion and sense of belonging of employees.

#### Charity hiking celebrating the 30th anniversary of Haitong Securities

On September 8, 2018, the Company held a charity hiking activity themed "Glorious Past and Brighter Future" to celebrate the 30th anniversary of Haitong Securities, which attracted over 500 employees from headquarters and branches.



#### Noon salon themed "Memory over the past 3 decades"



#### Vibrant employees at the basketball season celebrating the 30th anniversary of **Haitong Securities**

For celebrating the 30th anniversary of Haitong Securities, Haitong Employee Basketball Club held a basketball season from July to September, including an intense and wonderful Friendly Match between Senior And Junior Players of Haitong Club, invitational match and carnival.



64

To celebrate the 30th anniversary of Haitong Securities, the CCYL organization worked with the HQ trade union of the Company to hold a noon salon themed "Memory over the past 3 decades", including "Spring Festival Gala of Haitong Securities in our memory", artworks creation themed "I love HT" and other employee cultural activities, fully demonstrating the achievements of employee culture construction and vitality of the employees.

# Community Participation for Common Development

As a responsible corporate citizen, Haitong Securities focuses on both the creation of economic value and the development of surrounding community. The Company vigorously supports the green projects and green industry development, and advocates for green operation to realize the environmental sustainability. With the charity brand of "Love in Haitong", the Company organizes various long-term and extensive charity activities to contribute to the construction of a better life for the people.

 The Company developed innovative green financial products and services, and supported the green projects and green industry development through multi-channel and multi-variety green financing instruments.

The Company participated in the underwriting of 7 green bonds to



directly and indirectly

 The Company took advantage of technologies as cloud computing and virtualization to vigorously improve the energy efficiency of data centers, promote paperless office and business operation, in order to improve operation efficiency and reduce paper waste.

The Company realized **191,393** paperless office and saved **958,465** pieces of paper.

• The Company established Haitong Charity Special Fund, organized charity hiking under the brand of "Love in Haitong", and supported the education of students in Tibet in the mode of "hiking + charity".

7,375 people participated in the charity hiking under the brand of "Love in Haitong", which raised a total of

RMB **1.0076** million to benefit **30** poverty-stricken students.

 The Company organized the young employees to provide volunteer service for China International Import Expo in Shanghai.

hours of volunteer service for

30 employees contributed

China International Import Expo.



#### **Green Economy** 10Ì

In response to the national policy orientation and the trend of domestic economic transformation, Haitong Securities responded to the call of regulatory agencies to support green industry and green project development, creating green value through multichannel and multi-variety green financing tools. In 2018, Haitong Securities participated in the underwriting of 7 green financial bonds, green enterprise bonds and green corporate bonds, with a total financing of more than RMB13 billion.

lssuer	Bond abbreviation	Maturity (years)	Bond type	Interest rate	Amount (RMB 100 million)
Wuhan Metro	18 Wuhan Metro Green Bonds 01	15	Enterprise bonds	5.29%	20.00
Wuhan Metro	18 Wuhan Metro Green Bonds 0	7	Enterprise bonds	5.09%	21.30
Shaanxi Financial Holding Group	18 Shaanxi Financial Holding Green Bonds	7	Enterprise bonds	5.88%	10.00
China Three Gorges Group	G18 Three Gorges 3	3	Corporate bonds	4.08%	40.00
Lvyuan Technology	G18 Lvyuan 1	5	Corporate bonds	4.74%	12.00
Qilu Bank	18 Qilu Bank Green Finance 01	3	Financial bonds	4.12%	30.00
Zhejiang Linhai Rural Commercial Bank	18 Linhai Rural Commercial Bank Green Finance Bonds	3	Financial bonds	5.50%	1.00
Total					

+ Case

Issued the first Bonds Connect green finance bonds of commercial banks in China

On November 1, 2018, "18 Qilu Bank Green Finance 01", the first Bonds Connect green finance bonds of commercial banks in China with Haitong Securities as the lead underwriter were successfully issued. As a 3-year fixed rate financial bonds. "18 Qilu Bank Green Finance 01" boasted a scale of RMB 3 billion, subject and facility rating of AA+, nominal rate of 4.12% - the lowest price among the similar bonds with the same maturity issued year-to-date.

