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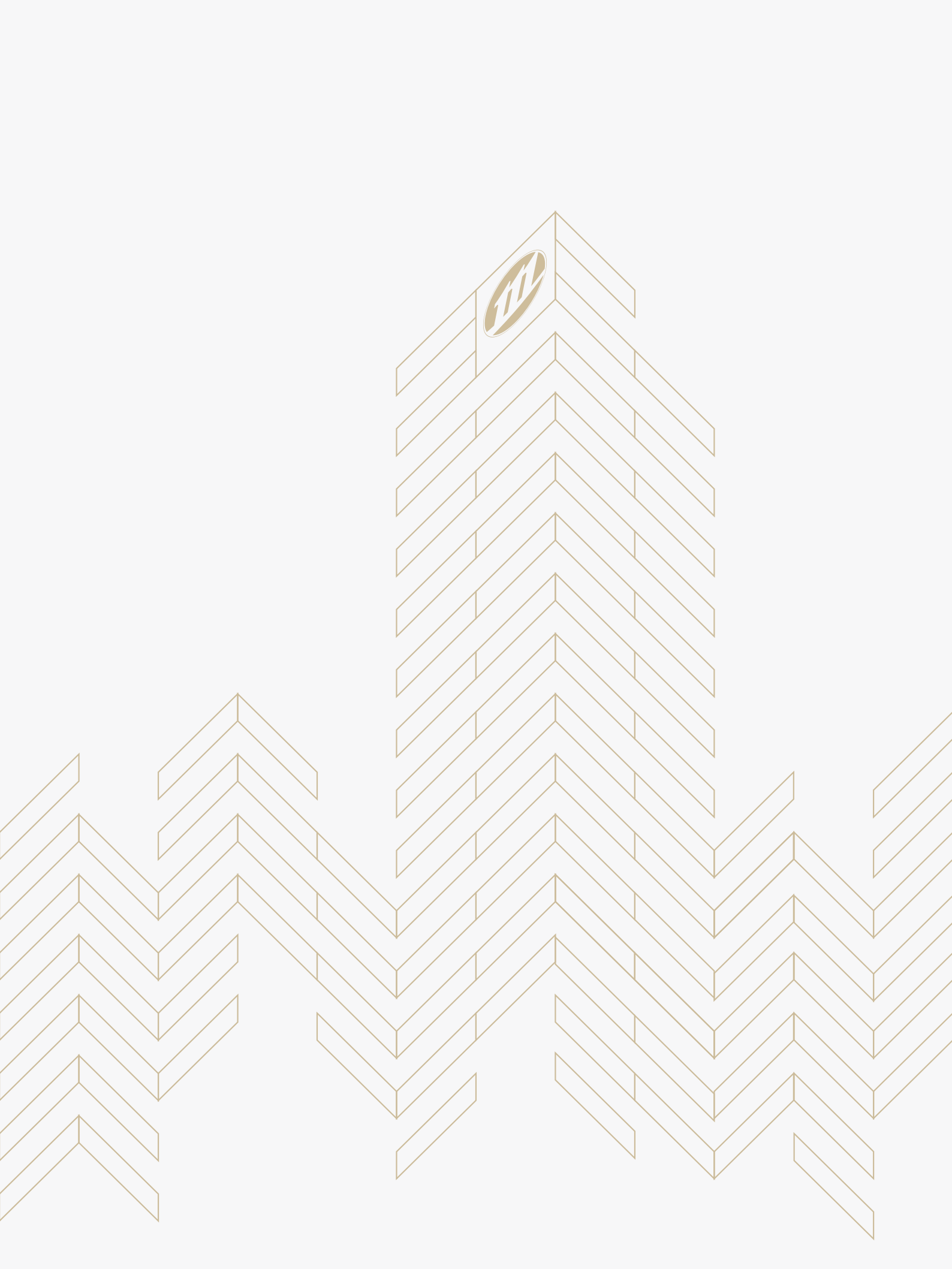
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CMS 2019 ESG Report





CMS 2019

ESG Report

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About This Report

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

Reporting Standards: This Report has been complied with reference to the Environmental, Social and Governance Reporting Guide (ESG Guide) in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, etc.

Reporting Period: This report covers the period from 1 January 2019 to 31 December 2019, with moderate reflection on its past and prediction on its future prospect.

Reporting Scope: This report covers operations in the headquarter, 12 branches, 259 securities branches (one of them officially opened in February 2020) and 5 subsidiaries of China Merchants Securities Co., Ltd.

Report Data: Financial data included in this Report are from the China Merchants Security Co., Ltd. Annual Report 2019, and have been independently verified by Deloitte Touche Tohmatsu Certified Public Accountants (inbound) and Deloitte Touche Tohmatsu (outbound). Non-financial data will be verified in the future to improve the accuracy and effectiveness of report disclosure.

Report Assurance: We undertake to be responsible for the authenticity and accountability of this Report. At present, the Report is self-prepared. We will introduce third party audit verification at appropriate timing.

References in this report: The reporting object is China Merchants Securities Co., Ltd., which is referred to as “CMS” “We” “The Company” in this report.

Reporting Cycle: Annually. We issued ESG report since 2009, the first report being CMS 2008 Social Responsibilities Reporting.

Access to the Report: This Report is available in both electronic version, please download it on our official website (<http://www.cmschina.com>).

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

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2019



About the Company

CMS has carried forward the century-old heritage of China Merchants Group. With a history of 29 years, the Company has become a first-class securities trader with full license. In November 2009, CMS was publicly listed on the Shanghai Stock Exchange (code: 600999). In October 2016, the Company was listed on the main board of the Stock Exchange of Hong Kong Limited (code: 6099). By end of 2019, CMS was a constituent stock of CSI100, SSE180, CSI300, and MSCI China.

The Company have built a comprehensive securities service platform through controlling China Merchants Securities International Company Limited., China Merchants Futures Co., Limited., China Merchants Zhiyuan Capital Investment Co., Ltd., China Merchants Securities Investment Co., Ltd., and China Merchants Securities Asset Management Co., Ltd., and holding equity interest in Bosera Asset Management Co., Limited, China Merchants Fund Management Co., Ltd., and Guangdong Equity Exchange Co., Ltd., CMS is building a comprehensive securities service platform. Head-quartered in Shenzhen, the Company now has 259 securities branches and 12 branches in 113 Chinese Mainland cities, and subsidiaries in Hong Kong, the United Kingdom, Singapore and Korea.

Operating with a client-oriented approach, the Company (the parent company and its controlled subsidiaries) offers diverse and comprehensive financial products and services to individual, institutional and corporate clients, and engages in investment and trading. Its principal business lines comprise wealth management and institutional business, investment banking business, investment management business, investment and trading business. After years of development, the Company has built up competitive advantages:

- The Company adheres to and realizes sustainable and stable operation. The implementation of advanced internal control architecture, risk management system and perfect rules and regulations cover the entire procedures of risk identification, evaluation, monitoring, control and feedback processes. It has been ranked "AA" (The highest rating for securities companies at

present), for 12 consecutive years. This provides a strong foundation for the Company to obtain support from the regulatory authorities in the future, seize opportunities for major innovation pilots, and cope with the complex fluctuations in the capital market as well as the fierce competition in the industry.

- A full-service platform and a whole industrial chain are in place to maintain its competitive service capability. There is a relatively balanced business structure with no significant business shortcomings. The overall solid development paves a sound foundation for the Company to develop the business with its own features, differentiate its edges and facilitate the provision of one-stop services to customers.

- The Company has a solid foundation for its brokerage business with increasing competitiveness. It has a strong capability in providing comprehensive services to institutional clients and stably provides whole industry chain services to corporate clients. It also stands out in certain business segments.

- The Company has the strong brand name of "China Merchants" and shareholders background as well as good reputation in the market.

In addition, our research function is leading in segments including food and beverage, environmental protection, light industry, paper making, home appliance, communication, media, macro economy, quantification, electronics, automobile, power equipment and new energy, military industry, SMEs, fixed income, coal, petrochemical, finance and real estate.

We are dedicated to creating value with outstanding financial services and aim to become the best investment bank in China with international competitiveness. We will enhance customer value and promote the progress of the securities industry with outstanding financial services. We are determined to become an international financial institution with a wide variety of products, first-class services, outstanding capabilities, and strong brand reputation and become an excellent enterprise trustworthy to clients, respectful to society, satisfactory to shareholders and proud to employees.



Core business and services

Wealth management and institutional business

The Company trades stocks, funds, bonds, futures and other derivatives on behalf of our clients and provides value-added services such as investment consultancy, investment portfolio advisory, sales of products, account assessment and assets allocation;

We also provide capital intermediary services (including margin financing and securities lending as well as securities-backed lending and stock repurchases);

In addition, the Company provides investment research, sales and trading, prime brokerage and other services for a variety of institutions such as funds and insurance companies.

Investment banking business

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

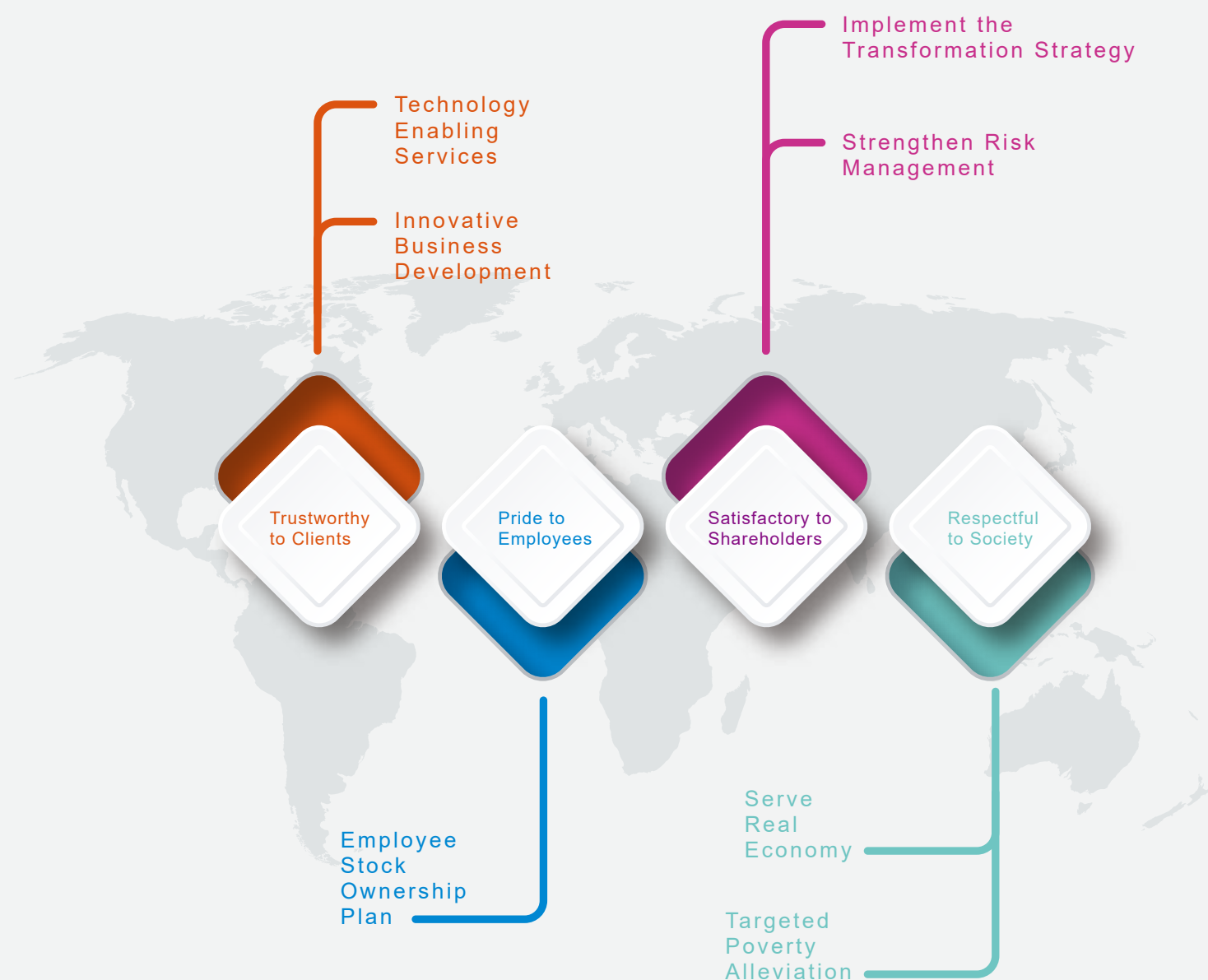
Investment management business

The Company provides investment management services, including collective asset management, targeted asset management, specialized asset management, equity investment fund management.

