

**LUCION**

**山東省國際信託股份有限公司**

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

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

Stock Code: 1697

A watercolor illustration featuring a city skyline with various skyscrapers in shades of green and brown, set against a backdrop of soft, yellowish-green clouds. In the foreground, there are stylized green mountains and a body of water in light blue and green tones.

**2018**

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**



LUCION

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## ABOUT THIS REPORT

### REPORTING SCOPE

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

### REPORTING PERIOD

Unless otherwise specified, the period covered of this report is 1 January 2018 to 31 December 2018 (the “Reporting Period”).

### REPORTING CYCLE

This report is prepared annually.

### BASIS OF PREPARATION

This report has been prepared by the Company in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as “ESG Reporting Guide”) described in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Stock Exchange”) (hereinafter referred to as the “Listing Rules”), for the purpose of disclosing the comprehensive performance of SITC in creating values for shareholders and customers and our proactive fulfillment of social responsibility. This report should be read together with the Corporate Governance Report from 2018 Annual Report of the Company and Corporate Social Responsibility section of the Company’s official website for a more comprehensive understanding of the Company’s environmental, social and governance performance.

This report has complied with the “comply or explain” provisions set out in the ESG Reporting Guide.

### SOURCE OF INFORMATION

The financial data in this report is extracted from the 2018 Annual Report of SITC, and other information and data are sourced from the internal management documents and statistical information of the Company. Unless otherwise indicated, the currency for denomination in this report is Renminbi (hereinafter referred to as “RMB”).

### FORM OF PUBLICATION

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

## ABOUT THIS REPORT (Continued)



## CHAIRPERSON'S STATEMENT

The year of 2018 was the first year following the listing of the H shares of SITC, during which, the Company saw profound changes in both external and internal environment. Facing the severe and complicated environment characterised by economic slowdown, de-leveraging in financial industry and new industry landscape shaped by new asset management rules, the Company set the tone of “seeking progress while maintaining stability” to guide its work, upheld firmly to the guideline “product specialisation, service integration, and business standardisation” and fulfilled all works in relation to “serving the real economy, returning to the original commitment, optimising structure, controlling risk, promoting reform and strengthening Party building”, with the aim of creating more value for economic and social development. During the year, the Company recorded an operating revenue of RMB1.695 billion, net profit attributable to shareholders of RMB872 million, creating satisfactory ROI for shareholders. In 2018, the Company cashed trust benefits of RMB13.240 billion to trust beneficiaries, creating value for the sustainable growth of the residents' wealth. The Company maximised our trust advantages, returned to the original purpose of trust, provided in-depth services to real economy, actively helped create better life for people, and practically fulfilled social responsibilities. By providing trust solutions and making trust contributions, the Company aimed at driving high-quality economic development and building a better society.

**We continued to promote reform and innovation, and sought to constantly improve the quality and efficiency of our financial services.** We have made steady progress in the establishment of “smart trust” and continued to accelerate upgrading from information orientation towards intelligence orientation; we continued to innovate products and services to meet diversified demands of investors for wealth management. We have officially launched the family trust brand “De Shan Qi Jia”, in an effort to promote the development of service trust. We kept improving protection of consumers' interests and education to investors, advertising and popularizing trust concepts in order to create a sound financial consumption environment.

**We continued to serve real economy and actively drive high-quality economic growth.** We have initiated to set up a venture capital fund of a total size of RMB1 billion, which will be mainly invested in emerging industries such as biotechnology, artificial intelligence and new materials, hence providing strong support to the key project of replacing old drivers of growth with new ones in the construction of projects in Shandong Province. We maximised our trust advantages, and utilized various financial instruments, including equity, creditor's rights, industrial fund and lease, in an integrated way to provide in-depth support to real economy.

**We continued to help improve public welfare through trust, and to create a better life for people.** We set up charitable trusts in an innovative manner, so as to facilitate poverty alleviation and public welfare undertakings. Through trial implementation of trust plans in industries relating to people's livelihood, such as movies and TV shows, culture and sports and consumer finance, we made great progress in promoting consumption upgrading and meeting people's needs for a better life.



## CHAIRPERSON'S STATEMENT (Continued)

**We continued to grow together with employees, and strive to create a better future together.** The Company is committed to working with all of its employees to build a “home culture”. We are dedicated to continuously improving human resources system and optimising employee training system so as to provide a sound environment for the rapid growth of our employees.

In 2019, we will put the new development philosophy into practice, firmly take the returning to the original purpose of trust as the core, serving the real economy as the fundamental, transformation and innovation as the growth engine and helping people to realise a better life as the goal, continue to improve the quality and efficiency of the Company's development, grow and share the achievements of development together with our stakeholders, including investors, customers, employees!



For and on behalf of all directors

**Wan Zhong**  
*Chairperson*

## ABOUT SITC

The Company was established as a non-banking financial institution in March 1987, with the approval of the People's Bank of China and the People's Government of Shandong Province, and is currently a director of China Trustee Association. In December 2017, SITC, an integrated financial service institution controlled by Shandong Lucion Investment Holdings Group Co., Ltd., was listed on the Hong Kong Stock Exchange (Stock Code: 1697.HK), being the first domestic trust company listed on international capital market. In January 2019, the Company's registered capital increased to RMB4.659 billion, with a constantly increasing capital strength.

SITC has always achieved progress and quality improvement while maintaining stability, served economic and social development by utilizing various financial instruments, promote effective interconnection between monetary market, capital market with industry market, and established the development pattern of "taking root in Shandong, spreading to the whole country and establishing presence across the globe". Being rated as "Class A" (the highest rating attainable) in the national industry-wide rating and the highest AAA rating in the comprehensive assessment of local financial institutions in Shandong for many times, SITC has been developed into an integrated financial and wealth management service provider with a leading comprehensive strength and sound brand reputation.

In the field of trust business, to facilitate the set-up of investment and financing service platform and wealth management platform, SITC formed an all-around and multi-level trust product line covering trust of industrial and commercial enterprises, infrastructure trust, real estate trust, securities investment trust, integrated financial service trust of listed company, family trust and charitable trust. It has built a series of trust brands including "Xinyuan Minsheng" (信元民生), "Xiongxin Anxin" (雄心安心), "De Shan Qi Jia" (德善齊家), "Guozi Huinong" (國資惠農), "Zilan Culture" (茲蘭文化) and "Urban Development" (城市發展), leading to increasingly higher popularity and reputation.

In respect of long-term equity investment, SITC paid close attention to financial industry policies, and devoted to building an integrated financial service platform. It mainly held shares of First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司) and invested in financial institutions such as Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司), Minsheng Securities Co., Ltd. (民生證券股份有限公司), Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司) and Shandong HOWO Auto Finance Co., Ltd. (山東豪沃汽車金融有限公司). Meanwhile, SITC is actively researching and seeking strategic opportunities for overseas financial equity investment by utilizing its advantage as a Hong Kong listed company.



## ABOUT SITC (Continued)

The results from SITC's years of development have been recognized and appraised by all walks of life, as evidenced by more than 30 major awards, such as "Most Valuable Financial Stock in the 2018 Golden Hong Kong Stocks Awards", "Best IPO Award of the Year of 2017", "Shandong Charitable Award – the Most Influential Charity", "Integrity Trust – Excellent Company Award", "Integrity Trust – Management Team Award", "Best Innovative Trust Company", "Best Socially Responsible Trust Company Award", "Best Financial Service Entity Award", and "Excellent Risk Control Award". As a state-owned enterprise based in Shandong, the Company is also highly appraised for its development in the province. It was awarded with the honorary title of "Advanced Company Contributing to Financial Development of Shandong Province" by the Government of Shandong Province and has won the "Financial Innovation Award of Shandong Province" for three consecutive years.

SITC seized opportunities and audaciously met the challenges. The Company provided multi-type, all-around quality investment and financing services that cover the whole industry chain for the development of national and local economy and provided institutional investors and individual investors with professional, differentiated, personalised and integrated financial services. By holding firmly to the guideline "product specialisation, service integration, and business standardisation", the Company will adopt innovative industrial and financial integration, access to global resources, facilitate the building of better life, and create greater values for domestic and international investors.





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## GOVERNANCE

### CORPORATE GOVERNANCE

In 2018, the Company, in accordance with domestic and overseas regulatory requirements, continuously increased the transparency of corporate governance so as to safeguard the interests of the shareholders and increase corporate value. The Company has set up a relatively comprehensive corporate governance structure as required by the Listing Rules, the Company Law of the People's Republic of China, Guidelines for the Governance of Trust Companies, etc. The composition of the board of directors of the Company (hereinafter referred to as the "Board") and the special committees under the Board are in compliance with the requirements of the Listing Rules. The Company clearly classifies the responsibilities among the shareholders' general meeting, the Board, the board of supervisors of the Company (hereinafter referred to as the "Board of Supervisors") and senior management. The shareholders' general meeting acts as the highest authority of the Company and the Board is held accountable to shareholders. The Board has established six special committees, which were operated under the leadership of the Board and provide opinions on the decisions of the Board. The Board of Supervisors oversees the operation of the Company and the performance of duties of the Board and senior management. Under the leadership of the Board, the senior management is responsible for the implementation of resolutions from the Board and the daily operation and management of the Company, as well as regular reporting to the Board and the Board of Supervisors.

#### The Shareholders' General Meeting

During the Reporting Period, the Company convened a total of three shareholders' general meetings, one domestic shares class meeting and one H shares class meeting, at which, 18 resolutions were approved. The convening of shareholders' general meetings is in line with applicable legal procedures. All shareholders properly exercised shareholders rights at such meetings.