The funds raised from the bonds will be exclusively used for 14 project in 5 categories including energy saving, pollution control, resource saving & recycling, clean transportation, ecological protection & adaptation to climate change, in order to effectively support the development of green industry.





#### Case

#### Provided capital market services for environmental protection equipment manufacturers

Shanghai YZH Environmental Protection Equipment Co., Ltd. ("YZH") is a high-tech enterprise engaged in the R&D and marketing of molded pulp equipment in Shanghai. The equipment manufactured by YZH can effectively reduce energy consumption of pulp production without adding wood pulp, making it an innovative environmental protection equipment manufacturer.

Since Q3 2018, Haitong Securities began to provide services for YZH, including but not limited to streamlining equity structure, offering solution to horizontal competition, and proposing advice on the overall planning for the schedule and steps of introducing eligible investors and entering capital market, which laid a solid foundation for the listing of YZH on NEEQ or science and technology innovation board.

# Case

Assisted JL MAG in successful listing

In July 2018, JL MAG, with Haitong Securities as its sponsor, successfully firstly issued shares and got listed on GEM of Shenzhen Stock Exchange. JL MAG was founded in 2008, listed on NEEQ in 2015, and prepared for IPO with the counseling of Haitong Securities in December 2016.

As a leading supplier of high-end magnets in the fields of new energy and energy saving and environmental protection in China, the products of JL MAG are widely used in fields of wind power generation, new-energy vehicles & auto parts, energy-saving inverter air conditioners, energy-efficient elevators, robots and intelligent manufacturing. The successful IPO of JL MAG promoted the development of upstream suppliers in the field of energy saving and environmental protection and supported the construction of new energy and environmental protection projects in China.

# Green Operation

#### To advocate for green office

Haitong Securities adheres to the principles of energy saving and environmental protection, continuously carries out energy saving transformation in offices, vigorously advocates for the concept of green office, aiming to reduce office resources waste, improve utilization rate of resources and energy, reduce operating costs, and create a green and efficient working atmosphere.

#### **Green Office Measures**

<b>⊘</b> Water and power saving	The Company advocates water & power summer and below 20°C in winter, and tim The Company takes municipal water as its saving appliances, carries out timely main
₩. Kitchen waste reduction	The Company enhances publicity on fo The Company also provides free-of-cha handle leftover.
Low-carbon mobility	The Company advocates public transpo emission. Headquarters owns 28 vehicles to replace
Treatment of solid waste and wastewater	The Company's property management asks qualified provider to dispose municipal wastewater treatment plant environmental impact.

saving, with airconditioner temperature set above 26°C in ly shutdown of office equipment when it's not in use; main source, encourages water saving, purchases waternance of water facility to minimize water consumption.

od saving by such means as posters; rge to-go boxes for employees for their convenience to

ation for commuting to reduce energy use and exhaust

non-environmentfriendly vehicles

provider uniformly collects office waste for treatment, electronic waste and discharges waste water to via pipelines. All these efforts are made to minimize

## ${igodot}$ To promote the energy saving and emission reduction of data centers

With the online and intelligent transformation of conventional investment banking, the data center is faced with increasing pressure. Haitong Securities takes advantage of the technologies including cloud computing and virtualization to maximize the utilization of all the resources of hardware platform, reduce the space occupation and minimize the energy consumption of equipment and facilities in the data centers.



#### To promote the paperless operation

The paper consumption during the office and operation constitutes a major part of the resources consumption of Haitong Securities. In this regard, the Company has built an online OA system to issue internal notices and plans in electronic edition, and encourages paper saving, duplex printing, and reusing of single-sided printing paper to reduce paper consumption.