Investment and trading business

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

ESG Keywords in 2019



Trustworthy to Clients

Technology Enabling Services

In 2019, CMS has started 20 fintech innovation projects and launched an investment trading platform Geetek. It further improves the Company's professionalism in providing customers with services of wealth management, operation management, investment trading, and risk management.

Innovative Business Development

In 2019, CMS successfully assisted in the offering of the first domestic retail green ABS, the first domestic credit card full account asset ABS, and the first domestic non-performing asset securitization involving foreign investors.

Pride to Employees

Employee Stock Ownership Plan

In 2019, the Company's employee stock ownership plan was approved by the Board of Directors and the workers' congress, and been formally implemented after seeking the approval from the Shareholders' General Meeting of the Company in the first quarter of 2020. The implementation of the employee stock ownership plan is conducive to further enhance employee's motivation, continuously improving the Company's core competitiveness, and promoting the common growth of employees and the Company.

Satisfactory to Shareholders

Implement the Transformation Strategy

CMS established the "New Five-Year Transformation Strategy" for 2019-2023, to constantly enhance Company's ability in providing clients with one-stop integrated services, and strive to achieve high-quality development and sustainable development, customer centered, and become "the Best China Investment Bank with International Competitiveness".

Strengthen Risk Management

CMS continued to improve its risk management technology platform. We have realized refined and intelligent risk control and established an anti-money laundering training system to strengthen the management effectiveness and control of anti-money laundering.

Respectful to Society

Serve Real Economy

In 2019, CMS declared 12 sci-tech innovation board IPO projects, invested about RMB 3 billion in outstanding private enterprises, as well as implemented the "Antelope Enterprise Growth Plan", providing seed enterprises with customized financial products covering the whole life cycle and all-round.

Targeted Poverty Alleviation

By IPO sponsorship, additional issuance of shares, listing on the New OTC Market and financing, participation or establishment of industrial funds in poor areas, CMS has financed RMB 5.9774 billion for the poor area.

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Responsibility Governance

We uphold the core value of “Encouraging new strengths and striving for success”, committed to achieving balanced and sustainable development in scale, quality, and efficiency with excellent management, and creating sustainable value. In the meantime, we promote progress in the capital market and securities industry, make our employees proud, satisfy our shareholders, and gain social recognition.

Responsibility strategy

Our responsibility goal

Dedicate to serving our clients. Strive to be the best investment bank in China and fulfill more social responsibilities through better business performance.

Our responsibility path

Adhering to scientific, innovative, harmonious and sustainable development, we leverage our experiences through practice and implement our strategy from a holistic perspective, to promote the value of responsibility and to reinforce our commitment. We innovate and transcend. We strengthen our capabilities to ensure smooth and compliant operation. We persist in continuous improvement to optimize our management approach. We rise in vigor through innovation, and we stride further through sturdy performance to achieve balanced development of scale, quality and efficiency.

Our responsibility principle

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

Our responsibility focus

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

Responsibility model

Committed to providing extraordinary integrated financial services to clients, we create continuous value and drive for progress in the capital market and securities industry through four perspectives.

Trustworthy to Clients

We dedicate to serving our clients. We create continuous value for them through trustworthy services.

Pride to Employees

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

Satisfactory to Shareholders

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

Respectful to Society

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

Responsibility management

When formulating the Company's strategic plan, CMS actively considered the challenges and opportunities for sustainable development, continuously improved its corporate social responsibility management, established a sound social responsibility management path and management approach, and integrated the concerns of various stakeholders into the Company's development, to realize the organic cycle of developing from society and giving back to society with development.

In CSR deployment, we follow the guideline of “aligned leadership, unit execution, strategic supervision, and systematic review”. And we use the Balanced Scorecard to map out our annual strategic goals and plans. We create work plans and objectives annually, which are subject to annual review. We also introduced third party audit to ensure the quality of CSR deployment.

Responsibility Management Approach

Responsibility management department	Social responsibility management content	
The General Office	Leads the Company to fulfil social responsibilities, promotes the concept of social responsibility culture, and regularly reports to the Board of Directors on the progress.	
Strategic Development Department	Responsible for formulating social responsibility plans and assessment policies.	
Risk Management Department and Legal and Compliance Department	CSR inspection	
Audit Department and Supervision Department	CSR assurance and supervision	
Other functions and business units	Responsible for the execution and implementation of the Company's major social responsibility policies, daily execution and social responsibility reporting.	
	Legal and Compliance Department	Institutional construction
	The General Office	CSR promotion, Shareholder communication; Charity and social welfare programs; Energy conservation, emission reduction and safety
	Finance Department	Supplier management
	Human Resources Department	Employee management
	Information Technology Center	Information system security
	Business Units	Client, product liability and management

Stakeholder communication

We have established effective and diverse communication channels with stakeholders and adhered to maintain in-depth discussions and collect feedback. Apart from understanding stakeholder's demands via face-to-face communications in daily operation, we also strengthened our connection through meetings and regular visits. We make specific responses to key stakeholder demands to enhance our sustainability performance.

Table of stakeholder communication

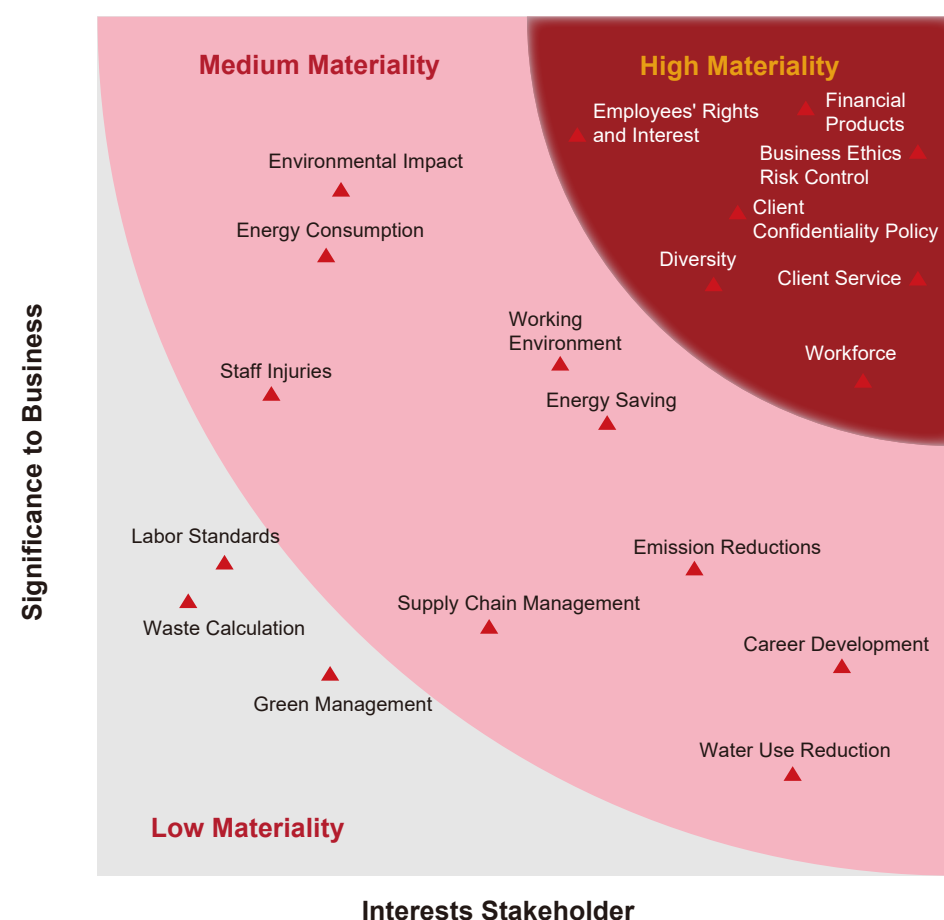
Stakeholders	Stakeholders' concerns	Communication channels	Our responses
Government	Paying taxes according to law Operating according to law Open and transparent information Supporting local development	Meetings and training for government and regulatory authorities Collaboration projects between local government and enterprise Regular reports	Timely and accurate reporting on enterprise situation Improving corporate environmental management system Disclosure of environmental data
Shareholders	Corporate governance Risk management system Business ethics	Exchange official websites and other media channels Shareholders' General Meetings Investors-related channel	Improving the governance structure Improving the risk management system
Clients	Client confidentiality policy Client service	95565 Client Hotlines Themed surveys Research on product and client needs Client satisfaction survey Official website, official microblog, Zhiyuan Onepass financial service platform (PC, mobile) and other channels Investment strategy meetings Trainings and meetings Emails and phone calls Client visits	Compliant and legal operation Suitability management Protecting client privacy Improving complaint handling mechanism
Employees	Protecting employees' rights and interest Working environment Workplace diversity Workforce stability Career development	Enterprise WeChat account Office mobile App OA platform E-learning platform Diversified employee training programs	Equal and impartial career path Competitive remuneration schemes safety working environment Work and life balance Career development programs
Community	Environmental protection Supporting community construction Charityactivities	Community surveys and trainings Targeted poverty alleviation	Developing circular economy and achieving green office Charity activities

Materiality analysis

We have reviewed the materiality analysis results of CMS in 2018 based on the requirements of HKEX's Environmental, Social and Governance Reporting Guide. We also updated and revised the Report by the international and domestic trend.

We categorized, ranked and screened the issues from two perspectives: impacts on Company's strategic operation and stakeholders' interests. Finally, material issues of the most concern to the stakeholders are selected and disclosed them in this Report.

China Merchants Securities ESG Materiality Matrix



In addition, we have followed the "Key Disclosure Indicators" in the "Environmental, Social and Governance Reporting Guide", to disclose the "environmental" quantitative indicators and explain the insignificant indicators; we have disclosed the "social" quantitative indicators to the greatest extent, and will gradually make full disclosure on the indicators in the future, so as to meet the Reporting Principle of "Materiality". Besides, we have disclosed topics such as anti-corruption, security incident, etc. to reflect the practice and effectiveness of CMS' ESG work faithfully and objectively, which has fulfilled the Principle of "Balance" of the Hong Kong Stock Exchange. Furthermore, the Report follows a consistent range of information statistics. There is no significant adjustment on the scope of subjects compared to the result of previous year, which is in line with the Principle of "Consistency".

CMS 2019

ESG Report

Trustworthy to Clients

CMS are dedicated to serving our clients. We continued to optimize our business model and organizational operation. We constantly innovate products and services according to clients' needs and expand business to meet the market changes. We are committed to protecting the rights and interests of clients in products and services, tracking risks, improving the training system, protecting the safety of funds, establishing complaint channels, and striving to provide clients with professional and high-quality financial services.

Optimizing product services

Involved in the capital market with a more detailed regulatory system and stronger supervision, CMS actively promoted technological empowerment, and adopted the application of technologies such as big data, artificial intelligence and cloud computing to provide more professional and intelligent services

Service optimization

We actively embrace technology innovations and combine the application of technologies such as big data, artificial intelligence and cloud computing to provide more professional and intelligent services for individual, institutional and corporate clients.

• Individual Clients

To facilitate the application of wealth management and trading platform for individual clients, CMS has introduced the APP "Zhiyuan OnePass", which supports business functions such as account opening, market quotation, trading, information, service and product sale. It also includes information, market quotation, decision support, and post-investment services to satisfy the needs of clients.

In 2019, we have optimized the APP "Zhiyuan OnePass" with a focus on trading services and further extended to information, market quotation, decision support, and post-investment services to serve clients. "Zhiyuan OnePass" has been updated to Version 7.0, with 159 newly added and upgraded functions. In addition to the existing smart stock selection, information recommendation, voice assistant, smart tracking, comprehensive search, profit and loss analysis and Zhiyuan Cloud, it has also added new features such as global index, 7×24 hours inquiry, similar K-line, and WeChat message promotion, online investment and research live broadcast, smart tracking, smart ordering, smart review, investment portrait and investment bill etc. The application scenarios are continuously expanding. As at the end 2019, the service functions in "Zhiyuan OnePass" has reached 100 million usage.



In terms of information

In 2019, we promoted the notification for selected information, the revision of the Champion List, introduction of stock market encyclopedia, investment class, stock trends, acquisition information, hot events, equity pledge information, public opinions on ministries and commissions, etc., which significantly improved the services provided by the APP.



Market quotations

We have launched new functions such as the sci-tech innovation board market quotations, sci-tech innovation board plate ID, market sentiment, global index, foreign exchange market quotations, similar K-line, smart tracking, smart stock diagnosis revision, etc. We have published new big data reports on new-hit business, launched strategy column and the column of talks on stocks, and supplemented the current online decision support services.