#### The Board

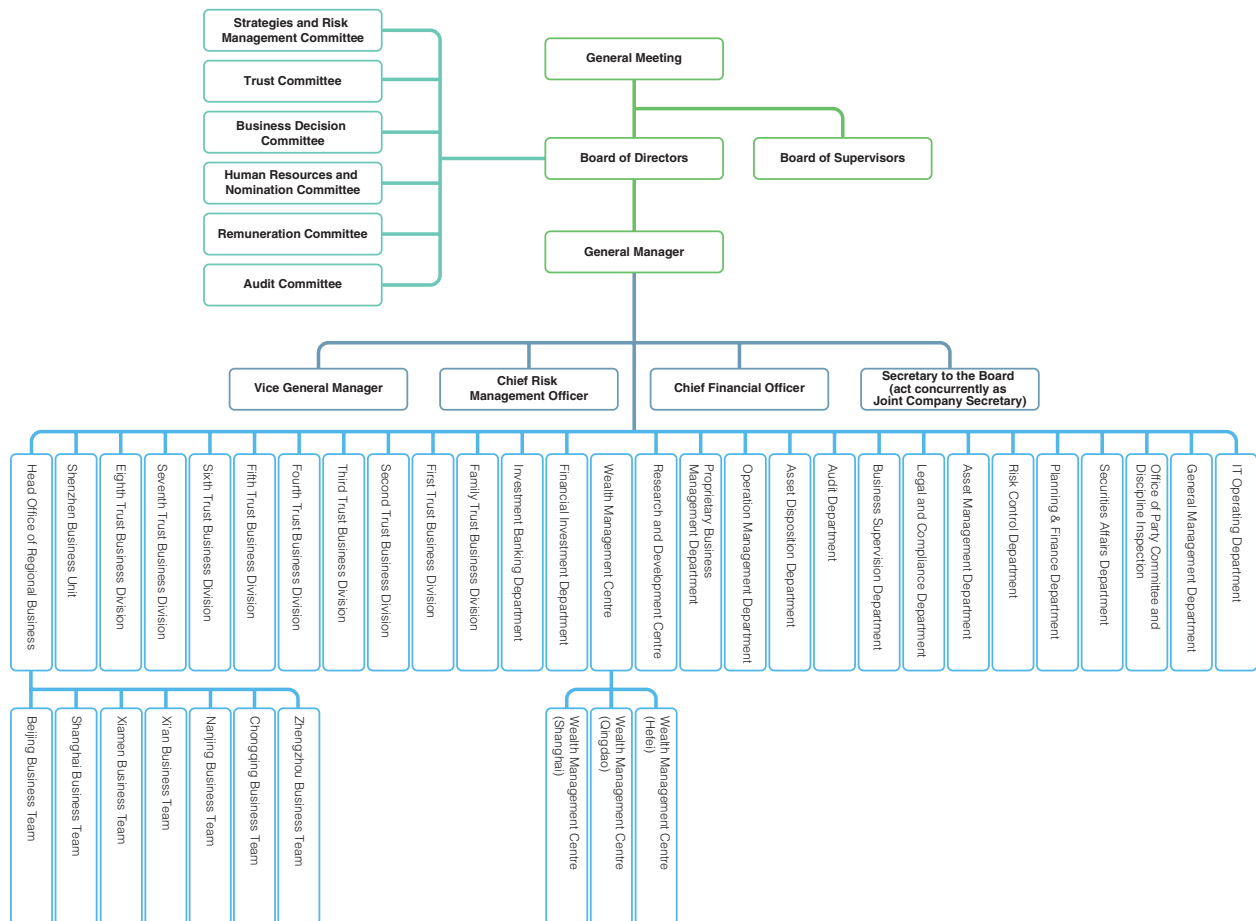
As of the end of 2018, the Board comprised seven Directors. The Board has established six special committees, namely, the Business Decision Committee, the Strategies and Risk Management Committee, the Audit Committee, the Human Resources and Nomination Committee, the Remuneration Committee and the Trust Committee. During the Reporting Period, the Company convened a total of nine Board meetings, at which, 62 resolutions were considered.

## GOVERNANCE (Continued)

## The Board of Supervisors

As of the end of 2018, the Board of Supervisors consisted of nine supervisors. During the Reporting Period, the Company convened five meetings of the Board of Supervisors, at which, 14 resolutions were considered.

## Corporate Governance Structure



## GOVERNANCE (Continued)

### Information Disclosure and Investor Relations



The 2017 annual results presentation

In 2018, the Company, as required by the Listing Rules, performed its responsibility for information disclosure by publishing an aggregate of 65 information disclosure documents.

In 2018, the Company maintained close communication with capital market and investors through results presentation and activities held by third party institutions. In March, the Company convened the 2017 annual results presentation in Hong Kong and invited stakeholders such as investors, Hong Kong media and analysts to attend. In September, the Company attended the “Connectivity • Win-Win – 2018 Hong Kong Listed Companies Investment Summit and Investors Reception Day” organized by Quanjing, to interact and communicate with investors online and offline. In November, the Company attended “Gelonghui • Final Battle for Hong Kong Stocks 2018 – Overseas Investment Series Summit” organized by Gelonghui, and held a special roadshow to introduce to investors the investment highlights of the Company, which successfully showed market presence, attracted public attention and maintained good interactions with investors.



## GOVERNANCE (Continued)



The Company attended “Gelonghui • 2018 Final Battle for Hong Kong Stocks – Overseas Investment Series Summit”, and interacted with the investors



The Company was awarded the “Most Valuable Financial Stock in the 2018 Golden Hong Kong Stocks Awards”

## COMPLIANCE WITH LAWS AND REGULATIONS

### Determined to comply with laws and regulations and strengthen risk management and control

In 2018, the Company continued to serve real economy, returned to the origin of the trust, firmly held the bottom line of compliance with laws and regulations in light of national macroeconomy, industry development trend, and regulatory requirements, hence improving whole-process risk control in all aspects.

Firmly holding the bottom line of compliance with laws and regulations. The Company kept promoting such concepts as “prioritizing compliance; requiring all staff to comply with laws and regulations consciously; compliance create value”. It has also been actively establishing a compliance management system that “defines rules on internal control, sets restrictions on each department, specifies responsibility of each position, sets procedures for all operation, requires supervision over all processes, demands close monitoring on risks, requests performance assessment, and sets clear accountability”. In accordance with the requirements of regulatory laws and internal control of the Company, the Company reviewed job responsibilities of employees, prepared the Guidelines for Compliance with Laws and Regulations, which clearly defined code of conduct for each position. The Company conducted comprehensive annual internal audit, internal control assessment, special audit on trust business and special audit on work of consumer rights protection, in order to provide strong support for the Company to improve system, optimise process and operate business in compliance with laws and regulations.

## GOVERNANCE (Continued)

Further improving risk control. The Company kept improving the building of a comprehensive risk management system under the principle of “due diligence beforehand, in-process monitoring, post supervision”, improved the three-tier project review mechanism comprising the Audit Committee of Trust Business, Office of the General Manager and Business Decision Committee, and further optimised business decision-making process and risk control process. Moreover, the Company organized risk identification and risk assessment work, and developed strategies for risk management in a scientific manner. The Company also encouraged risk control personnel to conduct due diligence at business frontlines to gain a thorough understanding of project under assessment and strictly control which projects to enter. For existing projects, the Company conducted mid-late post-loan inspection in a categorized and targeted manner. The Company established a risk control coordination mechanism, to promote the coordination and joint actions among risk control, compliance, asset management, business supervision and audit departments, optimise risk control in various links, and enhance supervision over audit to prevent various risks effectively.

### Strictly Implement Anti-Money Laundering Strategy

In accordance with relevant laws and regulations including the Anti-money Laundering Law of the People's Republic China (《中華人民共和國反洗錢法》), the Rules for Anti-money Laundering by Financial Institutions, the Company developed and implemented the Administrative Measures on Anti-Money Laundering (《反洗錢管理辦法》) and made amendments correspondingly in 2018. The Measures defined the Company's anti-money laundering system and standardized work on anti-money laundering management to make sure that the Company could perform the obligations for anti-money laundering in accordance with applicable laws and regulations on anti-money laundering.

The Company established an Anti-Money Laundering Leading Work Group for anti-money laundering management. The Company also established an anti-money laundering office under the Anti-Money Laundering Working Group, which organises and conducts anti-money laundering related works. Each business segment of the Company is responsible for its own daily work on anti-money laundering. The Company has established and implemented a client identification system with specification of certain criteria in determining a suspicious transaction and established a transaction reporting system for suspicious trade.

## GOVERNANCE (Continued)

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

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

### Further Standardisation of Supply Chain Management

Based on the nature of the Company's business, suppliers of the Company mainly include law firms, accounting firms, asset appraisal firms, information technology companies and office equipment suppliers. In accordance with relevant regulations, including the "Interim Management Measures for Tender and Procurement" (《招標採購管理暫行辦法》) and "Interim Management Measures for Non-Tender and Procurement" (《非招標採購管理暫行辦法》), the Company continuously strengthened standardized management to ensure standardisation and improve the quality and efficiency of the procurement work. The Company incorporated procurement management into business integrity building, aiming to prevent employees from seeking illegitimate benefits for themselves or others by taking advantage of their positions. In the meantime, the Company enhanced access management and assessment of suppliers, prioritizing suppliers who provided energy saving and environmental friendly products, and guided suppliers to perform necessary social responsibilities. In 2018, the Company did not receive oral or written complaint against suppliers.



## GOVERNANCE (Continued)

## Enhancing Business Integrity



The Company attaches high importance to the establishment of probity practice for all employees, especially leading cadres, and strictly complies with institutional regulations such as Several Provisions on Probity Practice for Leaders of State-owned Enterprises (《國有企業領導人員廉潔從業若干規定》), and Opinions on Further Promoting the State-owned Enterprises' Implementation of the Decision-making System for Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money (《關於進一步推進國有企業貫徹落實「三重一大」決策制度的意見》). Focusing on institutional development, the Company also established a robust system for probity practice and a solid system for punishment and prevention for breaching practices. The bodies within the Company have set up the Interim Provisions on Employees' Business Integrity (《員工廉潔從業暫行規定》), "Administrative Measures for Reporting Violation of Rules and Regulations" (《違規違紀舉報管理辦法》), as well as other relevant rules, and actively established a long-term mechanism of probity practices. The Company's Discipline Inspection Committee (hereinafter referred to as the "Company Discipline Inspection Committee") and the Office for Discipline Inspection Committee thereunder are dedicated to business integrity and anti-corruption work.