## <sup>+</sup> **Case** Paperless approval of the PE business management system

With the expansion of the PE funds, in 2018, Haitong Securities introduced PE business management system. With the core of "raising, investment, management and exit" for fund management business and project management business, the system provided full-process, full-factor and full-cycle management for over 40 funds of Haitong Capital and its 7 management companies, and realized paperless approval of management procedures including project information collection, project approval, project investment, project risk management and project exit management. In 2018, the PE business management system effectively handled 1,380 transactions and saved 22,812 pieces of paper.



2018, the PE business management system effectively handled



#### saved

22,812 pieces of paper



#### **Environmental performance indicators**

Indicator	Unit	2016	2017	2018
Greenhouse gas emissions	Ton of carbon dioxide equivalent	6,027.31	6,055.30	6,381.63
Greenhouse gas emissions per unit area	Ton of carbon dioxide equivalent/ m <sup>2</sup>	0.08	0.08	0.06
Total power consumption	kW•h	8,379,918	8,588,750	11,473,020
Power consumption per unit area	kW•h/m²	113.32	112.41	106.80
Total water consumption	Ton	42,882.79	47,178.38	61,163.21
Water consumption per unit area	Ton/m <sup>2</sup>	0.58	0.62	0.57
Total natural gas consumption	m³	101,198	105,233	96,336
Natural gas consumption per unit area	m³/m²	2.50	2.49	2.25
Total electronics discarded	Piece	367	267	203
Paperless work	Time	157,330	176,330	191,393
Paper saved by paperless work	Piece	786,650	881,650	958,465
Guangdong Road data center energy consumption	kW•h	4,356,500	4,347,100	4,358,060
South data center energy consumption	kW•h		1,000,000	1,760,000
SSE data center energy consumption	kW•h	790,000	830,000	850,000

Note 1: GHG, power consumption, and water consumption are based on the caliber of Haitong securities HQ and branches; other data is based on the caliber of Haitong securities HQ. Note 2: Greenhouse gas emissions include direct emission by company natural gas consumption and indirect emission by outsourced power, which are estimated based on average carbon dioxide emission factor of Chinese regional power grids issued by Department of Climate Change of NDRC, greenhouse gas emission factor of mobile sources provided by HKEx, and urban greenhouse gas calculation tool 2.0 issued by WRI.

#### Charity 101

## Bring hope to students in Tibet through "hiking + charity"

In 2018, by combining the charity brand of "Love in Haitong" with the celebration of the 30<sup>th</sup> anniversary, the Company organized charity hiking activities, which encouraged the employees to spread the charity concept of Haitong Securities and practice the brand initiative in the model of "hiking + charity".



Set up "Special Charity Fund of Haitong Securities" to support poverty-Case stricken students

In 2018, with the support of Shanghai Charity Foundation, taking the opportunity of charity hiking of "Love in Haitong" and the over RMB 1 million fund raised as the initial fund, the Company established Haitong Securities Special Charity Fund and young volunteer service team, which provide fund and personnel guarantee for the long-term implementation of the charity programs of the Company.

As the first program implemented after the establishment of the Fund, Haitong Securities joined hands with Jiefang Daily Branch Life to launch the student aid program titled "Love in Haitong & Building Beautiful Tibet", which donated RMB 600,000 special fund to 30 poverty-striken Tibetan students admitted to university this year to aid their 4-year university life. In the innovative model of "hiking + charity", the Company fulfilled its CSR with practical actions.



Speech made by Zhou Jie, Chairman of Haitong Securities

#### Volunteer service for China International Import Expo

During November 5-10, 2018, the first China International Import Expo was officially held in National Exhibition and Convention Center (Shanghai). To further support the Expo and give play to the role of Haitong Securities young volunteers, the Company organized young employees to participate in volunteer service at the Expo.

During the Expo, the Company set up a volunteer service station consisting of over 20 frontline offices including Haitong Securities Shanghai Qingpu Office and Haitong Futures Fanyu Road Office to provide the visitors and volunteers with traffic guide, drinking water supply and tourist reception and other services, demonstrating the charity spirit of young employees of the Company.