Trading

We launched information on sci-tech innovation board market quotations and trading, and added smart ordering, column of subscription of convertible bonds/exchangeable bonds, column of treasury reverse repurchase, tender acquisition, APP function guide; and optimized the features of IPO and new bond subscription, APP full-screen trading, etc.



Post-investment management

We introduced functions such as user feedback platform, smart assistant, smart assistant stock analysis, smart review, fingerprint/face login, official WeChat new stock purchase/success reminder, cleared stocks, annual/monthly billing, etc. We also held lottery events and optimized functions such as profit and loss analysis, position details, today's profit and loss, and trading details greatly improving the quality of post-investment services.

• Institutional Clients

Investment Transaction Support

CMS focuses on meeting the needs of different customers with the active use of technology to optimize the Company's institutional client business. The scale of the Trading Master full asset management platform developed by us exceeded RMB 63.8 billion. The quantitative neutral strategic trading system with fixed income achieved breakthroughs in the integration of market price source, trading data cleaning, spread analysis, automated product pricing, trading signal discovery. The Company has obtained the Interbank Market Best Technology Award 2019 with the innovative technology. In 2019, we launched the investment trading platform Geetek, which is a combination of T-master system, X-NES hardware market quotation system, X-QTS speed trading system, algorithm execution cloud αTurbo, αBlade strategy engineering auxiliary system and other full spectrum products.

The Geetek platform fully meets the detailed needs of private equity clients

Institutional client type	Client demand	CMS' response
Quantitative private equity fund	The speed to receive market quotations has a decisive effect on the profitability of a strategy.	·Our original FPGA-CPU heterogeneous computing framework featuring extremely low time delay, high stability, etc. has the market push full link time delay as low as 10ms, and with 0.5ms internal processing time delay , while the processing speed is 1,000 times faster than that of the standard software.
	The order frequency and order volume are much higher than other types of private equity funds, and the trading speed is very high.	·With the X-QTS speed trading system, the core business trading processing time is as low as 50ms, which is leading in the industry. For instance, the entrustment of a basket of 100 stocks can be completed within 0.005s.
Actively managed private equity fund	Value asset management functions.	·The T-master system can provide clients with full-process asset management services before, during, and after investment, covering four typical application scenarios: investment analysis, trading execution and operation management; ·It supports customized investment services. Private equity funds can set parameters and define multi-screen interfaces on the platform according to their own investment strategies and trading habits.

• Fund Manager Services

In 2019, we continuously provided service innovation and support our clients for a series of products based on the previous experiences in serving major domestic managers and mutually experiences of foreign operations. Through this, our advantages on providing comprehensive services for major clients and avoiding the generalization of services have been fully presented.

CMS Custody Outsourcing Product Innovation Services in 2019

The first product applying the “series accounting method” to accrue performance compensation	The first integrated banking wealth management product
The first asset allocation private equity fund	Product design under bond default tide

The first private equity fund product applying the series accounting method was launched to enhance the net worth calculation efficiency, disclosure of virtual net worth and serial consolidation, etc.

We have provided private equity managers with product design solutions on the asset allocation of private equity fund, and assistance on the establishment and filing of the first asset allocation of private equity fund.

For the first time in the industry, we have provided a full range of innovative and integrated services of “custody + outsourcing + channel + brokerage” for banking wealth management products.

We have proposed “side pocket valuation” to resist market risks by allocating the defaulted bonds into side pocket assets for close operation, while the main pocket assets can still be purchased and redeemed for liquidity.

• Corporate Clients

CMS is committed to creating a digitalized operation platform for corporate clients in dealing with investment banking. We have achieved the strategic goal of “Science and Technology Investment Banking” with the refined management, electronic manuscript, intelligent review, bank flow analysis, related party verification, process electronic signature and subsequent project management, etc. In 2019, our next generation of intelligent investment banking platform was put into use in investment banking. It has achieved “full business and full process management, comprehensive risk management and control, big data operation management, and AI-assisted operations”, etc. The application of electronic signatures in the intelligent investment banking system has resulted in 21,296 electronic signatures, with a success rate of 97.31%, while up to 157,742 audit documents were corrected with 98.4% correction acceptance.

Innovations of the Next Generation of the Intelligent Investment Banking Platform

It has standardized the management of 43 types of projects such as IPO, and increased the support for new businesses such as sci-tech innovation board, electronic manuscript, related party verification, and financial report verification.	It has accumulated data from 600,000 companies which allows the Headquarter to work with branches on 196 projects. It has improved the efficiency of the internal control process and the intelligent verification for related parties by 50%.	It has worked with more than ten investment banking related departments to support 12 main businesses, 43 sub-businesses, and 5 post-investment management businesses.	It has standardized due diligence, and implemented the full-service type of electronic manuscript acceptance work mode to support the mobile manuscript collection and one-click batch upload function.
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CMS actively delivers targeted products to acquire the needs of different investors to enhance their trust and satisfaction. In 2019, CMS supported the issue of first domestic retail green ABS, the first domestic credit card full-account asset ABS, and the first domestic non-performing asset securitization product featuring overseas investment and other ABS products. On October 11, 2019, CMS has successfully issued RMB 5 billion “Bond Connect” financial bonds to global investors. We are the first securities company to issue bonds with the participation of international investors via “Bond Connect”, the issue of bonds was highly recognized by foreign investors with active subscription.

“Mainland-Hong Kong Stock Connect” is an important measure to promote the deepening transformation of China's capital market, it is a major innovation for the securities industry to integrate into the opening up of the capital market and sharing economy in China. During the preparation and development of “Mainland-Hong Kong Stock Connect”, CMS has actively cooperated with the authority and become the pioneer member of “Shanghai Connect” and “Shenzhen Connect”. Since the beginning of the business, our trading volume is always in a leading industry position and has met the market demand with high quality and efficiency.

CMS actively supports the science and technology innovation industry in China. We provided I&T startups with the opportunities in showcasing their high-tech and highly innovative products, and a fundraising shortcut. In 2019, the policies of sci-tech innovation board continued to be promulgated. CMS was approved to be one of the 9 pilot securities firms in the market-oriented innovation business of the sci-tech innovation board. We actively promote the sci-tech innovation board account opening, support clients to access the sci-tech innovation board via mobile APP, PC and by on-site means, and provide 7×24 h sci-tech innovation board access service. During the 2019, the Company ranked 5th in the market with a total of 12 proposed IPO projects to be listed on the sci-tech innovation board and 3 listed projects.

In addition to the refinancing business on the sci-tech innovation board, in 2019, with the gradual increase in investor acceptance, CMS, by reference to the experience of the international mature market, actively participated in trading operation mechanisms such as bulk matching/ trading and acquired the qualification for new businesses:

- First batch of qualified market makers for treasury bond futures at China Financial Futures Exchange;
- Qualified market maker for SHEX 300ETF (510300), SZEX 300ETF (159919), SHEX-SZEX 300 Index, corn, cotton, methanol, PTA and gold futures;
- Qualified market maker for on-floor futures of cotton, sugar, PTA, fuel oil, 20# rubber, stainless steel, and tin;
- Qualified for pilot foreign exchange settlement and sales business;
- CMS UK has obtained the membership in London Stock Exchange.

Protecting the rights and interests of clients

CMS adheres to the “Client-oriented” principle, providing clients with diversified and multi-layered products and service system in response to market risks and maximize return. CMS provides clients with financial products matching their risk tolerance through suitability management; escorts clients' personal information through a comprehensive client privacy protection mechanism; promotes the reform of modern investment banking services by improving the complaint handling; and provides rich and diverse investor education activities to raise investors' awareness on financial frauds.

1. Response to market risk

Financial market changes rapidly with risks and opportunities. CMS always adheres to protecting the rights and interests of clients, actively assisting clients to cope with market risks, and providing clients with the products and services matching their risk tolerance.

· Integrate Risk Management into Products

To better manage market risks, we have introduced index-enhanced private equity funds in a timely manner. The enhanced funds can reduce the non-systematic risk of individual stocks in the market through indexed tracking allocation and obtain excess returns at the same time. To a certain extent, the funds offset the decline in the net value caused by other market risks. After listing on the sci-tech board, CMS has created a new product series through the investment and capital management; and the products hedges market risk by stock index futures tools, which can minimize the fluctuation of the underlying position with relatively stable returns.

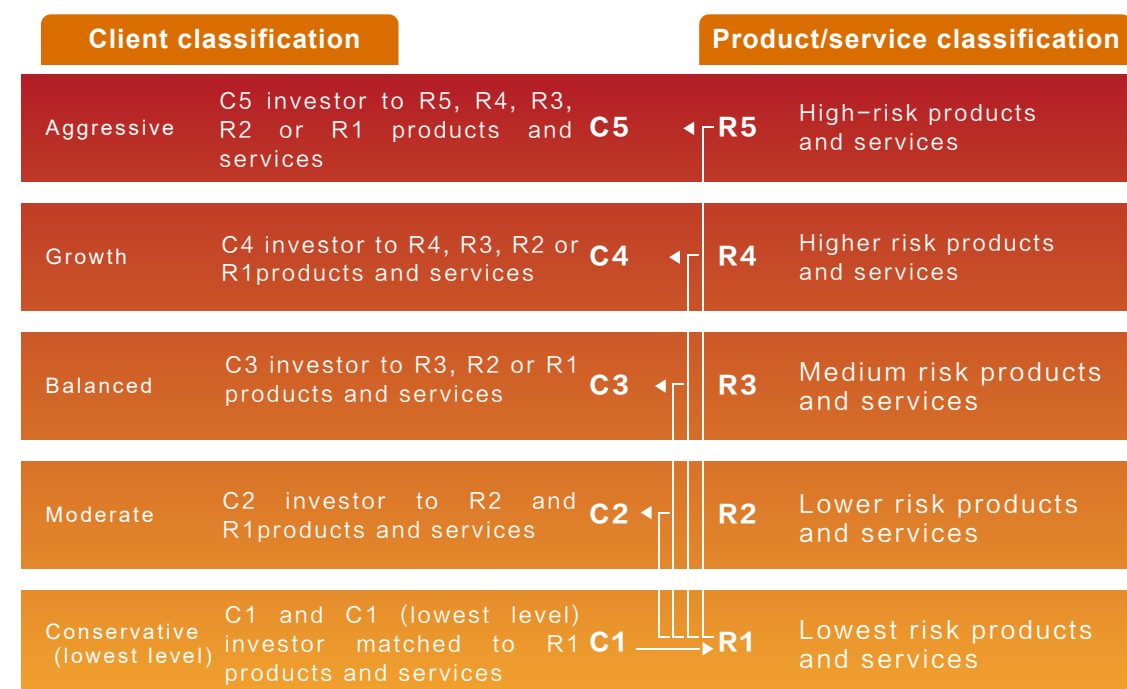
In addition, in terms of investment strategy, the main allocation of credit bonds for short to medium period, and through bond futures, interest rate swaps, credit default swaps and other derivative situ financial instruments to develop a variety of risk hedging strategies, increase the neutral strategic investment, in the stable investment scale is expanding at the same time, reduce interest rate fluctuation risk and credit risk. Such as through the investment management to create An Xiangbao series of products, positioning as a low-risk, stable income of fixed-end enhanced products, through the solid-receiving bottom plus quantitative enhancement of the combination configuration, wind control as the core, on this basis, the pursuit of relatively stable returns.

· Suitability Management

In accordance with *the Measures for the Suitability Management of Securities and Futures Investors, the Guidelines for the Implementation of the Suitability Management of Investors in Securities Business Institutions (trial)* and other laws, regulations and regulatory requirements, CMS has internally formulated *the CMS Investor Suitability Management Approaches*, which has clearly stated four suitability management methods and requirements to protect investors' rights and interests. In addition, in terms of the sci-tech innovation board business, CMS complies with the applicable laws and regulations, as well as the requirements of regulatory agencies. We have formulated *the Implementation Rules of CMS for the Suitability Management of Sci-Tech Innovation Board Investors in Brokerage Business*, to supplement the control measures for the sci-tech innovation board investor suitability management.

· Suitability Match

We provide each investor with risk tolerance assessment, including financial condition, investment knowledge, investment experience, investment objective, risk appetite, etc. Clients can access to the Risk Tolerance Assessment Questionnaire via different channels, such as securities branches, “Risk Tolerance Assessment” column and fast-trading channel on our official website, Zhiyuan Onepass financial service platform, mobile securities and PAD securities. Upon the completion of risk tolerance assessment, clients are divided into five levels ranging from C1 (lowest) to C5 (highest). We classify the risk of financial products and services into the respective level based on the products characteristics such as risk features and risk degrees. Products are ranked from R1 to R5 with R5 as the highest risk level. In the meantime, we release the product and service classification via our official website, Zhiyuan Onepass financial services platform and investor education base, so as to accurately and effectively provide financial products and services for clients at different risk levels.