In 2018, the Company further improved and optimised supervision system, appointed a discipline inspection liaison in each front business department, and established a three-tier supervision system comprising the Company Discipline Inspection Committee, Disciplinary Inspection Committee Members of Party Branch and discipline inspection liaisons in front business departments. The Company built supervision channel by setting up email address and mailbox, announcing leaders reception day, and

## GOVERNANCE (Continued)

promising smooth discipline inspection reporting channel. The Company established a collaborative supervision system that integrates the supervision resources of eight departments including discipline inspection, audit and risk control, and conducted project on-site supervision. The Company kept improving education on business integrity, and organized employees to watch education movies for business integrity regularly/from time to time, and fully implemented “three new, and three lessons” system (which is, new lessons in the New Year for new employees and new cadres). Secretary of the Party Committee gave Party lectures on business integrity, and members of operating team arranged work on business integrity within departments under their charge respectively. Communication and exchange activities on business integrity involved the middle management, heads of offsite teams and personnel in front business departments of the Company. The Company organized all employees to sign the “Undertaking of Business Integrity”, despatched “A Letter to Families of Employees”, held symposium attended by family members of offsite employees, and developed all-around business integrity culture engaging all employees.



Secretary of the Party Committee of the Company gave Party lectures on business integrity to all employees



A Letter to Families of Employees



The Company held symposium attended by family members of offsite employees

## GOVERNANCE (Continued)

### Assurance of Information Security

As a financial institution, the Company attaches great importance to the protection of customer information and privacy, and to the elimination of customer data and customer information leak. With strict compliance to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Announcement on Preventing and Cracking down on Crimes of Telecommunication Network-related Fraud (《關於防範和打擊電信網絡詐騙犯罪的通告》), the Company has formulated and implemented the "Management Measures for Security of Information System" (《信息系統安全管理辦法》), the "Management Measures for Emergencies Occurred in Information System" (《信息系統突發事件應急管理辦法》), and the "Management Measures for Users and Authorisation of Information System" (《信息系統用戶及權限管理辦法》), and other management systems. Through taking technical preventive measures such as reinforcing the supervision and configuration management of information systems, checking the implementation of information security, controlling the user authorisation of information system, standardising the security emergency and safety response process of the information system, and protecting security level of the information system, the Company has increased employees' awareness of safety, monitored and facilitated the implementation of safety management work, reduced the possibility of network security problems caused by human factors, thereby effectively improving the standard of information security to protect customer information security.

### Establishment of a Long-term Mechanism for Work Safety Management

SITC has always prioritized work safety over all other work. In accordance with the requirement that "those responsible for business must be responsible for safety", the Company continues to improve and optimise the responsibility system for production safety, that is "the Party and government sharing the same responsibility, one post with two responsibilities, joint control and management", and has made great efforts to build a lasting and effective mechanism for production safety management to ensure the ongoing stability of the Company's production safety situation. As a non-production-based company, in strict compliance with the rules and regulations on production safety such as the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) and the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Company conducted compliant and legal operation.



## GOVERNANCE (Continued)

SITC has firmly established the idea of “people-oriented and safe development”, and adhered to the principle of “safety first, prevention as the main concern, and comprehensive governance” to ensure practical implementation of work safety. First, responsibilities were fulfilled level by level, and all employees signed the Liability Statement on Work Safety. Second, the Company formulated rules and regulations, to regulate and improve work safety system, and formulated 11 rules including the “Principal Accountability for Production Safety” (《安全生產主體責任制度》) and the “Fire Safety Management System” (《消防安全管理制度》). Thirdly, the Company enhanced the development of work safety team and education, as well as training on occupational health. The Company set up a work safety management organ and a special work safety committee. In 2018, the Company organized three sessions of training on work safety law, occupational health and knowledge of fire-fighting, two fire emergency drills, hence further improving emergency rescue capability and on-site treatment capability. The Company has always maintained a good record of zero safety accident.



## GOVERNANCE (Continued)

### ESG MANAGEMENT

#### ESG Concept

In the course of the 30 years of business development, SITC has always upheld the corporate cultural ideas of “professionalism, honesty, diligence and accomplishment”, fully leveraged the advantage of trust. In actively creating values for shareholders, meanwhile, it contributed its effort to the sustainable development of the society and environmental protection through close interaction with stakeholders and actively undertook social responsibilities. The Company continued to innovate on products and services, strived to provide customers with high-quality wealth management services, and actively created a sound consumption environment. The Company fully utilized trust instruments to support the development of real economy and helped people create a better life. The Company actively built the “home culture” that provided a broad development platform for employees to achieve their own values. Committing to environmental protection, the Company placed emphasis on improving employees’ awareness of environmental protection, adopted various measures to reduce energy and resources consumption in the course of business operation to minimise impact on the environment, and worked with stakeholders to promote a sustainable development of the environment.

#### ESG Management Structure

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

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

## GOVERNANCE (Continued)

**Management body:** The senior management of the Company is responsible for coordinating the implementation of the ESG tasks, organising and implementing the ESG development strategies formulated by the decision-making body. It also conducts the overall administration and coordination of ESG tasks of various departments, reports to the decision-making body and offers advice on practical problems in work practices.

**Executive body:** Departments within the Company that are responsible for implementing ESG-related tasks include the Securities Affairs Department, Office of Party Committee and Discipline Inspection Committee, the General Management Department, and the Wealth Management Centre. All departments support and cooperate with the management body to promote the implementation of ESG tasks in each department.



### Stakeholders Communication and Materiality Assessment

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

## GOVERNANCE (Continued)

Stakeholders	Mechanism of communication	Topics of concern
Shareholders	General meetings, information disclosure, daily communication	<ul style="list-style-type: none"> <li>Operating results and financial performance</li> <li>Timely, accurate and complete disclosure of information</li> <li>Sound and good corporate governance</li> <li>Risk prevention and control</li> </ul>
Regulatory Authorities	Regulatory policies, on-site inspections, off-site supervision, delivery and receipt of official documents, conferences on specific topics, disclosure of information, daily reporting	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Comprehensive risk management system, improved internal control system</li> <li>Improved corporate governance</li> <li>Net capital and venture capital</li> </ul>
Government	Policy guidance, important meetings, reporting on specific topics, daily communication	<ul style="list-style-type: none"> <li>Implementation of the national macroeconomic and financial policies</li> <li>Support for adjustment, transformation and upgrading of national industries</li> <li>Support the replacement of old growth drivers with new ones</li> <li>Serve high quality development of real economy</li> </ul>
Customers	Product promotion, publicity education, complaint hotline, survey on level of satisfaction, customer visit, WeChat official account, corporate website, due diligence	<ul style="list-style-type: none"> <li>Customer relationship and communication channels</li> <li>Service quality</li> <li>Consumer rights protection</li> <li>Popularisation of trust knowledge</li> <li>Optimisation of business process</li> <li>Product and service innovation</li> </ul>
Employees	Employee trainings, business salons, outward bound, labour unions, employee representative meetings, company internal journals	<ul style="list-style-type: none"> <li>On-the-job trainings and trainings for professional skills</li> <li>Compensation and benefits</li> <li>Promotion and vocational development</li> <li>Group activities</li> </ul>



## GOVERNANCE (Continued)

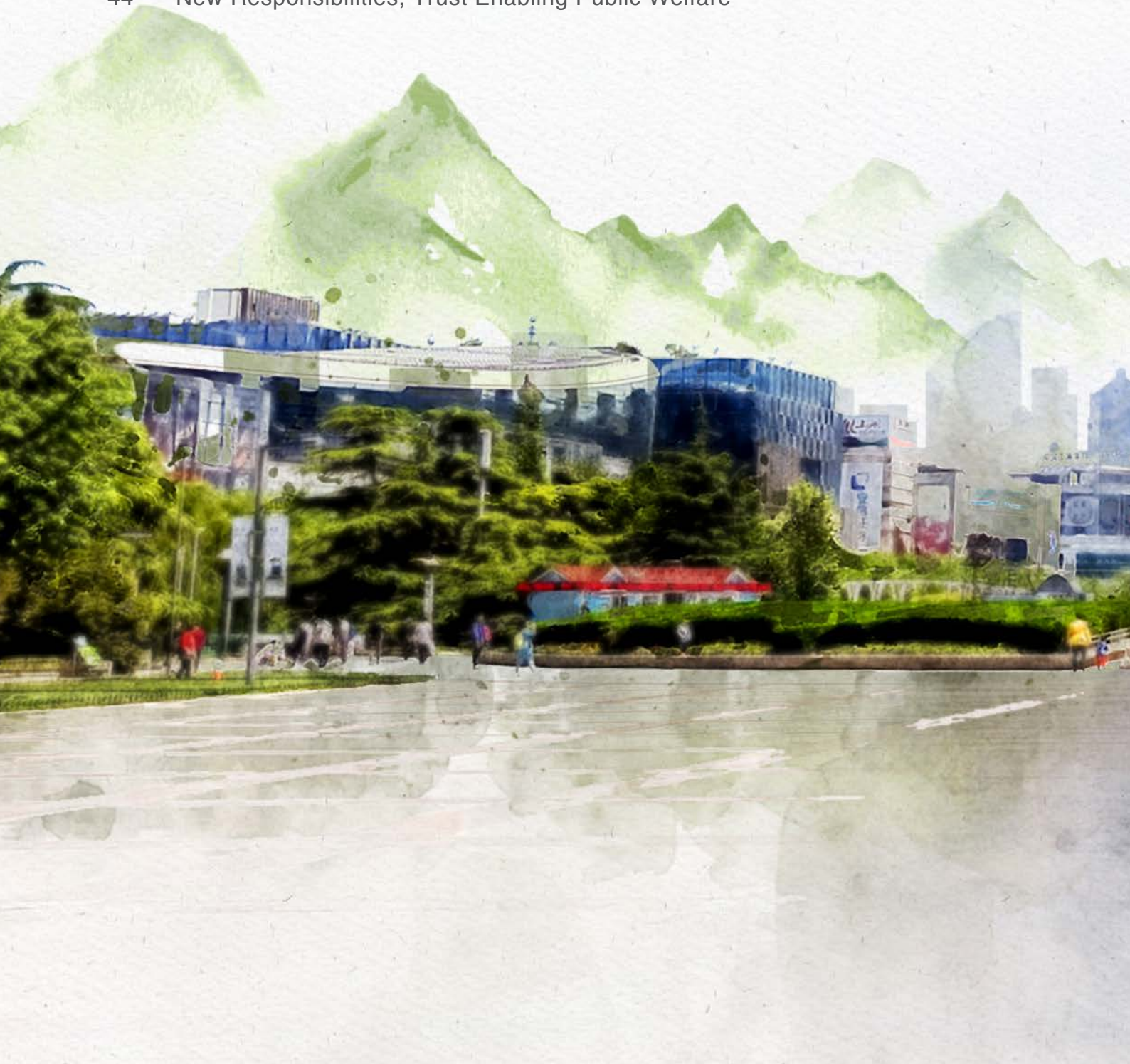
Stakeholders	Mechanism of communication	Topics of concern
Partners	Strategic cooperation, intra-industry exchange	<ul style="list-style-type: none"> <li>Equality and cooperation</li> <li>Mutual benefit and win-win situation</li> <li>Mutual sharing and joint establishment</li> </ul>
Community and Public	Public welfare activities, promotion of financial knowledge, WeChat official account, investor relations hotline, Company's website	<ul style="list-style-type: none"> <li>Social responsibility</li> <li>Harmonious community</li> </ul>