#### Case

Set up a volunteer service station at Expo

As the only brand volunteer service station of "Young Shanghai" in futures industry in Shanghai, Haitong Futures Shanghai Fanyu Road Office set up a volunteer service station at Expo. The young volunteers provided visitors and foreign guests with tourist reception and information desk service to make contribution to the Expo.



#### Long-term extensive charity

Haitong Securities carries out long-term extensive charity activities nationwide by mobilizing the force of branches and subsidiaries. The "Lei Feng Volunteer Day" has lasted for 10 years, offices nationwide provide NCEE support service for consecutive 4 years, and Haitong International provides community charity service for many years through "Haitong International Charity Fund", demonstrating the deep-rooted volunteer service concept companywide.



"Haitong is by your side" Volunteer Activity

On March 5, 2018 - Lei Feng Memorial Day, the Company's CCYL Committee launched for its members the initiative with the theme of "Haitong Ongoing Charity", which required the members to provide "Haitong is by your side" volunteer service with their expertise, so as to spread the charity concept of Haitong Securities.

Branches nationwide actively responded to the call of the Company's CCYL Committee to provide free-of-charge securities consultation service for investors in communities in the forms of banners, hand-outs and on-site explanation, fully demonstrating the volunteer spirit of "dedication, friendship, support and progress".



Shanghai Huangpu District Fuzhou Road Office



CCYL branch of Anshan Erdao Street Office of Haitong Securities Liaoning Branch



CCYL branch of Haitong Securities Hunan Branch



Haitong Securities Hubei Branch

## Case

Haitong Securities NCEE support service

In 2018, Haitong Securities continued to provide NCEE support service. 290 local offices set up NCEE service stations to provide the candidates and their families with free-of-charge air-conditioning waiting area with drinking water, indoor WIFI, etc., facilitating their exam preparation and lunch break.



## Case

#### Haitong International supports long-term community development

Haitong International Securities Group Limited ("Haitong International"), a subsidiary of Haitong Securities, established the Haitong International Charity Fund in 2014, which aims to effectively collect resources, develop long-term planning and participate in diversified community projects and charity activities, contributing to community development.

Since 2016, Haitong International Charity Fund collaborated with Helping Hand to co-organize Haitong International"Care for the Elderly, Care for the Brain" Program. With the guidelines of implementing long-term sustainable charity activities, the Program aims to help the elderly in need to improve mood and address cognitivedisorder related problems via diversified therapies like gardening, music and art.

By the end of 2018, the Program had contributed 298.5 service hours to 5 elderly service units affiliated to Helping Hand, benefiting 4,128 person-times.

Moreover, Haitong International has been partnering with Windsurfing Association of Hong Kong for many years to actively promote windsurfing sport. The annual Hong Kong Open Windsurfing Championships, exclusively sponsored by Haitong International, has becoming one of the most important international events in Hong Kong, attracting numerous excellent players from the UK, the Netherlands and Italy, etc. to compete for multiple awards and promoting the development of windsurfing sport.



Indicator	Unit	2016	2017	2018
Participation in volunteer activity	Person-time	144	170	272
Hours of volunteer activity	Hr	230	590	1,200



#### Employee volunteer service performance

# Appendixes

## Shanghai Stock Exchange Disclosures Proposal index

internatio	n Disclosure of Listed Companies in SSE
isclosure Proposal	Section index
Article 1	About Haitong Securities
Anicie	Responsibility philosophy and Management
	Message from the Chairman
	Message from the CEO
	Responsibility philosophy and Management
	Feature: Comprehensive Digital Transformation Driven by
Article 2	Financial Technology
Al licie 2	Feature: Targeted Poverty Alleviation for Social Contribution
	Sound Development for Outstanding Return
	Quality Service for Common Development with Customers
	Work with Employees to Create a Happy Life
	Community Participation for Common Development
Article 3	Compliant
Article 4	Sound Development for Outstanding Return
	Quality Service for Common Development with Customers
Article 5 Paragraph 1	Work with Employees to Create a Happy Life
	Community Participation for Common Development
Article 5 Paragraph 2	Green Operation
	Sound Development for Outstanding Return
Article 5 Paragraph 3	Quality Service for Common Development with Customers
	Work with Employees to Create a Happy Life
Article 6	Compliant
	Compliant
Article 7	Compliant