Internal Control of Suitability Management

We make it clear in the *CMS Investor Suitability Management Approaches* that we shall not proactively recommend our clients with products that exceeds their risk tolerance capacity; related management process such as client identification, risk notification, risk tolerance assessment and matching, product risk disclosure and contract signing must be followed before selling the financial products. Our client must sign a *Voluntary Participation Statement* if he/she insists on buying a high-risk product beyond his/her tolerance level before the trading. During trading, the Company will remind the client of risks by email, telephone and any other means. The Company also closely communicates with promotion agencies to understand their suitability management rules and regulations and urge them for advancement.

2. Client information safety protection

To fully protect client information and trading security, CMS has formulated applicable rules and regulations such as the *IT System Data Confidentiality Management Approach*, the *Insider Information Confidentiality Policy*, the *Financial Service Outsourcing Confidentiality Management Approach* and the *CMS Guidance on Paper Archive Digitalization*, etc., which can be applied to protect clients' personal information, trading safety and the safety of their funds.

Capital Security Protection Approaches

Rules and regulations The IT System Data Confidentiality Management Approach, the Insider Information Confidentiality Policy, the Financial Service Outsourcing Confidentiality Management Approach, and the CMS Guidance on Paper Archive Digitalization.	Technical protection Advanced IT technology to prevent employees from leaking investors' information during online trading.	Data destruction Before the electronic hardware equipment is scrapped and transferred, the Information Technology Center will undergo identification, confirmation and data destruction.	Department approval Information use shall be reported to the competent department, Information Technology Center and Financial Department.
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Customer Privacy Safety

While promoting online financial services, we also focus on improving the management capabilities of information safety, to ensure client privacy and information safety. In 2019, we continued to optimize information safety measures to avoid the breaching client privacy.

Avoid clients' passwords from being illegally tested.

We apply an irreversible encryption algorithm on client trading passwords and capital passwords and deploy a database audit system. When error log-in attempts reach the limit, the client account will be automatically frozen to prevent illegal actions.



Define permissions for different teller roles to minimize tellers' access.

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

Record teller operation history.

The system performs trace processing on tellers' business and data export operations. For critical business, we conduct and record double confirmation by different tellers to prevent client information leakage.

· Online Trading Security

To secure the online trading and manage the risks, several methods have been generated and applied into practice.

Strong Verification

We have developed strong identification verification measures such as dynamic token card and UKEY digital certificate to strengthen client software security and protect clients' passwords in online trading. Customers currently use dynamic token authentication.

Tamper-proof

We have added tamper-proof, intrusion prevention, and anti-DDOS attack systems to the site server to effectively defend against incidents such as hacking and page falsification.

Cracking-proof

We have added an anti-tracking mechanism for online trading to prevent hackers from attacking client software through program cracking.



Md5 code detection

Risks of tampering and Trojan attacks may occur when client software is being stored on or downloaded from a server. Thus, we have added the md5 code detection mechanism to prevent risks. After downloading software, clients can distinguish whether the trading software is being tampered by md5 code comparison.

Enhanced Encryption

We have applied encryption technology and encryption strength recorded by national authority on our client data transmission system to protect data security.

Provide Preset Information Verification Services

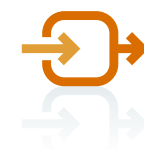
In case of criminal fraud, we provide pre-set information verification services for web channels and client software to help clients identify counterfeit trade software.

Security Components

We have added security components to our online trading software to prevent account passwords from Trojans or viruses.

3. Complaint handling mechanism

We constantly improve the client complaint handling mechanism, providing clients with a better, faster and more effective handling procedure as well. We also continue to improve complaint handling rate and client satisfaction. In 2019, CMS formulated *the Client Complaint-handling Management Approach, the Retail Client Complaint-handling Measures, the Guidelines of CMS Client Service Center for Handling Difficulties and Complaints*, etc., which clarified the responsibilities and authorities of each unit, and standardized the client complaint handling process and work requirements.



In 2019, the complaint handling response rate was 100%, and the complaint handling rate was 96.1%, with an increase of 4.9% year on year.

· Complaint Channel

In 2019, CMS optimized the electronic complaint handling platform, called off the complaint report form, refined the complaint circulation process, reclassified the complaint categories, set up different systems to supervise the time limit, and re-established the process for complainant's return visits, as well as the return visits of respondents. The enhancement is to ensure complaints are resolved in a timely and reasonable manner. We also positively optimized the official website's complaint and tip-off page, increased the display of complaint instructions, complaint process, contact information and verification with SMS verification code, reduced incomplete and inaccurate feedback of client information, and improved complaint acceptance and handling efficiency.

When complaints are received, we will verify the complaints timely and undergo investigation, determine the responsible person, and properly handle client complaints. Upon acceptance, the complaint should be transferred to relevant units for follow up, the progress of handling should be updated from time to time, the handling result should be fed back in time, and internal correction and accountability should be conducted. When complaint is solved, the defects in service and marketing should be detected through troubleshooting. For typical client complaints, we will summarize the cases from time to time, conduct legal and regulatory analysis and evaluate the experience avoid similar complaints to be happened in the future.



Complaint Process

In 2019, the Company reorganized the complaint acceptance process and rationalized the division of labor and connection between the Company's HQ, branches and business units. We cancelled complaint pre-acceptance, increased the supervision on the time limit for complaint acceptance, established and improved the management mechanism for branches and business units to handle complaints from clients, which further strengthened complaint management.

Heads of Various Brokerage Branches and Regions

The convener of each brokerage branch or the regional head are responsible for handling, supervision and accountability of various complaints of the Branch.

Compliance Specialist of the Sales Department

The specialist assists the head of the branches in performing the duties of complaint management, and is responsible for receiving, accepting, and handling client complaints within the scope of the branches' responsibility through business sites, telephones, letters, etc., and report in time to receive guidance and inspection.

Head of the Branches

As the first responsible person, the head of the Branch shall guide and participate in handling client complaints and disputes of the department and be responsible for the communication and coordination with the local regulatory agencies.

Wealth Management and Institutional Business HQ

The Client Service Center, as a complaint acceptance unit, accepts client complaints, and promptly forwards to the responsible unit for complaint dispute resolution.

HQ Legal Compliance Department

Performs the acknowledge and coordination duties related to complaint handling.

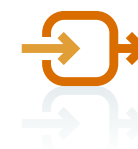
HQ Management

Performs management and decision-making duties related to complaint handling, and bears ultimate responsibility for the Company's complaint handling.

We shared client complaint handling cases with branches, summarized potential and existing problems in client complaint handling, and proposed improvement measures through monthly complaint reports and irregular trainings. In response to complaints and disputes that are difficult to reach a settlement, we hired third parties for complaints needing further mediation to improve the resolution rate of client complaint.

4. Strengthening investor education

The Company continued to implement the regulatory requirements of investor protection and investor education, integrated investor education and protection into all aspects of daily business development, established a 4-in-1 investor education system, namely "physical hub + Internet course + WeChat public account course + business unit" to link the HQ and branches, and continued to conduct all-round publicity and investor education through online and offline channels. In 2019, the Company has carried out various investor education events such as "Approach to Science and Technology together" "515 National Investor Protection Day" "Identify Authenticity and Risks, be a Rational Private Equity Investor" "World Investor Week", SHEX and SZEX's "Bond Trading Rules" "ETF Knowledge Contest" "Recognize the Essence, Stay away from Off-site Fundraising and Illegal Securities Activities", etc., to raise investors awareness on investment risks, and implant investors with a proper investment concept.



In 2019, the Company carried out more than **3,000** investor education activities and distributed over **200,000** investment education products. The online and offline investment education promotion has covered more than one million investors.

Physical Hub

The physical hub for investor education sets up by CMS is located in Nanshan District, Shenzhen City. It consists of five functional areas: investor education product display area, expert lecture area, simulated trading area, interactive experience area and opinion gathering area; as well as five characteristic functional areas: historical review area, risk warning area, appropriateness management area, Shenzhen reform and opening up chronicle area, national education area. The physical hub is centered on the needs of investors, it facilitates investors to acquire securities and futures knowledge and understanding on investment risks.

Taking physical hub as the core, the Company leverages the advantages of the Internet course and WeChat public account and launched more than 500 investor education products in 2019. They highlighted the investment risks regarding the hot investment items (such as sci-tech, private equity, etc.), and promoted the concept of rational investment. The physical hub focuses on client demand, it has developed an investor education system with distinctive characteristics of the times and created the four core characteristics of "technology-led, innovation-driven, national education, and value transmission". It also built an advanced investor education course system and launched national investor education activities such as "Youth Financial and Business Education" and "Off-campus Second Financial Course for College Students", etc. In addition, the Company created a multi-level education service ecosystem in the physical hub for investors, listed companies, peers, exchanges, regulators, etc. with better investment and education services.

In 2019, the Physical Hub has applied as "national" investor education base. It has carried out a series of theme events and lectures such as "Be a Rational Private Equity Investor" "Walking into Options" "New Investor Classroom" and "Together for Investor Education", etc. The average monthly service of the Hub has a total of 223 hours, with 762 public attendance, while the online and offline surveys has received 462 responses, with a satisfaction rate of more than 99%. The hub carried out 52 investor education activities and produced 248 investor education products with 40% original products. The original investor education program "Talk about Bonds with Frequent Cases" awarded the Excellence Prize of "Investment Micro Class" presented by Shenzhen Stock Exchange.

· Online Platform for Investor Education

CMS has set up an Internet investor education website (<http://edu.cmschina.com/>), consist of six functional areas: basic securities knowledge, NiuNiu College, investor education video, risk alert, industry trend, physical investor education hub. It provides investors with various forms of investor education products, investors are able to experience the process of "cognition-learning-simulation" at anytime, anywhere through the Internet.

2019 Investor Education Awards



Awarded the "Excellent Member of Sci-Tech Innovation Board Investor Education" by Shanghai Stock Exchange.



Awarded the "2019 Excellent Investor Education Member Team" by Shenzhen Stock Exchange.



Awarded the Excellence Prize of Investment Risk Category of "Investment Knowledge Micro Class" by Shenzhen Stock Exchange.



CMS launched investor protection publicity day

On May 15, 2019, the first "National Investor Protection Publicity Day" determined by the CSRC, CMS led nearly 100 investors participate in the activity jointly held by Shenzhen Securities Regulatory Bureau and Shenzhen Stock Exchange. "Niu Niu" - CMS's intelligent investment and education robot - came to Shenzhen Stock Exchange as a staff member, to interest the investors. More than ten CMS's employees dressed in uniform and warmly received investors at the scene of the activity in the East Square of Shenzhen Stock Exchange, and answered questions and doubts for investors.

In the activity, the Company displayed materials on special topic, such as "three anti consciousness, prevent money laundering crime" elabo, and the educational materials about the scientific and technological innovation board, anti-money laundering, bond trading, Hong Kong stock exchange, old sharing investment. We also carefully designed award-winning questions and the investors actively participated in on-site by scanning QR code, helping them establish rational investment concept and understand their legitimate rights and interests.

On the day, all branches of the Company actively held various publicity activities. Through online and offline linkage, CMS popularized financial knowledge, publicized rational investment concept, and improved the investors' ability of risk prevention and identification.



National Investor Protection Publicity Day

CMS 2019

ESG Report

Pride to Employees

To attract and retain our talents, we fully respect every employee's personality, contributions, and growth needs, and continuously cultivate our culture. Also, we have been striving to build a fair career path and efficient training system for our people, so that they can share their growth with us.

1. Equal employment

The Company strictly abides by *the Labor Law of the PRC, the Labor Contract Law of the PRC, the Trade Union Law of the PRC, the Employment Ordinance of Hong Kong*, and other national laws and policies, and signs labor contracts with all employees on the basis of equality, free will and mutual agreement, so as to establish lawful hiring relationship. In 2019, in accordance with external applicable laws and regulations, we *revised the Measures of CMS for Staff Recruitment Management* to ensure compliance with and rationality of the rules and regulations of the Group. We regulate human resources management via system to prevent forced labor and avoid child labor through effective means in the recruitment process. We prohibit all forms of discrimination in recruitment, pay, training, and other matters in terms of gender, region, ethnicity, religion and so on, to ensure that all employees have equal opportunities.

2. Strengthening employee care

We strive to maintain a stable team by offering competitive remuneration schemes, creating a safety working environment, and balancing employees' work and life through formulating a series of policies and systems.