In 2018, through analysis of the general expectations and demands of stakeholders as well as the ESG issues at the 11 aspects listed in the ESG Reporting Guide, the Company identified major topics for the year, including product responsibility, development and training, employment, anti-corruption, and the environment and natural resources. The relevant topics include emissions, use of resources, health and safety, labour standards, supply chain management and community investment. The Company will discuss the content of each topic separately in this report. The identification and analysis of the ESG topics of the Company are set out in the following matrix.

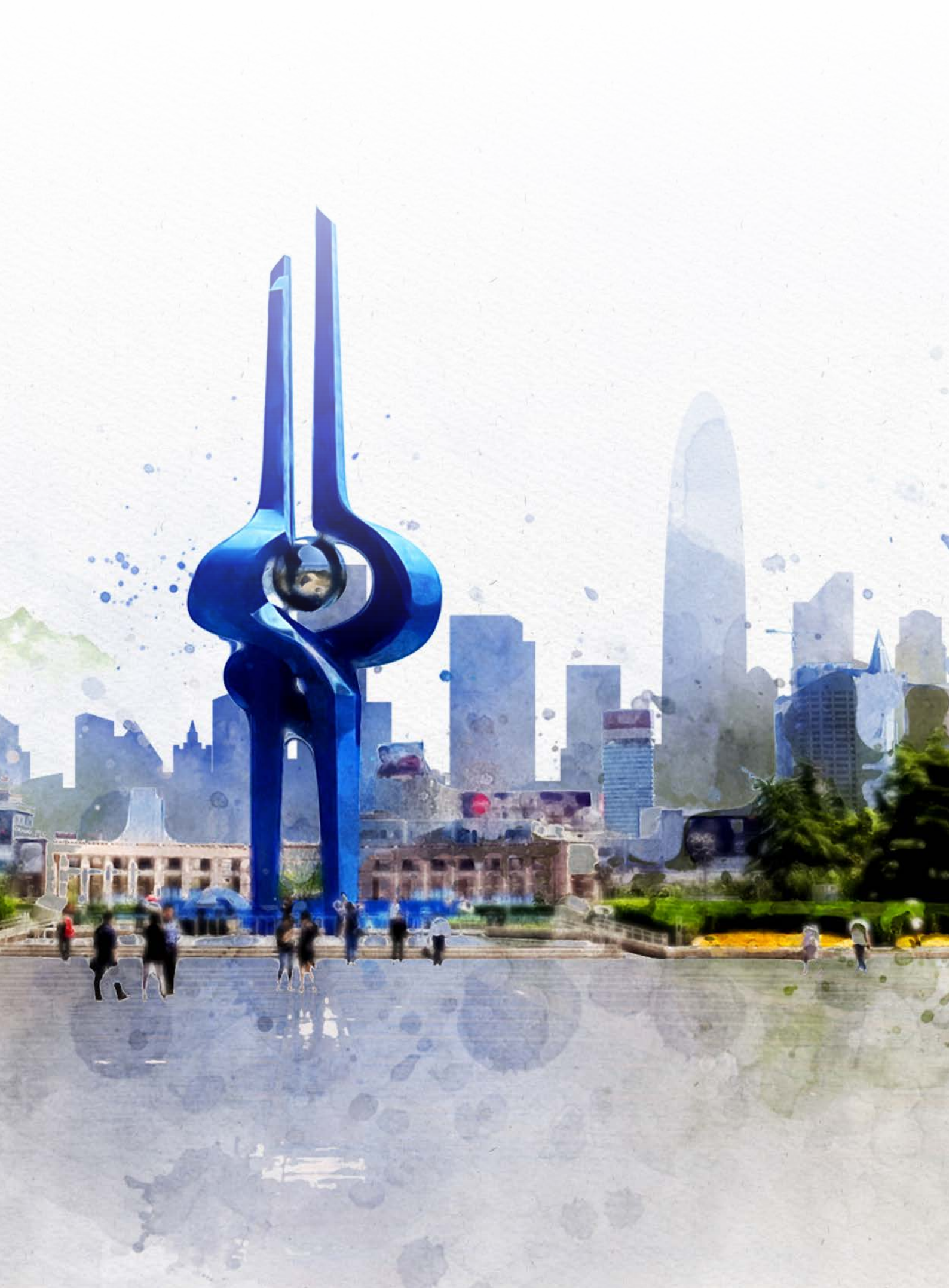


# Social

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## SOCIAL

Serving the real economy and satisfying people's demands for a better life is the fundamental purpose of operation of the Company. In 2018, the Company actively implemented financial “deleveraging”, gave full play to the institutional advantages of trust – covering “real economy, capital market and monetary market” – to facilitate financial supply side reform and the replacement of old growth driver with new ones in the construction of key projects, utilized various financial instruments including equity investment, debt financing and industry funds, to connect funders with entities effectively, and strived to provide customers with personalized and customized wealth management products and financial services, and provide enterprises with diversified and distinctive investment and financing services.

### NEW GROWTH DRIVERS, PROVIDING IN-DEPTH SERVICES TO REAL ECONOMY

Real economy is the foundation of the survival and development of the Company. SITC adheres to the origin of trust – “real estate investment trust, and industrial investment bank”, guided social funds to flow into real economy and industries supported by national and local strategies. The Company adheres to the featured path of “integration of industry and finance, and mutual facilitation”, takes root in developing core competitiveness, grows together with industries via investment and financing, plays a positive role in serving major national strategies, promoting economic restructuring and addressing the issues of difficult and expensive financing of medium, small and micro enterprises, and therefore kept improving the quality and benefit of serving real economy.

#### Making serving real economy a routine operation

In 2018, in order to facilitate financial supply side reform and the replacement of old growth drivers with new ones in the construction of key projects, the Company provided strong support to the manufacturing of high-end equipment, the development of strategic emerging industries such as the next generation of information technology, and provided in-depth extensive services to the economic and social development of Shandong Province. As of the end of 2018, inputs of trusts made by the Company in real economy accounted for 71%, among which, approximately 70% were invested in private sector. Balance of investment and financing of the Company in strategic emerging industries amounted to approximately RMB4,500 million. Over recent years, the Company kept improving investment and financing services to “Top 10” industries in Shandong Province and the aggregate size of trust investment and financing has exceeded RMB60,000 million.



## SOCIAL (Continued)

## Case

**Initiating venture capital fund to serve Shandong Province by replacing old drivers of growth with the new ones in the construction of key projects**

In 2018, the Company initiated to set up the “Parent Fund for Replacing Old Drivers of Growth with New Ones in Shandong Province” with a total amount of RMB1 billion, which will be mainly invested in emerging industries such as biotechnology, artificial intelligence, new energy autos, new materials and intelligent manufacturing, hence providing strong support to the construction of the major project of the replacement of old growth drivers with new ones in Shandong Province.



## Case

**Supporting the development of aviation industry via financial leasing**

In August 2018, the Company established the sale-and-leaseback series trust plan for aircrafts in service, with a total size of RMB348 million. Supported by the trust plan, 28 aircrafts in service under the sale-and-leaseback project between a large leasing company and China Eastern Airlines Co., Ltd. (中國東方航空股份有限公司) and its four subsidiaries had been successfully delivered in Xiamen, including 17 A320 aircrafts, 10 B737-700 aircrafts and 1 B737-800 aircraft.



## SOCIAL (Continued)

## Case

**Providing strong support to the development of medium, small and micro enterprises**

In 2018, the Company kept innovating on service models and took the initiative to obtain financial resources to support the development of medium, small and micro enterprises with great efforts. The Company played an important role in promoting financing facilitation and reducing financing costs of the real economy. As of the end of 2018, the Company has established a total of 12 “Hong De Xin Trusts” with a total size of RMB147 million. Under the trust plan, trust funds will be precisely used for supporting technological innovation-based enterprises, and supporting the operation and development of more than 10 medium, small and micro enterprises in industries including solar photovoltaic system, information system integration service, film distribution, design service and conference & exhibition service effectively.