## HKEx Environmental, Social and Governance Reporting Guidelines index

Aspects, General	Description	Disclosure chapters		
Disclosures and KPIs				
Main Scope A. Environment				
	Aspect A1: Emissions			
General Disclosure A1	<ul> <li>Information on:</li> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</li> </ul>	Green Operation		
KPI A1.1	The types of emissions and respective emissions data.	Green Operation		
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation		
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation		
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation		
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green Operation		
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green Operation		
	Aspect A2 Use of Resources			
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operation		
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Operation		
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Operation		
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green Operation		
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Operation		
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable		
	Aspect A3 The Environment and Natural Resources	5		
General Disclosure A3	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green Operation		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions takento manage them.	Green Operation		

	Main Scope B. Social Employment and Labour Pract	tices
	Aspect B1: Employment	
General Disclosure B1	<ul> <li>Information on:</li> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</li> </ul>	Employee Interests Guarantee
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Interests Guarante
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Interests Guarante
	Aspect B2: Health and Safety	
General Disclosure B2	<ul> <li>Information on:</li> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</li> </ul>	Employee Interests Guarante
KPI B2.1	Number and rate of work-related fatalities.	Employee Interests Guarante
KPI B2.2	Lost days due to work injury.	Employee Interests Guarantee
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Interests Guarantee
	Aspect B3: Development and Training	
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Development Platfor
KPI B3.1	The percentage of trained employees by gender and employee category (e.g. senior management, middle management).	Employee Development Platfor
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee Development Platfor
	Aspect B4: Labor Standards	
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	Employee Interests Guarante
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employee Interests Guarante
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employee Interests Guarante

	Main Scope B. Social Operating Practices	
	Aspect B5: Supply Chain Management	
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	Compliance and Risk Management
KPI B5.1	Number of suppliers by geographical region.	Compliance and Risk Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers to which the practices are being implemented, corresponding implementation and monitoring.	Compliance and Risk Management
	Aspect B6: Product Responsibility	
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters in respect to products and services provided and corresponding means of redress.	Compliance and Risk Management Customer Interests Guarantee
KPI B6.1	Safety-and-health-related recall percentage among total sold or shipped products	Not applicable
KPI B6.2	Number of product-and-service-related complaints received and corresponding handling approaches	Customer Interests Guarantee
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures	Not applicable
KPI B6.5	Description of consumer data protection and privacy policies and corresponding implementation and monitoring	Customer Interests Guarantee
	Aspect B7: Anti-corruption	
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing bribery, extortion, fraud and money laundering.	Compliance and Risk Management Guidance of Party Building
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Compliance and Risk Management Guidance of Party Building
KPI B7.2	Description of preventive measures and whistle-blowing procedures and corresponding implementation and monitoring	Compliance and Risk Management Guidance of Party Building
	Aspect B8: Community-oriented Investmen	t
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Feature: Targeted Poverty Alleviation for Social Contribution Charity
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sports).	Feature: Targeted Poverty Alleviation for Social Contribution Charity
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Feature: Targeted Poverty Alleviation for Social Contribution Charity

nd regulations that have ating to health and vacy matters in respect nd corresponding	Compliance and Risk Management Customer Interests Guarantee
centage among total	Not applicable
ted complaints received ches	Customer Interests Guarantee
bserving and protecting	
cess and recall	Not applicable
ction and privacy Intation and monitoring	Customer Interests Guarantee

nd regulations that have lating to preventing laundering.	Compliance and Risk Management Guidance of Party Building
egarding corrupt or its employees during es of the cases.	Compliance and Risk Management Guidance of Party Building
and whistle-blowing ementation and	Compliance and Risk Management Guidance of Party Building

to understand the e issuer operates and to eration the communities'	Feature: Targeted Poverty Alleviation for Social Contribution Charity
ucation, environmental re, sports).	Feature: Targeted Poverty Alleviation for Social Contribution Charity
or time) to the focus	Feature: Targeted Poverty Alleviation for Social Contribution Charity