• Improving the benefit system

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

Provide salary incentives

We have established a salary incentive system that matches the Company's operating status to enhance salary competitiveness and promote business development.

Improve salary structure

We have optimized salary structure, strengthen the correlation between bonus and operating performance, and increase bonus incentives.

Diverse incentives

We have designed a differentiated incentive mechanism to meet different business characteristics and needs, and considered to enhance salary incentives for core talents.

We continued to explore and implement an effective long-term incentive mechanism. In 2019, the Company's employee stock ownership plan (ESOP) has been approved by the Board and the Workers' Congress, and been officially implemented after the completion of the approval process at the Shareholders' General Meeting in the first quarter of 2020. The implementation of the ESOP is conducive to enhancing the motivation to improve and promoting the growth of employees and the Company.

In terms of benefits, we have established a multi-layered pension insurance system, including social insurance, commercial insurance, and corporate annuity. The contents of all endowment insurances are combined with and complement each other. We also established a comprehensive employee benefit protection system to uphold the employees' wellbeing.

Social insurance

All employees are entitled to basic endowment insurance, basic medical insurance, local medical insurance, work injury insurance, and unemployment insurance.

Commercial insurance

All employees are entitled to supplementary insurance, including group accident insurance, critical illness insurance and generic health insurance.

Corporate pension

We have set up a corporate pension plan for long-service employee to enhance their loyalty and share our business success.

• Improving the working environment

We are committed to creating a harmonious and comfortable working environment for our staff. We comply with the applicable laws and regulations such as the Labor Law of the PRC, the Production Safety Law of the PRC, the Law of the PRC on the Prevention and Control of Occupational Diseases, and the Work Injury Insurance Regulations, etc. and have formulated the CMS Attendance Management. The regulation can help to standardize and ensure the health and safety of the staff in institutional manner and prevent them from occupational hazards.

We guarantee employments' rights with off days and paid leave to maintain their work attitudes and work-life balance. We also reinforce labor protection to prevent occupational diseases and hazards. We organized the annual health check which covers all employees. Various recreational events and health talks have been held for staff. To ensure diet sanitation and food safety, we also require canteen operators to procure food and ingredients from verified channels and display food samples.



CMS cleaned up the environment of the new building to protect staff's health

The new CMS headquarter building was put into use in 2019. To improve air quality and ensure employee health, the Company has adopted the following measures:

- employed environmentally friendly fit-out materials;
- hired a professional company for formaldehyde elimination and qualified third-party for inspection;
- VAV all-air environment-friendly air-conditioning system is adopted. As the office has no air-conditioning water pipe, there is no potential for water leakage or moldy carpet. In the transitional seasons, i.e. spring and autumn, it can operate with fully fresh air to provide a comfortable, healthy and environment-friendly workplace.

• Enhancing Culture Development

On the occasion of the 28th Company Day, the Company upgraded the original "CMS Corporate Culture Month" to "CMS Enterprise Culture Festival". During the first (2019) Culture Festival, we organized the ceremony on "Stay True to the Mission" with the emphasis on collaborative culture, dialogue executives, communication activities, choral competition, noon concert and union associations of various sports competitions and other activities. We encouraged all units to carry out all kinds of cultural activities, and jointly create a corporate culture.

CMS actively strengthen communications with employees and create an open corporate culture. In order to achieve zero distance with employees, we launched a series of "human resources face-to-face" activities to promote the interests of employees in 2019. The themes of the promotion activities include supplementary medical insurance, enterprise annuities, training system, grade reform and performance optimization, introduction to medical examination platform, etc. These activities help to broaden the feedback channels and improve employee satisfaction.



• Work-life balance

Our labor union was established on our founding, representing the benefits of all employees. Meanwhile, union groups were set up at each department and branch. The participation rate of our employees has reached 100%. We care about our employees by providing subsidies for employees who are seriously ill, providing employees with holiday gifts, giving cakes to employees on their birthdays, etc.

In 2019, the trade union of the Company organized various activities to enrich employees' work and life, such as festival cooking and tasting activities at traditional festivals; cultural and sports activities are organized for employees and fitness center is in place for employees to strengthen their physical fitness.



3. Improving training and promotion

the CMS Investor Suitability Managem

In 2019, the Company continued to optimize the talent structure and strengthen the management of key talents. We updated the CMS Training Management Policy, the CMS Internal Management on Trainer and Training Development, the CMS Online Training System Management Approaches and abolished the Measures for Professional Qualification Training Management to manage talent training and promotion in a more comprehensive and standardized manner. In the meantime, the Company has established a systematic training mechanism, which consists of strategy, policies, resources, operation and support for effective training implementation. Through these, career promotion can be assessed based on employee's professionalism, capabilities and performance.

• Talent management mechanism

The CMS Policy on Position Ranking regulates the management of rankings, drives the growth of talent teams, and supports our business development. The Company has defined seven position rankings, specified requirements and appraisal criteria including education background, qualifications, work experience, performance results, training hours, professional capabilities and management capabilities for each ranking based on the Company's requirements for the professional levels of employees at various positions. Training programs are devised and implemented based on the requirement of different rankings and positions.

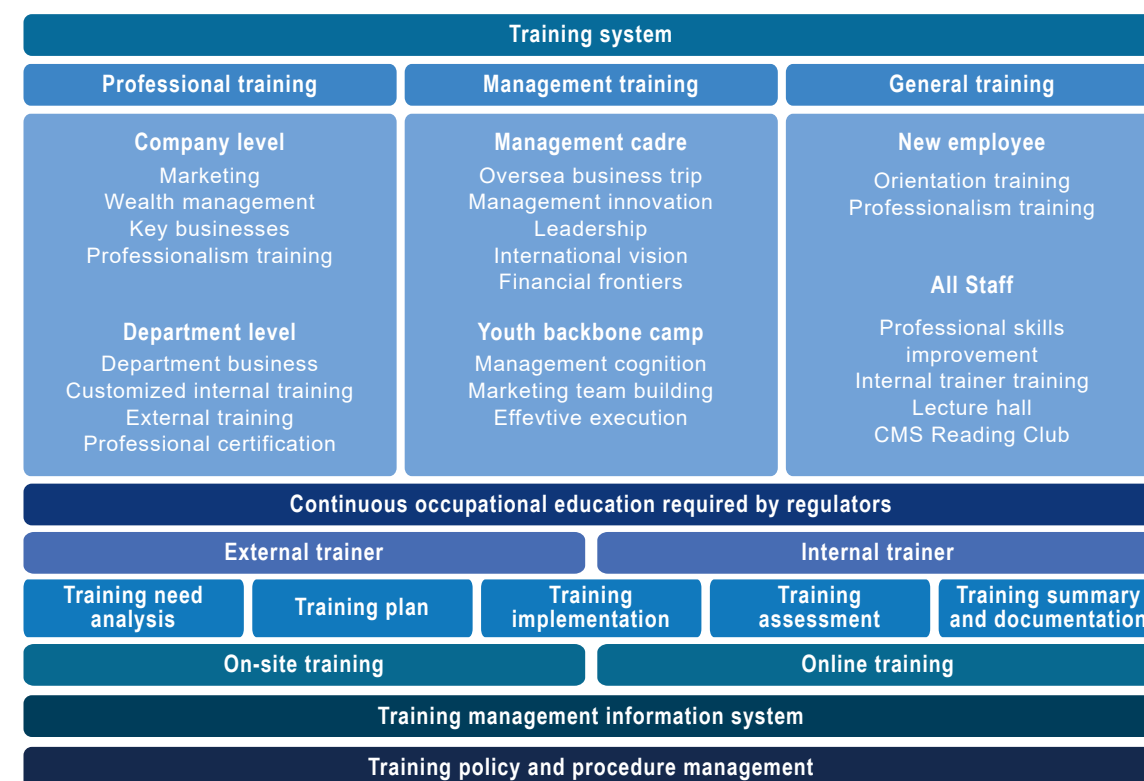
• Taking the market conditions and company strategy into consideration, we focused on quality and structural adjustment in recruitment, and ensured staffing for risk control and compliance functions in accordance to regulatory requirements.

• With smooth cross-level, cross-department, and cross-post reallocation channels, we support employee career development in depth and breadth. In 2019, 779 employees were reallocated to revitalize Company's talent resources.

• Talent training mechanism

Based on the strategic plan and talent management mechanism, the Company has established a training system that is adjustable to industry development, market change, and work focuses, which can support and ensure the effective implementation of training programs. The Company encourages employees to obtain advance education and necessary professional certifications. We support employees to participate in job-related qualification training and examinations and provide financial support within the scope of the policy.

In 2019, 32 external training sessions are certified to support our employees to improve their skills; a total of 112 employees participated in the training sessions. About RMB 250,000 has been financed to support such training sessions.



• Training program

According to requirements of different levels and positions, CMS creates training plans, continuously optimizes training courses, and develops guidelines for different positions and levels, cultivates talents with higher comprehensive abilities to meet the demand of the securities market, and to lead employees to excel on their career path.

In 2019, we launched 64 training sessions in three categories, including "professional training" "management training" and "general training", covering all employees of the Company. The total annual staff training hours were up to 530,000 hours, with 79,000 participants, the average training duration was 60 hours per capita; and the average satisfaction rating has reached 95 out of 100.



• Trainer resources

CMS constantly develops and builds a team of quality trainer that consists of industry scholars, experts, and regulators, and has accumulated a pool of external trainers and training suppliers. Through continual explore and peer exchanges, we have found well-recognized training organizations and professional trainers, and improved the quality of training courses, maintaining the professionalism of trainers, the time-effectiveness of training topics, and the practicability of training courses, optimizing the training system construction, and serving the strategies and business development of the Company. In 2019, we expanded the internal lecturer teams by training up 53 junior lecturers and introduced the first business training session on stock options.

In addition, to offer our staff a diversified learning platform with easy access, we have developed a multitude of online training programs. In 2019, the Human Resources Department conducted in-depth research on employee training needs and developed 245 new online and on-site courses with a total of 762 training hours, while there were 28 online and on-site examinations were held to support employees in developing their knowledge on our key business and new business. In 2019, online training recorded over 228,747 hours, accounting for 43.2% of the total training hours of the Company.

A table of online and in-person courses (Added in 2019)

Course type	Quantity (session)	Standard hour(s)
Professional courses	154	378
Management courses	17	93
General courses	41	259
Other courses	5	5
Exams	28	27
Total	245	762

Note: "Other courses" include continuous occupational education courses, Party and politic courses, marketing courses, etc.

CMS 2019

ESG Report

Satisfactory to Shareholders

We understand that it is our responsibility to achieve long-term values for our shareholders and address their demands for maintenance and appreciation of assets. We provide our shareholders with persistence on ensuring steady growth and standardized operations through continuously optimizing our corporate governance, minimizing risks, protecting shareholders' assets, and striving for better performance.

1. Corporate governance

CMS has implemented a rigorous and legally compliant corporate governance model. Under the context of changes, CMS has taken the initiative to carry out strategic reform, corporate transformation and development, and continue to create benefits and values for shareholders and the society.

· Strategic change

The securities industry is in strategic development. Since the “19th National Congress of the CPC”, China’s economy has entered a stage of high-quality development. As an important carrier of financial services for the real economy, China’s securities industry will usher a series of strategic opportunities with the continuous deepening of financial supply-side structural reforms and capital market reforms.

CMS actively responds to the opportunities and challenges brought by supply-side and market reforms. Adhering to the historical mission of “creating value with excellent financial services” and insisting on the strategic vision of “customer-oriented, building the best internationally competitive investment bank in China”, CMS has established the “New Five-Year Transformation Strategy 2019-2023”. It implements a strategic principle of “quality first, efficiency preferred and appropriate scale” to continuously enhance the Company’s ability to provide customers with one-stop integrated services and strive to achieve high-quality and sustainable development.

CMS' New Five-Year Transformation Strategy

One strategic goal	Become TOP 5 in comprehensive competitiveness in the industry
Five core strategies	Driven by investment banking business Create the advantage featuring institutional client business Create the advantage featuring wealth management business Expand multi-channel and multi-product integrated business model Strengthen cross-border service integration
Initiatives	We will continue to invest in investment banking, wealth management and institutional business, investment transaction business, diversified strategic layout and integrated operations, cross-border business and other business development and mid- and back-office construction. We will constantly consolidate existing advantages and strengthen our competitiveness.