**Smart trust releasing new growth drivers**

In 2018, the Company took the lead in the industry to propose to develop smart trust with the strategic engine of “data + technology”, precisely address outstanding “pains” in respect of funds, assets and operation by focusing on returning to the origin of trust, leading in business transformation, improving operating efficiency, and optimising user experience, and by targeting at industrial portrait, corporate portrait and personal portrait, and strive to be the “dual model” for trust industry and the replacement of old growth drivers with new ones in financial service industry of Shandong Province. The Company formed a special smart trust work group which is responsible for developing the implementation plan for the establishment of strategic system for smart trust and schedules. Significant results have been achieved in three aspects including reducing financing costs of enterprises and serving the real economy on asset side, optimising customer experience on asset side, and improving the quality and benefit of management on operation side. Currently, the Company has established cooperation

## SOCIAL (Continued)

with leading financial institutions such as Tencent, Hundsun Electronics, China Merchants Bank and Tongdun, and realized intensive integration and development of technology and finance through the introduction of world-leading scientific thinking and technology.



The Company was invited to attend Hundsun Trust Industry User Conference, and gained an insight into new changes in the industry

## NEW VALUES, CREATING A BETTER LIFE FOR PEOPLE

In 2018, the Company kept making progress in innovation on products and services, to better satisfy diversified and personalized demands of investors, and to strive to create more reliable wealth for society and customers. By adhering to the service concept of “customer-oriented”, the Company properly incorporated consumer rights protection in each work link so as to constantly improve consumers’ awareness of financial products and services, increase consumption security awareness and exerted for creating efforts to continuously create a good financial consumption environment.

### Satisfying diversified demands with innovative business

In 2018, the Company actively explored new business areas, continued to strengthen R&D of innovative products, and successfully launched trust products available for cultural industry, consumer finance, movies and TV shows, sports, etc. In addition to expanding the coverage of trust products, the Company also actively promoted consumption upgrading, increased the supply of inclusive finance, for the purpose of satisfying people’s demands for a better life.



## SOCIAL (Continued)

## Case

The Company researched and developed and launched “Zilan Culture” Trust, and implemented active management. Supported by trust funds, the Company held a number of cultural performance activities such as piano concert, Peking Opera festival, foreign concert, and pop concert, which received relatively good social response by enriching and enlivening the cultural performance market in Shandong. The Company established trust plans for trial operation in investment in movies and TV shows. The TV show produced together with The Ministry of Public Security Shield Entertainment Center (公安部金盾影視文化中心) will be coming soon; the Company explored supporting the development of sports industry, by helping a strategic partner and its subsidiaries to fund a football club.



Through “Zilan Culture” Trust, the Company held a number of cultural performance activities such as piano concert, Peking Opera festival, foreign concert, and pop concert

## Case

In November 2018, the Company established the first consumer trust product featuring key technology indicators of inclusive finance, such as 7x24 system automatic approval and grant, fully closed cash flow process, self-reinforcing risk control, and complete asset details management. As of the end of 2018, a total of 33,710 loans of an aggregate amount of RMB59,612,400 were granted under the project, providing target consumers with convenient and accessible financing services. At present, SITC has established business connections with many leading Internet financial companies.

## SOCIAL (Continued)

**Case**

In 2018, the Company launched the innovative “Anxin” TOT product, which could effectively control asset portfolio through professional research and analysis to optimise the configuration of portfolio ratio, hence realizing preservation and appreciation of trust assets. The product has been well received by the market since its launching. As of the end of 2018, existence size of “Anxin” product reached RMB897 million.

**Family trust leading the service trusts brand**

As one of the key types of service trusts, the family trust is the core business developed by the Company since 2014. As of the end of the year 2018, the family trust managed by the Company has signed a contract amount exceeding RMB7.66 billion, of which the trust assets that have actually been delivered amounted to RMB5.836 billion, representing a year-on-year increase of 194.21%, thus continuing to secure a leading position in the industry. In 2018, the Company officially launched the family trust brand “De Shan Qi Jia” (德善齊家), representing that the Company has reached a new level in the breadth and depth of the development of the family trust and family office business.

As people in the PRC are becoming wealthier, together with the rapid increase of ultra-high-net-worth individuals (“UHNWI”), family trust has become widely recognised by UHNWIs due to the advantage of family trust in wealth succession and family affairs management. As the type of trust that epitomized wealth management, it possessed such functional advantages as asset management, risk segregation, inheritance and succession planning and charity, which are beneficial to the protection and inheritance of lawful property of the citizens. This promotes the enhancement of family harmony, stability and heritage of good family styles and promote social harmony and stability.

**Optimizing services and upgrading customer experience**

In 2018, with two newly established wealth management centres in Hefei and Yantai, the Company has drawn closer to our customers and the market, gained in-depth understanding in and tapped into the wealth management demand of high-net worth customers. This provided customers with integrated financial services more effectively from the capital end and asset end, and improved target-aiming and effectiveness of customer service.

## SOCIAL (Continued)

## Case

SITC organised customer salons themed with “Scent of a Woman”, “March 8 Women’s Day” and “Flower Viewing, Efflorescence Admiring” for thanksgiving on Mother’s Day, as well as customers exchange events such as the “Jinan, Yantai, Hefei 2018 Interim Assets Allocation Analysis Meetings”, the high-end client wealth salon “Tea Savouring Forum”, which have attracted the participation of about a thousand people. These received positive response from the customers and excellent reactions from the market.



The customer salon themed with “Flower Viewing, Efflorescence Admiring” for thanksgiving on Mother’s Day



The UHNWIs were invited to attend “2018 Interim Investment Strategy Presentation”



The VIP customers were invited to attend wealth salon “Tea Savouring Forum”



## SOCIAL (Continued)

**Case**

The Company conducted the “Survey on customers’ satisfaction”. Over 500 original customers have participated the research. The Company persistently improved the content and quality of its service and enhanced customer loyalty by studying customers’ satisfaction with the products and services of the Company.

**Case**

To better provide high-end talents in Shandong Province with financial wealth management services, the Company has formulated and issued the Administrative Measures for Replacement of Old Growth Drivers with New Ones for High-End Talents Financial Wealth Management Service and has proactively implemented it at the wealth sub-branch in Shandong Province.

**Safeguarding the legitimate rights and interests of consumers**

The Company attached great importance to the protection of consumer interests, persistently promoted service quality by improving service awareness and regulating marketing behaviour, raised consumers’ knowledge on financial products and financial services, enhances consumers’ awareness of financial consumption safety, and made due contributions to optimise the financial consumption environment.

***Improve consumer rights protection system***

In 2018, the Company formulated Management Measures for the Protection of Consumer Rights of Shandong International Trust Co., Ltd. (Trial) 《山東省國際信託股份有限公司消費者權益保護管理辦法(試行)》 in accordance with relevant laws and requirements such as the Law of the People’s Republic of China on Protection of Consumer Rights and Interests 《中華人民共和國消費者權益保護法》, the Administrative Measures of the People’s Bank of China for the Protection of Financial Consumers’ Rights and Interests (Trial) 《金融消費權益保護工作管理辦法(試行)》 and the Implementation Measures of the People’s Bank of China for Protecting Financial Consumers’ Rights and Interests 《中國人民銀行金融消費者權益保護實施辦法》, to clarify major content for the protection of consumer rights such as the working principles, the division of labour and responsibilities, the full process of administration and control, appraisal and evaluation, as well as product information inquiries.

## SOCIAL (Continued)

In 2018, the Company incorporated the Board's responsibilities and decision-making procedures in relation to the protection of consumer rights into the revised Terms of Reference for the Trust Committee under the Board. In addition, the Company has also re-amended in 2018 the Administrative Measures of Shandong International Trust Co., Ltd. for the Audio and Video Recording of the Sales of Trust Products, optimized the "Two Recoding" procedures, strengthened the work for customers follow-up services and information disclosure. Meanwhile, content in relation to special inspection on the protection of consumer rights was added to the re-amended Internal Audit System of Shandong International Trust Co., Ltd., providing solid and effective systematic protection to the Company for its work on financial consumer rights protection.

### *Augmenting efforts on the promotion of consumer rights protection*

To further optimize the promotion on the protection of consumer rights, the Company has in 2018 produced and distributed for free to investors promotional materials such as Nine Identification Methods to Keep You Away from Illegal Financial Advertisements in 2018, Resist the Temptation of High Profit and Stay away from Illegal Fund Raising, and also the Protection of Financial Consumer Rights Brochure in 2018. Through various methods like placement of leaflets, electronic displays and distribution of promotional materials, the promotion and education on consumer financial knowledge were enhanced; Wealth management manager of the Company also popularized trust knowledge to the customers, by explaining cases and preventive measures of illegal fund raising, in order to raise preventive awareness of consumers against financial risks, proactively created a favourable atmosphere for the promotion of financial knowledge, thus the Company received positive responses from customers. In 2018, the Company has distributed an aggregate of almost 4,500 copies of flyer to customers.

### *Normalize the launch of a series of consumer rights protection themed activities*

Organized themed promotional events on a regular basis. Seeing the organization of "3•15 Financial Consumer Rights Day" and "Delivering Financial Knowledge to Thousands of Households", the Company seized the opportunity and designated March and September each year as intensive promotion months for consumer rights protection, and proactively organized series of activities for the protection of financial consumer rights.

#### Case

In March 2018, with the help of the activities of "March 8 Women's Day", the Company has promoted and popularized financial knowledge and sent out flowers and festive greetings as gifts to the customers amid broadly favourable customer responses.

## SOCIAL (Continued)

## Case

In May 2018, to proactively respond to the Protection Month Against Illegal Fund Raising by Financial Consumers organized by the Shandong Office of China Banking Regulatory Commission, the Company made promotional pamphlets specifically for the prevention of illegal fund raising, concentrated on promotion activities for the prevention of illegal fund raising, and helped raise the preventive awareness of consumers against financial risks.