## **GRI Sustainable Development Report Standards Index**

GRI Sustai	nable Development Report Standards indicator	Description
	General Disclosure	
	Foundaiton	
101-1	Reporting Principles, including principles for defining report content and principles for defining report quality.	About the Report
	Organizational profile	
102-1	Name of the organization	Company Profile
102-2	Activities, brands, products, and services	Company Profile
102-3	Location of headquarters	Back Cover
102-4	Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Company Profile
102-5	Ownership and legal form	Company Profile
102-6	Markets served	Company Profile
102-7	Scale of the organization	Company Profile
102-8	Information on employees and other workers	Employee Interests Guarantee
102-10	Significant changes to the organization and its supply chain	Not applicable
102-11	Whether and how the organization applies the Precautionary Principle or approach.	Compliance and Risk Management
	Strategy	
102-14	A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Message from the Chairman Message from the CEO
102-15	A description of key impacts, risks, and opportunities.	Message from the Chairman Message from the CEO
	Ethics and integrity	
102-16	A description of the organization's values, principles, standards, and norms of behavior.	Responsibility philosophy and Management

	Governance	
102-18	Governance structure	Organization Structure
102-21	Consulting stakeholders on economic, environmental, and social topics	Responsibility Management
102-22	Composition of the highest governance body and its committees	Corporate Governance
102-29	Identifying and managing economic, environmental, and social impacts	Responsibility Management
	Stakeholder engagement	
102-40	List of stakeholder groups	Responsibility Management
102-42	The basis for identifying and selecting stakeholders with whom to engage.	Responsibility Management
102-43	Approach to stakeholder engagement	Responsibility Management
102-44	Key topics and concerns that have been raised through stakeholder engagement, including: how the organization has responded to those key topics and concerns, and the stakeholder groups that raised each of the key topics and concerns.	Responsibility Management
	Reporting practice	
102-45	Entities included in the consolidated financial statements	About the Report
102-47	A list of the material topics identified in the process for defining report content.	Responsibility Management
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements.	Not applicable
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries.	Not applicable
102-50	Reporting period for the information provided.	About the Report
102-51	If applicable, the date of the most recent previous report.	About the Report
102-52	The reporting cycle can be, for example, annual or biennial.	About the Report
102-53	Contact point for questions regarding the report	About the Report
102-55	The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.	GRI Sustainable Development Report Standards Index
	Economy	
103-1	For each material topic, the reporting organization shall report an explanation of why the topic is material, the Boundary for the material topic, and any specific limitation regarding the topic Boundary.	Quality Service for Common Development with Customers Feature: Targeted Poverty
103-2	The management approach and its components	Alleviation for Social Contribution Charity
103-3	An explanation of how the organization evaluates the management approach	