The new five-year reformative strategy was kicked off in 2019. With the aim of improving quality and efficiency, the Company leveraged the opportunity of the State-owned Enterprise Reform. It already made great progress in “six capacity” mechanism landing, technological innovation, data management and process reengineering, making a remarkable opening for the new five-year strategy

· Corporate governance structureCorporate governance structure

As a listed company, we have referenced to Hong Kong-China cross border regulatory standards and established a governance structure with check and balance through the well-defined roles and responsibilities for the power body, the decision-making body, the supervising body and the management, to meet the governance requirements of listed companies in Shanghai and Hong Kong.

The Board sets up five committees: strategy committee, risk management committee, audit committee, remuneration and appraisal committee, and nomination committee respectively. The special committees work under the authority of the Board, provide advice for the Board, and are responsible to the Board. In 2019, the Company held 13 Board meetings. All Board members attended all the meetings.

· Stakeholder communication

On May 20, 2019, the first Extraordinary Shareholders’ General Meeting 2019, the first Shareholders’ General Meeting of A-share shareholders 2019 and the first Shareholders’ General Meeting of H-share shareholders 2019 were held; the Annual Shareholders’ General Meeting 2018 was held on June 28, 2019; and the second Extraordinary Shareholders’ General Meeting 2019 was held on September 9, 2019. A total of 41 proposals were reviewed. The Meetings was held by on-site voting and online voting, to facilitate the shareholders and institutional investors in exercising their voting rights. The Company operates strictly as per the resolutions of the Shareholders’ General Meetings.

The Company has always been committed to protecting the interests of investors, striving to improve transparency in daily work, and improving the investors and potential investors’ understanding of the Company. We actively communicate with domestic and foreign analysts and investors on hot issues of the industry and the company, summarize, analyze and feedback the opinions and suggestions of investors, create value through communication and interaction, and constantly improve the professionalism and standardization of investors’ relationship management.



During the Reporting period, the Company communicated with analysts and investors at home and abroad more than 700 times through on-site communication of the general meeting of shareholders, panorama network 2019 online investor group reception day, various exchange meetings hosted by domestic and foreign securities companies, reception of visiting research, E-interaction of Shanghai Stock Exchange, hotline, email, WeChat and other ways.

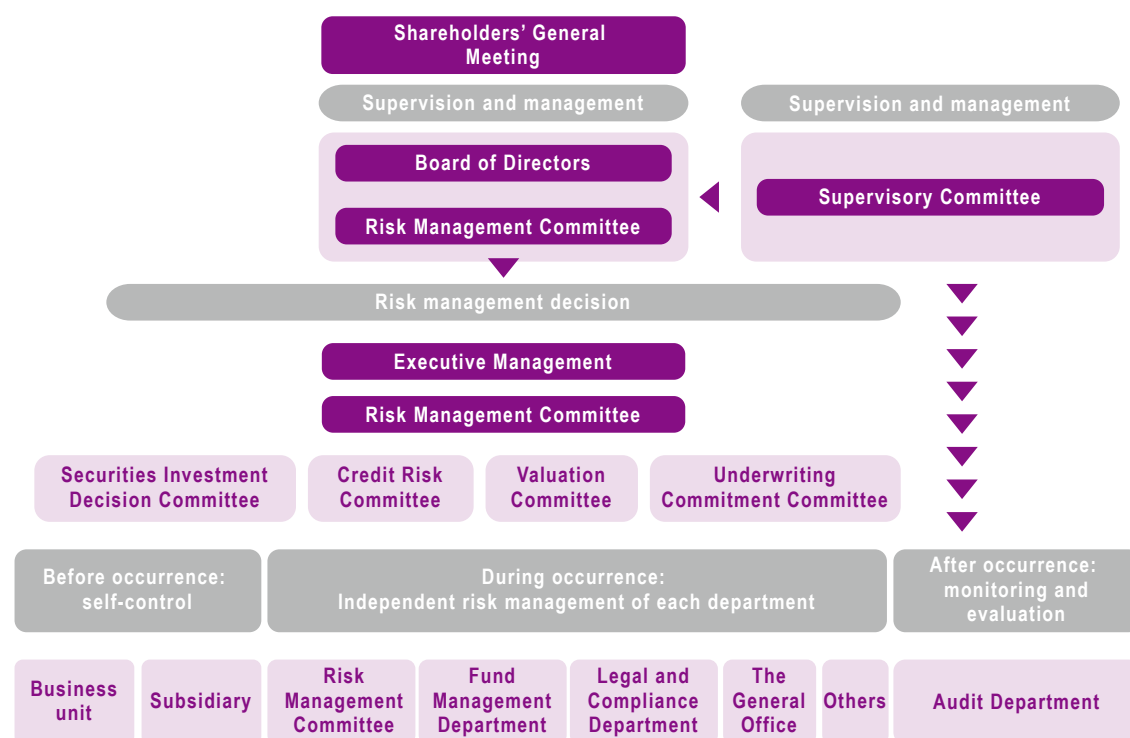
3. Risk and compliance internal control management

CMS has established a sound risk management system, strictly complies with domestic and foreign compliance requirements, escorts the Company's compliance with strict internal control management, and strengthens anti-money laundering rules and regulations and management measures to prevent money laundering incidents, resolutely resist corruption, and realize effective monitoring and management of suppliers.

· Risk management

By establishing the *Risk Management System of CMS, the Rules of Procedures for Risk Management Committee Meeting of the Board*, the Company has developed an all-rounded risk management system that covers various risk exposures including market, credit, operational, liquidity, reputation risks and anti-money laundering and specifies the boundaries and general principles for each risk category.

We take reference to the full risk management methods and steps of COSO (which divides the elements of risk management into eight, i.e. internal environment, target establishment, event identification, risk assessment, risk response, control activities, information and communication, and supervision). We have established a board-level and a company-level risk management committee with four professional committees as subordinates, as well as three lines of defense.



CMS strengthens the risk management via the consolidated risk supervision. We have built a full-process risk management platform with the use of the advanced technology and has refined the intelligent risk control. Besides, we have eliminated the risk of money laundering through strengthening the anti-money laundering system and improved the risk management through internal audit.

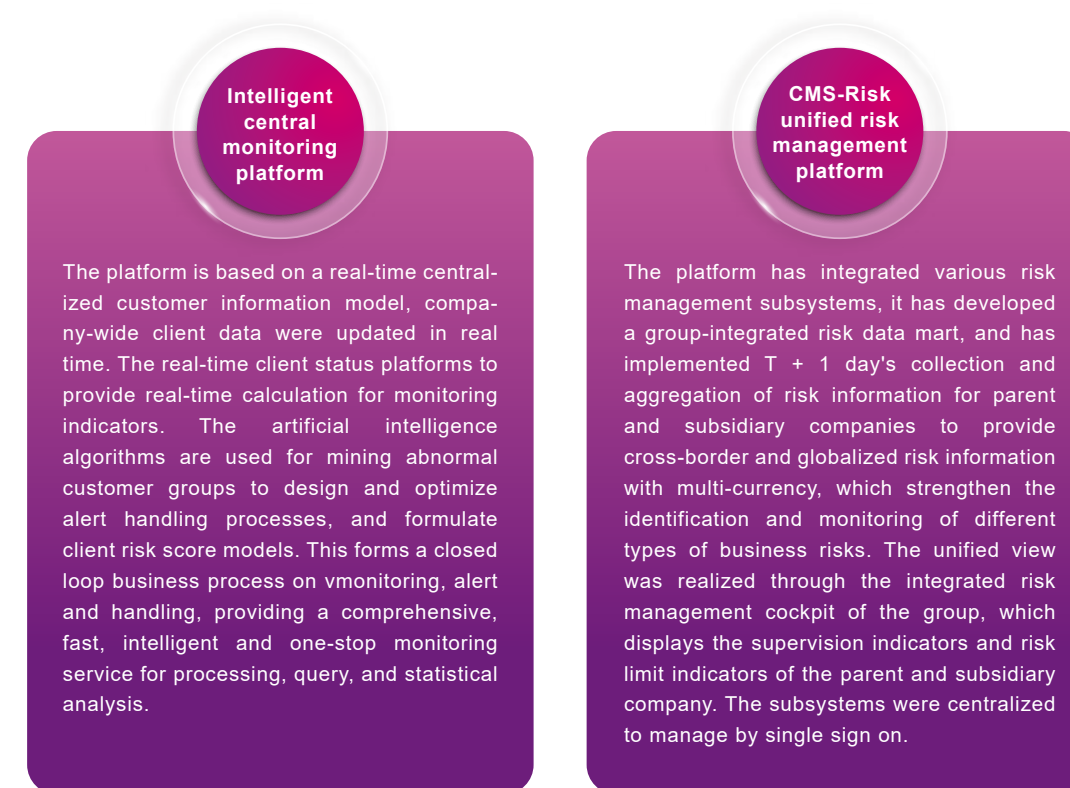


Consolidated pilot project

CMS, as one of the first batch of securities companies applying for the consolidated supervision pilot of China Securities Regulatory Commission, always emphasizes and adheres to the integrated risk management, which covering all risk types, businesses, subsidiaries and branches. The Company actively prepares the evaluation of the consolidated supervision pilot. We improve the risk management against the evaluation criteria of the consolidated supervision pilot, and was highly recognized by the industry and third-party review experts on the consolidated trial assessment.

Intelligent platform

CMS continues to optimize the intelligent central monitoring platform and CMS-Risk unified risk management platform. The platforms allow CMS to conduct a centralized and effective management on the business and service life cycle, which mitigate the risks and upholds a stable development.



· Internal control of compliance management

Compliance is the foundation of enterprises. In accordance with *the Guidelines for Internal Control of Securities Companies, the Measures for Compliance Management in Securities Companies and Investment Funds Management Companies, the Specifications for Comprehensive Risk Management of Securities Companies and the Regulations on Securities and Futures of Hong Kong*, CMS has internally formulated *the CMS Compliance Management Policy* and a compliance management organizational structure. *The CMS Compliance Management Policy* sets forth the compliance management requirements and details of the Company's business and personnel. Our compliance management organization consists of Board of Directors, Senior Executives, Compliance Directors, Legal and Compliance Departments, branches and controlled subsidiaries. The Company appoints a compliance specialist in each department and securities branch to assist the departments and sales units in compliance management. In 2019, CMS revised *the On-site Audit Work Operating Rules, the Measures for Branch Personnel Resignation Audits, the Auditor Code and the Audit Archives Working Rules*, and formulated *the Information Technology Audit Management Measures*.

We proactively take various measures to manage compliance risks, and continuously strengthen the implementation of sci-tech innovation board, the prevention of off-site capital allocation, investor suitability management, and anti-money laundering, etc. The implementations are taken in a timely and effective manner to support the standardized development of each business of the Company. To ensure the employees are aware of the compliance practice, compliance promotions and notices were adopted in advance. We followed compliance management regulations and conducted compliance reviews on new products and business solutions. Compliance monitoring and checking were also in place during business development.

a. Business compliance management

CMS continues to deepen its compliance deployment of various branches and innovative products. It strengthens compliance control and ensures the legal and compliant operation of various businesses of the Company. In 2019, we adhere to the issue and risk-oriented approach, continued to strengthen the intensity of audit supervision, timely plug the control loopholes in related party transaction management, proprietary valuation management, and securities research business, and tighten the company's system and operation mechanism. At the same time, we will investigate violations and hidden dangers and fully reveal the typical, general, and personalized issues of the brokerage business, seriously implement auditing and rectification requirements, transfer key issues to accountability, standardize business order, and create a compliance atmosphere. We also strengthen the compliance supervision on business development actively with the use of technology, focuses on the key nodes and risk points of business compliance management, and conduct online management for the entire process via the IT system platform.

Submit an online application	The Company specifies that the relevant department shall submit online application before any new business/product is launched.
astrucProgressive screeningture	viewed by responsible department, the Risk Management Department, and the Legal and Compliance Department.
Audit approved	The application will be submitted to the management for final review.

The Company closely follows external regulations, penalties, and non-compliance cases, and internal compliant risk points. We remind branches on the policy changes, potential risks and management flaws, and require them to take compliance measures to meet regulatory requirements.