## 什么是非法集资

## 广义概念

根据《最高人民法院关于审理非法集资刑事案件具体应用法律若干问题的解释》规定，非法集资是指法人、其他组织或者个人，未经有权机关批准，向社会公众募集资金的行为。

## 狭义概念

根据《关于取缔非法金融机构和非法金融业务活动中有关问题的通知》规定（银发〔1999〕41号），非法集资是指单位或个人未依法定程序经有关部门批准，以发行股票、债券、彩票、投资基金证券或其他债权凭证的方式向社会公众筹集资金，并承诺在期限内以货币、实物、股权等方式向出资人还本付息或给予回报的行为。

## 非法集资特征

- 未经有关部门依法批准或借用合法经营的形式吸收资金；
- 通过媒体、推介会、传单、手机短信等途径向社会公众公开宣传；
- 承诺在一定期限内以货币、实物、股权等方式还本付息或者给予回报；
- 向社会公众即社会不特定对象吸收资金。

## 非法集资的诱骗手段

## 常见手段一：承诺高额回报

不法分子为吸引群众上当受骗，往往制造“天上掉馅饼”、“一夜成富翁”的神话，通过暴利引诱诱使投资者高额回报。为了获取更多的人参与集资，非法集资者在集资初期，往往按时足额兑现承诺本息，待集资达到一定规模后，便秘密转移资金或携款潜逃，使集资参与者遭受经济损失。

## 常见手段二：编造虚假项目

不法分子大多通过注册合法的公司或企业，打着响应国家产业政策、实践“经济理论”等旗号，经营项目由传统的种植、养殖行业发展到高新技术开发、商贸建康、投资入股、医药返利等内容，以订立合同为幌子，编造虚假项目，许诺高额固定收益，骗取社会公众投资。

## 常见手段三：以虚假借传造势

不法分子为了骗取社会公众信任，在宣传上往往一掷千金，采取聘请明星代言、在媒体投放大量广告、雇人街头散发传单、进行社会捐赠等方式，制造虚假声势，骗取社会公众投资。

## 常见手段四：利用亲情诱骗

不法分子往往利用亲戚、朋友、同乡等关系，用感情牌诱骗社会公众参与投资，有些参与传销人员，在传销组织的精神洗脑或人身强制下，为了完成或增加自己的业绩，不惜利用亲情、地缘关系拉拢亲朋、同学或邻居加入，使参与人员迅速蔓延，集资规模不断扩大。

## 常见手段五：以“高大上”的项目为幌子

打着即将上市、境外投资、高科技开发的旗号，在网上发布销售境外基金、原始股、境外上市、开发高新技术等虚假信息，虚构股权上市前景或承诺高额回报，诱骗群众向指定的个人账户汇入资金，然后关闭网站，携款潜逃。

## 常见手段六：担保公司以开银行保函为名非法集资

担保公司以承担连带责任、负责兜底偿还投资者本息为诱饵诱骗投资人。主要有两种形式：一是发售虚假的理财产品；二是虚构借款方，以提供借款担保名义非法吸收资金。

## 常见手段七：以“养老”的幌子非法集资

不法分子诱骗的目标放在老年人群体，通过揣测老年人的需求和心理，投其所好诱骗老年人投资。主要有两种突出的形式：一是以投资养老公寓、异地联合安养为名，以高额回报、提供养老服务为诱饵，引诱老年群众“加盟投资”；二是通过举办所谓的养生讲座、免费体检、免费旅游、发放小礼品等方式，引诱老年人群众投入资金。



## 如何防范风险

不盲从

1 高息诱饵不动心  
最简单的方法是对不同时期的银行存款利率和普遍金融产品的利率，可判断是否过高。

2 官方渠道不迷信  
通过政府网站，查询相关企业是否经过国家批准的合法上市公司，是不是可以发行公司股票、债券、国家规定的股权交易市场等。

3 “合法”陷阱不大量  
通过工商登记资料，查询相关企业是否经过合法注册的合法企业，查询经营范围中是否包括吸收存款、发行股票、债券、基金等理财产品。如果不具备，就涉嫌非法金融，如青岛银商理财公司、投资咨询公司、担保公司、拍卖公司、典当公司、小额贷款公司等，这些企业国家政策法规明令严禁吸收公众存款，它们就不具备吸收存款的主体资格。

4 老练实力不强  
有些公司花费巨资做广告、买头衔、搞宣传，用光鲜的“企业形象”忽悠和迷惑群众，不能被某些企业天花乱坠的自吹自擂所迷惑。

5 熟人热心不轻信  
对亲朋好友及风险、高回报的投资建议和反复劝说，要多与懂行的朋友和专业人士仔细商量，审慎决策，防止成为其发展下线的目标。

## 6 谨慎动钱不参与

要增强参与非法集资风险自醒意识。非法集资是违法行为，参与非法集资的资金及相关利益不受法律保护。因此，当一些单位或个人以高额投资回报兜售高息存款、股票、债券和开发项目时，一定要认真识别，谨慎投资。

## 7 媒体宣传不迷信

一些非法集资活动在各大媒体上投放大量广告，借助媒体基础渠道迅速扩散，一些影响较大的非法集资犯罪，相关媒体多会进行报道，要通过媒体和互联网资源，搜索查询相关企业违法记录，防止不法分子异地重犯。



第一时间举报非法集资线索

举报奖励标准：全国统一举报电话：400-123-7788  
举报电话：0532-88984388  
举报邮箱：0532-88987788  
举报地址：山东省济南市历下区经二路100号  
举报时间：09:00-18:00  
举报人信息：0531-88984317  
举报内容：非法集资线索



## SOCIAL (Continued)

## Case

In September 2018, led by the unified deployment regarding the “Financial Knowledge Popularization Month and Delivering Financial Knowledge to Thousands of Households” and “Good Online Financial Service Users with Stronger Financial Qualities” campaigns by the Shandong Office of China Banking Regulatory Commission in 2018, the Company proactively launched the “Delivering Financial Knowledge to Thousands of Households” promotion service month series campaign in order to raise the public understanding and awareness of trust products, and reinforced the identification and prevention awareness of consumers against financial risks. In the campaign, the wealth management manager of the Company was granted the Promotion Service Month Advanced Individual Award.



The Company held the “Delivering Financial Knowledge to Thousands of Households” activity at Yankuang Group (兖礦集團)

Conducted activities in enterprises, communities and school campus. In 2018, the Company proactively introduced itself to enterprises, schools and communities to commence promotional and educational campaigns of financial knowledge, successively organized over 20 financial knowledge promotion activities, including the “Little Financiers (小小金融家)” wealth management lectures at Second Affiliated Primary School of Shandong University (山東大學第二附屬小學), the “Spring Community Athletic Meet” in the Qingdao Luxin Hanzhang community (青島魯信含章社區), the “Combat Illegal Fund Raising and Fulfill Financial Services” of the Yantai Elderly Sports Association (煙台老年體協), the “Visiting the Human Resources Market of the Liaohe Yingcai Harbour Delta Greenland in Jining Hi-tech Zone (濟寧市高新區夢河英才港三角綠地) and the Resident Committee of Lishan Mingjun Community in Qianfoshan

## SOCIAL (Continued)

Street, Lixia District, Jinan City” (濟南市曆下區千佛山街道曆山名郡社區居委會). In these events, the promotional team of the Company explained to the customers “Fundamental concepts of trust”, “How to choose suitable products”, “How to identify illegal financial advertisements” and “How to stay away from illegal fund raising”, etc. through on-site Q&A and distribution of promotional brochures. The events were warmly received and highly recognized by the public.

In 2018, the Company issued in the official website a total of 14 articles in relation to the protection of consumer rights, where in the official account on WeChat there were a total of 21 articles with over 10,000 click rate by customers and 6,839 text messages of financial knowledge sent to customers.



Retired cadres in Yantai listened carefully to the presentation of the Company on illegal fund raising



The Company ventured into the human resources market of the Liaohe Yingcai Harbour Delta Greenland in Jining Hi-tech Zone to promote financial knowledge



The Company held “Little Financiers” wealth management lectures at Second Affiliated Primary School of Shandong University



## SOCIAL (Continued)

## Case

In October 2018, the Company has cooperated with the “Laoganbuzhijia (老干部之家)”, purposely popularized financial knowledge and organized fraud prevention seminars, prepared the “Prevent Fraud Manual (防诈骗手册)” for senior customer groups who are lack of financial knowledge, in order to safeguard asset security of the old comrades.





## SOCIAL (Continued)

## Case

In November 2018, the Company was invited to the 3rd Financial Expo of Shandong Province and the Financial+Real Economy Summit Forum (第三屆山東金融博覽會暨金融+實體經濟高峰論壇), where the Company set up on-site exhibition and interactive areas. Our work team proactively popularized financial knowledge to the visiting citizens, and distributed over 500 copies of promotional flyers to customers regarding the protection of consumer rights.



## SOCIAL (Continued)

### NEW ENERGIES, GROWING TOGETHER WITH EMPLOYEES

SITC has always taken employees as the most valuable asset of the Company for its survival and development. The Company strictly complies with laws, regulations and relevant requirements to provide solid guarantee to its staff in various aspects including employee recruitment, compensation and benefits, career development as well as health and safety. Moreover, by constantly improving the employee-related systems and mechanisms, the Company has provided support to employees' growth and joined hands with its staff to create better future.

#### Adhering to normative employment under the laws

Adhering to the concept of compliant operation under the law, SITC strictly complies with Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant laws and provisions. SITC strictly complies with relevant regulations in entering into, renewing, terminating and rescinding labor contracts with employees, practically safeguards the legitimate rights and interests of employees and resolutely puts an end to any form of discrimination, and the employment of child labour and forced labour.

The Company has established a series of systems such as the "Interim Measures for Employee Recruitment Management" (《員工招聘管理暫行辦法》), "Remuneration Assessment Scheme" (《薪酬分配考核辦法》), and "Administrative Measures for Employee Position Adjustment" (《員工崗位級別調整管理辦法》) and has adopted various measures to safeguard the welfare of our employees. The Company proactively spread and carried on "Home Culture", and devoted to forming "Harmonious Labour Relationship". It facilitates harmony through development, promotes harmony through innovation, seeks harmony through fairness, guarantees harmony through stability, and fosters harmony through good corporate culture.