	Economic Performance		
201-1	Direct economic value generated and distributed	Economic Contribution	
	Indirect Economic Impacts		
		Quality Service for Common	
203-1	Infrastructure investments and services supported	Development with Customers Feature: Targeted Poverty Alleviation for Social Contribution Charity	
	<b>Anti-corruption</b>		
205-2	Communication and training about anti-corruption policies and procedures	Compliance and Risk Management Guidance of Party Building	
	Environment		
	For each material topic, the reporting organization shall report		
103-1	an explanation of why the topic is material, the Boundary for the material topic, and any specific limitation regarding the topic Boundary.	Green Operation	
103-2	The management approach and its components		
103-3	An explanation of how the organization evaluates the management approach	-	
	Energy		
302-1	Energy consumption within the organization	Green Operation	
302-3	Energy intensity	Green Operation	
	Environmental Compliance		
	Significant fines and non-monetary sanctions for non-		
	compliance with environmental laws and/or regulations in terms of total monetary value of significant fines, total number of		
307-1	non-monetary sanctions, and cases brought through dispute resolution mechanisms, if the organization has not identified any non-compliance with regulations, a brief statement of this fact is sufficient.	Green Operation	
	Society		
	For each material topic, the reporting organization shall report		
103-1	an explanation of why the topic is material, the Boundary for the material topic, and any specific limitation regarding the topic Boundary.	Employee Interests Guarantee	
103-2	The management approach and its components	Employee Development Platform	
103-3	An explanation of how the organization evaluates the management approach	_	
	Employment		
	Total number and rate of new employee hires during the		

	Occupational Health and Safety	
403-2	Hazard identification, risk assessment, and incident investigation	Employee Interests Guarante
	Training and Education	
404-1	Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category.	Employee Development Platfo
	Diversity and Equal Opportunity	
405-1	Percentage of individuals within the organization's governance bodies and employees per employee category in each of the following diversity categories: gender, age group and other indicators of diversity where relevant.	Employee Interests Guarante
	Child Labor	
408-1	Operations and suppliers considered to have significant risk for incidents of child labor, young workers exposed to hazardous work and operations and suppliers considered to have significant risk for incidents of child labor in terms of measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.	Employee Interests Guarante
	Forced or Compulsory Labor	
409-1	Operations and suppliers considered to have significant risk for incidents of forced or compulsory Labor, and measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.	Employee Interests Guarante
	Marketing and Labeling	
417-2	Total number of incidents of non-compliance with regulations concerning product and service information and labeling, if the organization has not identified any non-compliance with regulations, a brief statement of this fact is sufficient.	Compliance and Risk Management
417-3	Total number of incidents of non-compliance with regulations concerning marketing communications, if the organization has not identified any non-compliance with regulations, a brief statement of this fact is sufficient.	Compliance and Risk Management
	Customer Privacy	
418-1	Total number of complaints of identified leaks, and losses of customer data.	Customer Interests Guarante

# **About the Report**

This is the 9th CSR Report issued by Haitong Securities Co., Ltd. ("Haitong Securities" or "the Company"), aiming to disclose the Company's economic, social and environmental initiatives and accomplishments to the stakeholders.

#### **Scope of Report**

**Organizational scope:** The Report takes Haitong Securities Co., Ltd. as the subject, and covers key subsidiaries including Haitong International Holdings Limited, Haitong Capital Co., Ltd., Haitong Futures Co., Ltd., Haitong-Fortis Private Equity Fund Management Co., Ltd., HFT Investment Management Co., Ltd., Shanghai Haitong Securities Asset Management Company Ltd. and Haitong Innovation Securities Investment Co., Ltd.

Time period: January 1, 2018 - December 31, 2018.

Issuing cycle: The Report is issued annually.

#### **Data Description**

The data and cases in the Report are derived from the original records or financial reports on the actual operation of Haitong Securities and its subsidiaries. The financial figures are expressed in RMB. In case of any discrepancy between the Report and the financial reports, the latter shall prevail.

#### **Basis of Preparation**

The Report is prepared based on Notice on Strengthening CSR Work of Listed Companies & Issuing Guidelines on Environmental Information Disclosure of Listed Companies in SSE and Notice on Further Improving Disclosure of Poverty Alleviation Information of Listed Companies issued by Shanghai Stock Exchange, Listing Rules of HKEx and its Appendix 27, Environmental, Social and Governance Reporting Guide. Meanwhile, this Report has quoted some standards from the Sustainability Reporting Standards (2016) issued by the Global Reporting Initiative. Please see the index of the Sustainability Reporting Standards for details.

#### **Issuing Format**

The Report is available in the format of PDF at

http://www.sse.com.cn,

http://www.hkexnews.hk

http://www.htsec.com.