Investment banking	Custody	Private equity	OTC
<div>· establish compliant risk disposal ledger;</div> <div>· convey regulatory requirements and compliance tips through timely communication;</div> <div>· organize compliance inspection and subsequent operational improvement to ensure compliant business operation.</div>	<div>· setup a sound management system of account managers;</div> <div>· specify requirements on manager entry, continual rating and name list management, etc.;</div> <div>· tighten the manager entry requirement to prevent risk transmission.</div>	<div>· follow regulatory requirements;</div> <div>· conduct multi-dimensional inspections to identify risks;</div> <div>· rectify operation processes, ensuring regulated and steady business growth.</div>	<div>carry out research support for front-office business innovation, and provide compliance management and service support guarantees.</div>

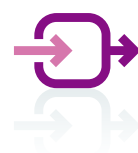
b. Personnel compliance management

CMS has established a compliance risk control training mechanism, trainings are conducted regularly for senior management personnel, newly promoted officers, and new employees at different levels to raise their compliance awareness. It has formulated relevant assessment and accountability rules and regulations, incorporated the effectiveness of compliance management and compliance of practice behaviors into the performance assessment, and has established an incentive mechanism that emphasizes on performance and risk control compliance. To avoid the inappropriate flow and use of sensitive information, we have established an information segregation mechanism that combines the Company's centralized supervision and independent supervision of various business units to monitor the flow of sensitive information and manage employee securities investment.

In 2019, CMS provided legal compliance training frequently centering on regulatory priorities such as the sci-tech innovation board, capital allocation prevention, etc. as well as the Company's business development. It launched alert education by combining classic case studies to enhance the targeted legal compliance training. A total of 34 compliance training sessions were conducted, with more than 10,000 participants from business lines such as wealth business and large investment banking business, promoting a culture of compliance with laws and regulations.

c. Internal audit

CMS continuously improves the audit model, methods and technologies, exerts the function of internal audit as an “immune system” or “radar system”, continuously strengthens the role of audit to promote its management, and shares advanced audit methods and technologies with others to ensure its compliant operation and orderly development. In 2019, we actively implemented and promoted the “change strategy” and continued the transformation of “error detection and correction” to “risk prevention” and “value enhancement”. We carried out 140 audit projects and annual project plan. There were 2,780 cases detected and the acceptance rate of audit recommendation has achieved 100%. At the same time, CMS has strengthened the standardization of audit supervision by promoting the institutional system, optimizing the project quality evaluation mechanism, improving the internal training, external communication, and the analysis of data layout, so as to promote a high-quality and efficient audit supervision. The internal audit in 2019 indicated no material defect in internal control, all business was carried out in compliance and at a steady pace.



Our project “Making full use of audit results and giving full play to the role of internal audit in the securities industry” was the only securities firm project selected for the “Typical Experience in the Use of Internal Audit Results” by the Experts of the Internal Audit Association.

Internal audit functions

Reporting progress	Consulting	Urging rectification	Strengthening collaboration
We prepared the “Key News Bulletin” to update the executives on audit progress, and issued risk notice and attention letter to auditees, immediate rectification or system improvement are required to prevent and resolve the concerned risks.	We have coordinated with branches for management system improvement, Enhance the ability of front-line risk identification and trouble-shooting to deploy internal control at an earlier stage.	We developed risk-specific data analysis indicator groups and urged the Company to optimize processes; We focused on new industry risks proactively, made prudent predictions, paid close attention to the concentration and evolution of business risks, and optimized information systems.	We formulated the operational guidelines for audit work, and strengthened the standardization of audit comprehensively; We assisted internal audit and special audit; With internal control synergy.

· Anti-money laundering management

CMS carefully and promotes the *Guidelines for the Management of Money Laundering and Terrorist Financing of Legal Person Financial Institutions*, the *Measures for Administration of Reporting of Large-amount Transaction and Suspicious Transaction of Financial Institutions*, the *Notice on Printing and Issuing the Specifications of the Data Extraction Interface for Anti-Money Laundering of Securities and Futures Insurance Institutions* and Hong Kong’s Regulations on the Fight against Money Laundering and Terrorist Financing (*Financial Institutions*), and has internally formulated the *Measures for the Management of Money Laundering and Terrorist Financing Risks* and the *Measures for the Confidentiality Management of Anti-Money Laundering*, and has set

up internal inspection, audit, performance assessment, reward and punishment mechanism to comprehensively advance various anti-money laundering efforts.

In addition to the construction of the anti-money laundering system, CMS has strengthened the anti-money laundering management through technical optimization and internal management.

·**Technical optimization.** The Company has established a central monitoring system to connect central monitoring, financial management platform, imaging system, centralized trading counter, etc., and provide a one-stop anti-money laundering data risk disposal platform for the Branch.

·**Internal management.** The Company timely announces latest anti-money laundering supervision and punishment cases, and strengthens the spot checks on risk levels and suspicious transactions.

In 2019, CMS formulated the *Measures for Anti-money Laundering Publicity Training Management*, and conducted internal training at all levels of the Company. Training contents are categorized into routine publicity and special publicity for different employees:

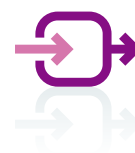
·**Routine publicity.** We publicize anti-money laundering to clients by understanding the meaning and risk of money laundering, way to stay away from money laundering and related criminal activities, and obligation of cooperating with financial institutions

·**Special publicity.** Each unit introduces clients with contents of upstream money laundering specific to its service, so that they can understand anti-money laundering and the national anti-money laundering policies.

· Anti-corruption management

We adhere to the *Criminal Law of the PRC*, the *Law of the PRC on Anti-Unfair Competition*, the *Regulations on the Prevention of Bribery of Hong Kong*, and regulate employee conduct at all management levels and in all business practices of the Company, subsidiaries and branches.

We continue to strengthen accountability for supervision and discipline by conducting timely investigations and trials over the clues of violations, such as internal audit, inspection by supervisory agency, petition and tip-off, etc., cadres who violate the rule are subject to disciplinary action to uphold Company’s accountability. Meanwhile, we actively verify petitions and tip-offs, continue to standardize and open the petition and tip-off channels, properly accept and handle petitions and tip-offs, strengthen comprehensive analysis and judgment, and seriously deal with unhealthy practices and corruptions around the people. We continue to carry out anti-corruption publicity and education, and make full use of internal publicity platforms such as E-learning and introduce courseware such as “the interpretation of the Supervision Law of the PRC”, “the Supervision and Discipline Work Rules” “the Disciplinary Punishment Regulations” to warn employees with the past violations occurring in the Company.



- A total of 19 disciplinary cases were investigated and handled throughout the year, and 77 people were subject to disciplinary actions.
- During the year, 29 problem clues were received and concluded by the end of the first quarter of 2020.
- Over 600 employees participated in Company’s anti-corruption education courses, more than 1,000 participations in case education.

CMS details the possible bribery to avoid violations for the businesses, such as brokerage, asset management, investment banking and private funds. CMS has established an anti-corruption accountability mechanism composed of *the Accountability Management Regulations* and the *Accountability Handling Rules*. All employees are subject to criticism and education, economic punishment, administrative treatment and administrative sanction according to the circumstances and consequences of violations. Offenders that incurred for criminal liability would hand over to a judicial authority for further actions. In 2019, we have increased the penalties for violations of discipline. During the whole year, 19 cases have been investigated and punished, while 77 people were dealt with seriously, due to illegal operation caused the company to suffer major economic losses, or quality of service caused serious damage to the company's reputation.

4. Supplier Management

The Company has issued *the CMS Procurement and Bidding Management Measures*, *the CMS Supplier Management Provisions* and *the Classification of Suppliers for Common Procurement based on the Law of PRC on Tendering and Bidding* and the *China Merchants Group Supplier Management Provisions* to regulate the whole process of supplier entry, selection, cooperation, assessment, supervision, and exit. We evaluate partner suppliers every year. Evaluation includes the delivery speed, business cooperation, acceptance results as well as the supplier's cost, technical level, quality of service and other aspects.

Sunshine procurement measures

The request department, the organizing department, and the supervising department perform their duties under the principles of compliance, fairness, collective decision-making, and conflicts of interests;

Key procurement posts are assigned based on roster to reduce vested interest;

All procurement contracts include relevant articles of compliance statements and intellectual property rights protection to clearly specify the intellectual property right ownerships of each concerned party.

CMS 2019 ESG Report

Respectful to Society

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

1. Serving the real economy

We closely follow the national strategic development plan and provide services on emerging industries and private industries to contribute to the development and integration of regional operations.

· Serving emerging industries

We respond to the national philosophy of “advancing the shift from 'Made in China' to 'Made by China', the shift from China's speed to China's quality, and the shift from great manufacturing nation to powerful manufacturing nation”, and continue to strengthen the emphasis on emerging industries and technological innovation. In 2019, we declared 12 sci-tech innovation board IPO projects, ranking 5th in the market. Among them, the three projects, i.e. Espressif Technology, Jiuri New Materials and Bioperfectus Technologies have completed IPO and listed.



CMS assisted Espressif Systems in the first listing on the sci-tech innovation board

In July 2019, CMS sponsored and underwrote Espressif Systems (Shanghai) Co., Ltd. (hereinafter referred to as “Espresso Systems”) for its first listing on the sci-tech innovation board. With our professionalism and quality services, Espressif Systems passed the regulatory review and became one of the first listed companies on the sci-tech innovation board. Meanwhile, CMS leveraged the advantages of the platform to provide a full range of services, assisting the senior management and other employees of Espressif Systems in the strategic placement of the offering through a special asset management plan.

· Supporting private enterprises

CMS upholds the purpose of supporting enterprises, actively participates in solving difficulties for private enterprises, and invests about RMB 3 billion in outstanding private enterprises including Huawei, Ali, JD.com and others. Among them, the par interest rate of participating in the investment of Huawei was 3.48%, which was far lower than the issuance rate of other enterprises with the same grade of high-quality enterprises, effectively reducing the costs of high-quality enterprises. At the same time, CMS actively participates in the creation of credit derivatives products. In early 2019, we have created credit protection tools for Guangzhou Automobile, which greatly boosted the market recognition of the subject. It highlighted our distinct innovation, which was also an important attempt of financial enterprises to support the real economy.

For private enterprises, we conscientiously fulfill our corporate social responsibility, and actively extend our financial and capital market services to the early stages of the enterprises' full life cycle, providing comprehensive and professional financial services for enterprises. In 2019, we focused on the implementation of the “Antelope Enterprise Growth Plan”, preparing inclusive financial department under investment banks, continued the construction of regional investment banks. We provided direct consulting service, financial advisory and other comprehensive financial services to help and support the rapid growth of private enterprises. We make full use of the advantages of the comprehensive service provider of “capital + capital intermediary”, integrate resources from all sides of the market, and provide seed enterprises with customized financial products covering the whole life cycle and all-round, as well as standardized training services in financial law and patent, so as to meet the financing needs of small-sized enterprises. We help enterprises to achieve standardized development from the very beginning and accompany them to grow together.

2. Targeted poverty alleviation

In response to the strategic deployment of *the 13th Five-Year Plan-Poverty Elimination Plan* by the State Council, and *the initiative of Opinions on Poverty Elimination with Capital Market Support* by China Securities Regulatory Commission, CMS has issued *the Assessment Plan on CMS Performance in Poverty Alleviation and Other Social Responsibilities*, and included the performance assessment in department annual appraisals and coordinated work progress through regular working meetings to contribute efforts for poverty-alleviation.

With on-going exploration and brainstorming on targeted poverty alleviation practices, CMS identified four key elements. It includes developing industries, supporting companies, ensuring tax income, increasing employment to focus our resources on in promoting the economic growth of poverty-stricken areas. CMS unleashes the powers of capital, knowledge and public services to provide targeted aide in industry development and financing, and through public services and consumption. We focus on the key nodes in the development chain by unleashing the driving forces of local leading companies and service-oriented governments, with supports from capital, knowledge, and public services. We give full play to superiority in poverty alleviation

CMS poverty alleviation model



· Mutual growth



Definitions

The “mutual growth” model is to provide capital support in developing local industries, improve talent development by increasing employment and retaining talents.



In 2019, CMS raised RMB 5.9774 billion for the poverty-stricken areas.

To CMS, serving companies in poverty-stricken counties is not a business but an effective mean for targeted poverty alleviation and local development. As a securities trader, CMS utilizes capital market instruments to support companies financing and expansion in a sustainable manner, such as assisting in the IPOs with our investment banking services and setting up securities branches. In addition, we also support the dual development of the local economy and provide employment opportunities to the poor people, so as to retain young talents and give impetus to the poverty-stricken areas.



CMS assisted in the equity listing of companies in the poverty-stricken areas

In 2019, two companies registered in state-level poverty-stricken counties were listed on the New OTC Market under the supervision of the Company. They are Tianyi Seal (Neixiang, Henan) and Anhe Hydropower (Leibo, Sichuan). As the sponsor of the two companies, we actively assisted in improving the level of information disclosure and corporate governance and enhanced local development capabilities in the poverty-stricken areas.

In addition, CMS actively assisted Muyuan Foods Co., Ltd., a company from a poverty-stricken county, to complete the non-public offering with RMB 5 billion raised. The funds raised will be used for hog capacity expansion projects, repayment of loans from financial institutions and interest-bearing liabilities. The fundraising for the investment projects enabling Muyuan Foods to focus on its major business. Increasing the scale of assets and main business enhances its profitability and sustainable growth, and to increase the income for the poverty-stricken county.