#### Building talent teams

SITC attaches great importance to building talent teams, expanding teams of talent and increasing our talent reserves through approaches such as campus recruitment and social recruitment. The Company has a team of highly educated, and qualified young talents who graduated from well-known colleges at home and abroad. More than 60% of employees possess various qualifications such as international financial planners, registered financial analysts, certified public accountants and qualified legal practitioners.

## SOCIAL (Continued)

		As at 31 December 2018	
	Items	Headcount	%
Distribution of Age	Aged 25 and below	4	1.81%
	Aged 25–29	49	22.17%
	Aged 30–39	117	52.94%
	Aged 40 and above	51	23.08%
Distribution of Education Levels	Doctoral degree	6	2.71%
	Master's degree	152	68.78%
	Bachelor's degree	52	23.53%
	Junior college	11	4.98%
Distribution of Gender	Male	132	59.73%
	Female	89	40.27%

As at the end of 2018, the Company has 221 employees in total. In 2018, the employee turnover rate stood at 2.86%.

### HEALTH AND SAFETY PROTECTION FOR EMPLOYEES

Employees are the most valuable resources of the Company. The Company values the health and safety of the employees by providing all-round safety protection through adopting various measures. The Company stringently complies with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and other laws and regulations, and has established the “Measures on Routine Inspection for Safe Production” (《安全生產例行檢查辦法》), “Safety and Protection Management System” (《安全保衛管理制度》) and other safety management requirements, in order to develop a healthy and safe working environment for employees in terms of system reliance, capital contribution, safety facilities, human resources protection and other aspects.

The Company arranges employees to carry out fire drills on an annual basis, regularly conducts safety inspection on office environment, encourages and supports employees to carry out fitness activities, provides social insurance, provident fund and other related services for the Company's employees on time, paid for expenses in full, purchases supplemental medical insurance and annual body check for employees, and comprehensively protects the health of all employees. The Company further extends the coverage of employee welfare protection by providing corporate annuity system, subsidy system of medical fees for employees' relatives.

In 2018, there were no employee work-related injuries or fatality.



## SOCIAL (Continued)

### ENHANCING EMPLOYEE DEVELOPMENT

The development of the Company's training system is guided by the corporate development strategy, aiming at enhancing the business skill, overall quality and work performance for employees. The internal and external lecturer resources will integrate group learning and independent learning of employees, online and offline learning, which act as a platform for the employee development.

The trainings of the Company are divided into training for the middle and senior management, orientation training for new employees, training for all employees, customised training, training for Party building and discipline inspection and so on. Specific training plan shall be adopted for different groups.

Training for the middle and senior management. Training for the senior management focuses on enhancing the idea and concept, thereby improving insights, decision-making and coordination and judgment skills. Training for the middle management focuses on enhancing professional skills, management and coordination and communication skills. In 2018, the Company organised one third of the middle and senior management to participate in external training and learning.

Orientation for new employees. By external training and internal training, new employees adapt to the new working environment and start personal career with the best performance.

Training for all employees in four methods including special training, business salons, SITC Library, SITC online. Special training aims at improving the overall quality and professional skills for employees, and keeping track of the latest development trend in the industry. Business salons are conducted through ways including experience sharing, special seminars and interest groups to encourage employees to improve business communication and facilitate information sharing. SITC Library and SITC online create learning resources library combining online and offline learning to encourage employees to improve independent learning.

Customised training, including employee-customised training, which encourages employees to participate in external training sessions according to their personal needs for business improvement, and departmental-customised training, which is special training program based on the business characteristics of each department.

Party building and discipline inspection training. This is conducted for the full-time or part-time employees in the Party and discipline inspection staff for the purpose of improving Party building and working skills for discipline inspection.

In 2018, the Company organised a total of over 20 internal training sessions with over 2,212 participants attended, and organised external trainings (including at home and abroad) with 28 participants.

## SOCIAL (Continued)

## ENRICHING EMPLOYEES' SPARE TIME



The Company proactively enriches employees' spare time by creating interest groups such as badminton team, table tennis team, football team and basketball team, and organises staff to participate in various cultural and sports competitions from time to time. Through various activities and methods, employees work in the environment with "Home Culture", enhancing their cohesiveness and sense of belonging.





## SOCIAL (Continued)



## NEW RESPONSIBILITIES, TRUST ENABLING PUBLIC WELFARE

The Company fully takes advantage of the function of trust. By adopting innovative measures such as charitable trust and family trust, the Company actively performs its social responsibilities as a corporate citizen, and supports the development of poverty alleviation, charitable and public welfare causes development through actions, passes on the good family rules and contributes to building a harmonious society and an ideal community with the power and wisdom of trust.



## SOCIAL (Continued)

### Charitable trust alleviates poverty and supports the development of charitable and public welfare causes

Since September 2016, the official implementation of Charity Law of People's Republic of China (《中華人民共和國慈善法》), SITC has followed the policy and taken charitable trust as an effective tool to support the development of charitable and public welfare, to flexibly take advantages of trust system and proactively innovate charitable trust modes.

In 2018, SITC established two new charitable trust projects, with a total size of RMB25,000,000, leading in the industry. As a consulting company of Charitable Trust Committee of the China Charity Alliance, the Company has obtained great results in actively implementing charitable trust, innovating the development mode of charities, etc., on playing a role of industry leader. As of the end of 2018, SITC has established 4 standard charitable trusts with a total size of RMB35,210,000 and several charitable trusts for serving philanthropy. Then strongly supported the development of charitable and public welfare causes, such as poverty alleviation, respecting the elderly, and helping impoverished students.

In September 2018, SITC "Dream with One Heart Charitable Trust" won the "Sixth Shandong Charitable Award – the Most Influential Charity Project" issued by the Department of Civil Affairs of Shandong Province. This fully demonstrated the recognition of national competent authority to the contributions made by SITC in supporting public welfare and charitable causes.



## SOCIAL (Continued)

## Case

**Guozi Huinong • Charitable Trust: innovating the mode of targeted poverty alleviation**

In March 2018, supported by the Shandong Provincial State-owned Assets Supervision and Administration Commission, as commissioned jointly by several large province-administered enterprises, the Company established and filed the “Guozi Huinong • Charitable Trust” successfully. The size of this charitable project amounted to RMB20,000,000 and the trust funds will be mainly used for charitable projects in Juye County, Heze City, which includes development and assistance of poverty alleviation, supporting the sound and sustainable development of local economy. This project represents a high quality innovation on implementing targeted poverty relief and alleviation by financial means. “Guozi Huinong • Charitable Trust” adopts the innovative business model of “trust company + public welfare fund”. The Company, as the trustee, joined hands with Shandong Lucion Public Welfare Fund, to provide trust projects with thorough and professional services in trust asset investment management, charitable project management, etc., to enable more effective utilization of charitable trust funds.

On 22 January 2019, the first proceeds from “Guozi Huinong • Charitable Trust”, RMB1.5 million, were allocated to Juye County, Heze City, and were all used for villages with poor collective income in 36 key villages for provincial poverty alleviation in Juye County. This was the first allocation of proceeds from trust for assistance funds since the establishment of the charitable fund.

## SOCIAL (Continued)

## Case

**Binbin Charitable Trust: supporting education and dreams**

In April 2018, the Company and the Private Banking of China Merchants Bank (招商銀行私人銀行部) jointly established “Binbin Charitable Trust”, which realized the joint development of family trust and charitable trust. This represented the entry of charitable trust into the new development stage of segment market and products. Charitable funds under the project were used for education. On 1 September 2018, the granting ceremony of the first “Binbin Scholarship” under “Binbin Charitable Trust” was successfully concluded in a primary school in Yongren County, Yunnan Province, at which, scholarships were granted to 15 outstanding students and new quilts were issued to 145 impoverished students, amounting to RMB50,000. Our effort was contributed to the education and life of impoverished students.





## SOCIAL (Continued)

## Case

**Entrusted with management of assets of foundation: comforting the police and helping the poor**

In 2018, SITC established the “Cixin No. 4 Single Fund Charitable Trust” with a trust size of RMB85 million. As of the end of 2018, SITC, as commissioned by the Committee of Labor Union for Organs of the Public Security Department of Shandong Province, the Shandong Police Preferential Treatment Foundation, and the Shandong Foundation for Development of Poverty Alleviation, contributed to the building of public security force of Shandong Province and supported funding for targeted poverty alleviation. The Company has established 5 charitable trusts, with a total size of RMB491 million, and adding glorious records in SITC’s active engagement in charitable causes and active performance of social responsibilities.

**Active engagement in public welfare**

The Company actively organized all employees to support charity events, and formed the team of “Lucion Volunteers”. As of the end of 2018, a total of over 70 employees of the Company in various groups of the “Lucion Volunteers” devoted their love to disadvantaged groups in need in the society in different ways. The team of “Lucion Volunteers” is expanding with the participation of new employees, and our volunteer activities are always on the way.



During the “May 4” Youth Day, the Company organized young employees to carry out cultural benefit performance in countryside in the village assisted by “Major Secretary” in Heze



“Lucion Volunteers” provided volunteer service at the Jinan Social Welfare House, for preparing the incoming “Opening Ceremony of the Seventh Older Culture Art Festival”

## SOCIAL (Continued)



Actively responding to the call of the Blood Donation Office of Jinan City, the Company organized more than 20 employees to donate approximately 10,000 ml of blood to the Blood Center of Shandong Provincial Red Cross

### Case

The Company together with the teenagers and children of the village assisted by the “Major Secretary” jointly carried out the “Approaching Lucion – SITC ‘June 1’ Children’s Day Symposium” activity, and visited the Shandong Science & Technology Museum.





# Environmental

- 52 Green Operation, Implementing the Concept of Sustainable Development
- 53 Green Trust, Committing to Ecological Environmental Protection









## ENVIRONMENTAL

As a financial institution, the Company strictly complies with the laws and regulations such as the Law on Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), Law on the Prevention and Control of Solid Waste Pollution of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》). The Company adheres to the concept of "green development", by proactively creating an environmentally-friendly operation mode, advocates for the culture of "green office", adopts various measures to reduce the use of resources and consumption of energy, and reduces the generation of harmful waste. The Company strives to minimise the impact of the Company's operating activities on the environment.

### GREEN OPERATION, IMPLEMENTING THE CONCEPT OF SUSTAINABLE DEVELOPMENT

#### Exercising energy conservation and emission reduction efforts from several aspects

As a financial institution, consumption of resources within the Company mainly comes from the office needs of employees in the office building, mainly including water usage, use of electricity and consumption of heat from the central heating supply system during winter. In daily operation, the Company always adheres to and actively fulfills the concept of green operation, vigorously promotes mobile office, green office, sustainable procurement, etc., and minimizes unnecessary energy consumption through measures such as strengthening energy conservation control at the office area. To increase employees' awareness of environmental protection and reinforce the responsibility for environmental protection, the Company proactively urges its employees to start from their own selves, from work life to daily life, by saving electricity, water and paper, and promotes low-carbon life and travel in green ways. The Company actively organizes environmental protection public benefit activities for its employees such as planting and afforestation, green brisk walking and garbage clean-up, so as to respond to the concept of green and sustainable development through actions.

#### Actively promoting the culture of "green office"

SITC actively advocates the culture of "green office" and implements energy conservation and emission reduction by adoption of various methods, such as further promoting office automation in the Company, optimising collaborative office platform to improve operational efficiency; performing online processing of business processes; reducing the use of office paper and reusing waste paper; utilising an efficient platform for conferencing to enhance the quality and introduce new functions such as electronic whiteboard writing and remote conferencing, thus making conferences more intelligent, convenient and efficient, and reducing energy consumption incurred by employees in different locations arising from accommodation and transportation for sake of participating in conferences through promoting the use of video conferences and teleconferences. For the waste produced from daily office work such as toner cartridges, ink cartridges, packaging and waste paper, the property management company recycles the waste for centralized disposal while waste electronic equipment such as computers and printers are received by the General Management Department and delivered to the recycler for centralised disposal.

## ENVIRONMENTAL (Continued)

## GREEN TRUST, COMMITTING TO ECOLOGICAL ENVIRONMENTAL PROTECTION

The Company has always focused on integrating the concept of green finance into business operation, to constantly improve the business process of green trust, vigorously support the development of green industries such as energy conservation and environmental protection, high-end equipment manufacture, modern agriculture and other relevant industries through trust tools. The Company also strictly controls the investment in and financing of industries with high energy consumption, high pollution or overcapacity, and continues to promote sustainable and coordinated development in economic, social and environmental aspects. The green trust project of the Company mainly focuses on energy conservation and environmental protection, modern agriculture, rural hydropower facilities, urban sewage treatment, green transportation, etc. In addition to energy conservation and environmental protection, the Company also proactively supports the transformation of traditional industries such as high-end chemical engineering, modern agriculture, cultural creativity, and tourism towards high-end and green development with solid bases. As at the end of 2018, the balance of the Company's green trust assets was RMB2.312 billion, which contributed to the development of green economy with the power of trust.

### Case

#### The Company supports the development of modern agriculture enterprises through trust loans

In 2018, the Company provided trust loans of RMB740 million to a modern agricultural enterprise engaged in broiler farming and deep processing industry to support it in expanding its production scale, improving the intelligent level of processing equipment and building sewage treatment facilities.

### Case

#### The Company provides capital support to water conservation and water resource utilization and sewage treatment project

The Company provides financing of RMB350 million to a large enterprise in Shandong Province engaged in water conservation and unconventional water resource utilization, sewage treatment, clean energy and biothermal power, and strongly supports its construction of water supply facilities, sewage treatment plants, photovoltaic power stations, biomass thermal power projects, etc.



## ENVIRONMENTAL (Continued)

## Case

**The Company supports the development of circular economy of enterprises which engage in wastewater treatment and comprehensive utilization of exhaust gases**

In 2018, the Company provided a trust loan of RMB95 million to a company engaged in grain and oil processing to support its upgrading of wastewater treatment and comprehensive utilization equipment for waste gas. This project treats the waste water generated in grain and oil processing, and uses the biogas produced in the process to generate electricity. Therefore, while consuming a lot of waste and reducing greenhouse gas emissions, it also produces natural gas fuel for power generation, turning waste into treasure while conforming to the environmental concept of resource recycling and reuse. It serves as a typical example for circular economy project.



## ENVIRONMENTAL (Continued)

## 2018 ENVIRONMENTAL KEY PERFORMANCE INDICATORS

The reporting scope of this environmental key performance indicators in this report refers to Shandong International Trust Co., Ltd.

## Emissions

Indicators	2018 Statistics
Total greenhouse gas emissions ( <i>tons</i> )	937.08
Greenhouse gas emissions per capita ( <i>tons/person</i> )	4.46
Greenhouse gas emissions per office area ( <i>tons/m<sup>2</sup></i> )	0.08
Direct emissions ( <i>tons</i> )	
– Fuel consumption of company cars	41.74
Indirect emissions ( <i>tons</i> )	
– Electricity	895.34
Total amount of hazardous waste ( <i>tons</i> )	0.39
Total amount of hazardous waste per capita ( <i>tons</i> )	0.0019
Non-hazardous waste ( <i>tons</i> )	36.75
Non-hazardous waste per capita ( <i>tons/person</i> )	0.18

Notes:

- Due to the Company's business nature, the greenhouse gas is mainly derived from direct greenhouse gas emissions from the use of company vehicles and indirect greenhouse gas emissions from the production process of power purchased by the Company for office use..
- The calculation of greenhouse gas emissions mainly covers carbon dioxide, methane and nitrous oxide, which is presented by carbon dioxide equivalent in accordance with the "China's Regional Grid Baseline Emission Factors 2017" (《2017中國區域電網基線排放因子》) issued by the National Development and Reform Commission of China and the "2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories" (《2006年IPCC國家溫室氣體列表指南》) issued by the IPCC.
- The intensity of environmental performance indicators in this report is calculated based on the average number of staff in the Company for the year. The average number of staff in the Company is equivalent to the average of the total number of staff in the Company on 1 January 2018 and the number of staff in the Company on 31 December 2018.
- The hazardous wastes produced during the operations of the Company mainly include waste toner cartridges and waste ink cartridges, which are handed over to professional recyclers for disposal by property management company.
- Non-hazardous waste produced during the operations of the Company, including mainly office waste, is handled over to qualified recyclers by the property management company for central processing. As it cannot be measured separately, we have estimated and adopted 0.7kg per person per day as the basis for calculation according to the "Coefficient Manual of the First National Census on Pollution Sources for the Pollutant Generation and Discharge from Urban Living" (《第一次全國污染源普查城鎮生活源產排污系數手冊》) issued by the State Council in 2008.

## ENVIRONMENTAL (Continued)

## Energy and Resources Consumption

Indicators	2018 Statistics
Total energy consumption ( <i>MWh</i> )	1,348.92
Total energy consumption per capita ( <i>MWh/person</i> )	6.42
Energy consumption for office area per square meter ( <i>MWh/m<sup>2</sup></i> )	0.12
Direct energy consumption ( <i>MWh</i> )	
– Fuel consumption of company cars	170.53
Indirect energy consumption ( <i>MWh</i> )	
– Electricity	1,178.39
Total water consumption ( <i>tons</i> )	7,563
Water consumption per capita ( <i>tons/person</i> )	36.0
Water consumption for office area per square meter ( <i>tons/m<sup>2</sup></i> )	0.66

## Notes:

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



## KEY PERFORMANCE TABLE

Performance category	Key performance value	As at 31 December 2018	For the year ended 31 December 2018
Economic performance	Total assets ( <i>RMB100 million</i> )	–	136.12
	Total equity ( <i>RMB100 million</i> )	–	95.41
	Revenue ( <i>RMB100 million</i> )	–	16.95
	Net profit attributable to shareholders of the Company ( <i>RMB100 million</i> )	–	8.72
	Size of trust assets ( <i>RMB100 million</i> )	2,319.22	–
	Actively managed trust assets ( <i>RMB100 million</i> )	896.58	–
Social performance	Number of employees ( <i>Persons</i> )	221	–
	Employee ratio by gender	1.48:1	–
	Public welfare donation ( <i>RMB10,000</i> )	–	220
Environmental performance	Balance of green trust assets		
	( <i>RMB100 million</i> )	23.12	–

## ESG REPORTING GUIDE

Aspects	Contents	Reference Page Number
<b>A. Environmental</b>		
<b>A1 Emissions</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	52
A1.1	The types of emissions and respective emissions data.	55
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	55
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	55
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	55
A1.5	Description of measures to mitigate emissions and results achieved.	52
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	52
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	52
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	56
A2.2	Water consumption in total and intensity.	56
A2.3	Description of energy use efficiency initiatives and results achieved.	52
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	52
A2.5	Total packaging material used for finished products and with reference to per unit produced.	The Company is a non-production-based company, which is not applicable

## ESG REPORTING GUIDE (Continued)

Aspects	Contents	Reference Page Number
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	52
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	52
<b>B. Social</b>		
<b>B1 Employment</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	40 、 41 、 43–44
<b>B2 Health and Safety</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	41
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	42
<b>B4 Labour Standards</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	40



## ESG REPORTING GUIDE (Continued)

Aspects	Contents	Reference Page Number
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	15
<b>B6 Product Responsibility</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	15、18、33–39
<b>B7 Anti-corruption</b>		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	14、16–17
<b>B8 Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	44–49



**LUCION**  
**山東省國際信託股份有限公司**  
Shandong International Trust Co., Ltd.