· Growth in knowledge and ambition



Definitions

The combination of "intelligence and confidence" is to provide local governments with expertise, techniques, capital market knowledge, and management methods to support the local development of the poverty-stricken county.

CMS carried out the "Aspiring School" to cultivate talents for developing the poverty-stricken counties. We strive to transforming the poverty-stricken counties into financial strategic highlands by conducting researches on financial-led poverty alleviation. We published three-year financial development strategy reports for townships in the poverty-stricken counties as a way for them out of poverty and an outline for revitalizing the rural future development.

In December 2019, CMS set up a "poverty-relief Shitai Youth Research Group" to carry out on-site research in Shitai County, Chizhou City, Anhui Province. Through the analysis of the local capital market development situation, regional advantages and disadvantages, we actively assisted the local government in development strategies. Since then, our research group combined the first-hand information obtained by on-site research with current situation of Shitai County to analyze the problem from a professional perspective. Recommendations have been made while a development planning report has been submitted to the local government.



Case Study:

CMS built schools, libraries and hospitals in Shitai County

Since 2016, CMS assisted in the poverty alleviation of Shitai County from the financial, industrial and educational aspects. In 2019, CMS conducted an on-site survey on the Dream Classroom of Shitai County No. 2 Middle School, the construction site of the county library and the county hospital, to understand the use of the Dream Classroom, curriculum arrangement, and student participation, as well as the construction of the library and the current situation of the county hospital's medical equipment and talent team.

CMS will continue to actively utilize industry resources and its own advantages to level up the poverty alleviation. We will continue to consolidate and expand the Aspiring School and Dream Classroom projects, support poor college students and carry out poverty alleviation via education. Besides, it will explore new opportunities for cooperation, develop negative oxygen, selenium-enriched tourism resources with publicity and promotion.

· Equality and altruism



Definitions

For urgent challenges neither local governments nor commercial organizations are able to address, CMS resolves the dilemma through public services.



In 2019, CMS contributed RMB 1.34 million towards public programs such as poverty alleviation, education and medical cares.

Abiding by the charity law of People's Republic of China, CMS established "Shenzhen Merchants Securities Foundation" in 2015 to act as the community service platform for targeted poverty alleviation. In 2016, Shenzhen CMS Charitable Foundation and China Foundation for Youth Entrepreneurship and Employment established "CMS College Students Employment Special Fund" under the "On Thousand Schools, Ten Thousand Jobs", providing internships opportunities for over 1,000 college students in the financial sector annually. Priorities were given to students from the unemployed families, families with preferential treatment, rural poverty-stricken households, and urban and rural households with allowances.

CMS' Charitable Donations in 2019

The Company participated in the 2019 Beijing Good Walker Public Welfare Walking Event and donated RMB 20,000 to the poor people in Shexian County.

Continued to donate an additional RMB 1.2 million to "Peking University CMS Future Leader Education Fund" to support the project.

Donated RMB 30,000 to "Hubei Charity Federation Retired Soldiers Care Fund" to support the care and assistance activities for the retired soldiers in need.

Donated RMB 90,000 to 18 college students from poor families in Shitai County, Anhui Province to support their daily living expenses, study materials and other expenses.



2019
Beijing Good Walker Public Welfare Walking

3. Supporting environmental protection

Following the Law of the PRC on Energy Conservation and the Law of PRC on Environmental Protection, we actively develop green finance products, advocate sustainable development, and promote green commuting and green office.

· Green finance

In 2017, China Securities Regulatory Commission, National Association of Financial Market Institutional Investors, and the People's Bank of China issued instructions and business guidelines on green bond as supporting regulations.



Three green bonds were issued in 2019, with an estimated underwriting scale of RMB 3.135 billion.



CMS assisted in the issuance of the first domestic retail green ABS certification

In March 2019, CMS, as bookkeeper and exclusive lead underwriter, assisted in the first issuance of "HEXIN 2019-1 TRANCH C" in the interbank bond market. It was the first retail ABS obtained the "green certification" in China. CMS actively supported the national green finance planning by developing product design and issuance plans, and closely communicate with the domestic and foreign intermediaries on the issuance plans. The funds raised from the issuance will be used to issue personal loan for new energy vehicle installment to promote the development of new energy vehicle industry, as well as the development of supporting facilities such as supporting charging and energy supply. It steps up the application of green finance in the new energy vehicle industry.



CMS assisted in issuing green credit ABS

In October 2019, the "FEICHI JIANRONGCLO SERIES 2019-1 TRANCH C" was issued in the interbank bond market with a total of RMB 4.412 billion. CMS was the lead underwriter for the project. Green credit ABS was selected from five categories in the Catalog of Green Bond Supported Projects as basic asset pool, including pollution prevention, resource conservation and recycling, clean transportation, clean energy, ecological protection, and adaptation to climate change. The green credit ABS obtained double green certification. In addition, the source of funds and fund raised from the basic asset pool of the project will be used for green projects investment.

· Green office

CMS complies with the Law of the PRC on Environmental Protection, the Administration Measures of Shenzhen Municipality on Kitchen Garbage and the Measures of Shenzhen Municipality on the Classification and Reduction of Domestic Garbage, and focuses on energy saving and waste reduction in office and daily life. Our business operations and daily operations are becoming electronic. Reducing energy consumption and extending the useful life of fixed assets are our primary concerns. There is no event causing significant emissions of major pollutants that would affect the ecological environment. We have taken measures to nurture employees' consciousness on recycling and energy saving, emission reduction and environmental protection.

Saving office supplies	Energy saving	Water conservation	Reducing paper consumption
<p>he Company established "China Merchants Securities Management Measures of Fixed Assets and Low Priced and Easily Worn Articles" to encourage the transfer with compensation and donation of large fixed assets such as office desks and chairs.</p>	<p>We promote the use of LED lamps to reduce lamp consumption; lights are turned off when leaving for energy saving;</p> <p>All office equipment is turned off when not in use;</p> <p>In summer, temperature of the air conditioner maintained at 26 °C room temperature.</p>	<p>In our offices and securities branches, water saving signages are put up at the faucets and water machines;</p> <p>water saving faucets and wash downs are installed in rest-rooms;</p> <p>security guards would make sure all electrical appliances in the office to fulfill the requirements of the "China Merchants Securities Patrol Guidelines to Security Guard".</p>	<p>We fomulated Guidelines of China Merchants Securities for Paper File Digitalization and promote the electronic trading platform to our customers;</p> <p>In addition, we advocate "paperless office" in the Company;</p> <p>and gradually convert to rental printers to reduce environmental impacts caused by frequent replacement of toner cartridges and ink cartridges.</p>



CMS strengthened the energy conservation for its Data Center Computer Room

The Data Center Computer Room is the Company's major source electricity consumption. To reduce energy consumption, the Company established "Headquarter Data Center Computer Room Operation Environment Management Guidance" to regulate the operation of Data Center equipment, and adopts the following measures:

- Improve UPS operation efficiency with concentrated cooling system and high-frequency UPS system;
- Reduce energy consumption with intelligent fans and lighting system, insulated cold channel, and multi-level heat preservation for the building.

Appendix I 2019 Social Recognition

Awarder	Award
China Securities Regulatory Commission	National education base for securities and Futures Investors
China Foreign Exchange Trading Center	Interbank local currency transactions top 300 (Fourth in the securities companies)
	2019 Core Traders in the Interbank Local Currency Market
	2019 Interbank Excellent Bond Market Trader
	2019 Interbank Technology Award
China Government Bond Registration and Settlement Corporation	2019 China Bond Market Excellent Self-Employed
China Fund News	2018 Best Fund Sales Broker Award
China Asset Securitization Forum	2018 Excellent Institution Award
Shanghai Stock Exchange	2018 Corporate Bond Comprehensive Innovation Award
	2018 Excellent Corporate Bond Underwriter
	2018 Excellent Trustee
	2018 Excellent Participating Organization for Product Innovation
	Outstanding Member of Enterprises Listed on the Sci-Tech Innovation Board
	The Second in “Options Broker Top 10”
	2019 Excellent Member of Sci-Tech Innovation Board Investor Education
National Association of Financial Market Institutional Investors	2019 Best Organization Award for Investor Education and Protection Theme Activities
	2018 Interbank Market Excellent Credit Default Swap Attempt Quotation Institution
Shenzhen Stock Exchange	Excellent Organization in Fixed Income Investment Innovation
	Bond Investment Institution Award
	2019 Excellent Investor Education Member Team
	Awarded the Excellence Prize of Investment Risk Category of “Investment Knowledge Micro Class”
New Fortune Magazine	No. 3 in “Best Local Investment Bank”
	No. 3 in “Best Securities Underwriting Investment”
	No. 2 in “Best NEEQ Investment Bank”
	No. 2 in “Most Innovative Investment Bank”
	No. 1 in “Most Potential Investment Bank”
Securities Times	No. 3 in “Best Investment Bank in Medicine and Health”
	2019 Junding Award of China Almighty Investment Bank
	2019 Junding Award of Bond Investment Banks of China Exchanges
	2019 Junding Award of China IPO Investment Banks
	Most Respected Investment Bank Top 10
	Most Respected Market Department Top 10
	Most Respected Refinancing Investment Bank
	Most Respected Debt Financing Investment Bank
	Most Respected M&A Investment Bank
	Most Respected Refinancing Team-CMS Investment Bank TMT Industry Team
	Most Respected Debt Financing Team-CMS Investment Bank Infrastructure and Real Estate Industry Team
	Golden Bull Wealth Management Team
	2019 International Pioneer Investment Bank
	2019 A-share IPO Pioneer Investment Bank
International Financial News (People's Daily)	2019 ABS Pioneer Investment Bank
	2019 Bond Underwriting Pioneer Investment Bank

asures for

Appendix II List of Policies

ESG Index	Laws and Regulations	Company Policies, Measures and Guidelines
A1: EMISSIONS	<i>the Law of the PRC on Environmental Protection</i> <i>the Administration Measures of Shenzhen Municipality on Kitchen Garbage</i> <i>the Measures of Shenzhen Municipality on the Classification and Reduction of Domestic Garbage</i>	<i>the CMS Management Measures of IT assets</i> <i>the CMS Management Measures of Fixed Assets and Low Priced and Easily Worn Articles</i>
A2: USE OF RESOURCES	<i>the Law of the PRC on Energy Conservation</i>	<i>the Guidelines of CMS for Paper File Digitalization</i> <i>the CMS Patrol Guidelines to Security Guard</i> <i>the Operation Environment Management Guidance. for Headquarter Data Center</i>
A3: ENVIRONMENT AND NATURAL RESOURCES	<i>the Law of the PRC on Environmental Protection</i> <i>the Law of the PRC on Energy Conservation</i> <i>the Administration Measures of Shenzhen Municipality on Kitchen Garbage</i> <i>the Measures of Shenzhen Municipality on the Classification and Reduction of Domestic Garbage</i>	<i>the CMS Management Measures of IT assets</i> <i>the CMS Patrol Guidelines to Security Guard</i>
B1: EMPLOYMENT	<i>the Labor Law of the PRC</i> <i>the Labor Contract Law of the PRC</i> <i>the Trade Union Law of the PRC</i> <i>the Employment Ordinance of the Government of Hong Kong</i>	<i>the CMS Attendance Management Requirements</i> <i>the CMS Management Measures for Brokers</i> <i>the CMS Management Measures for Account Managers</i> <i>the Measures of CMS for Staff Recruitment Management</i>
B2: HEALTH AND SAFETY	<i>the Production Safety Law of the PRC</i> <i>the Law of the PRC on the Prevention and Control of Occupational Diseases</i> <i>the Work-related Injury Insurance Regulations</i>	<i>the CMS Attendance Management Requirements</i> <i>the CMS Administrative Procurement Management Implementation Measures</i>
B3: DEVELOPINGAND TRAINING	-	<i>the CMS Policy on Position Ranking</i> <i>the CMS Training Management Policy</i> <i>the CMS Trainer Management Policy</i> <i>the CMS Online Training Policy</i> <i>the CMS Outsourced Training Policy</i> <i>the CMS Internal Management on Trainer and Training Development</i> <i>the CMS Online Training System Management Approaches</i> <i>the Regulations of CMS on Training Hours of Staff</i> <i>the CMS Training Curriculum System Interim Management Approaches</i>
B4: LABOR STANDARDS	<i>the Labor Law of the PRC</i> <i>the Employment Ordinance of the Government of Hong Kong</i>	<i>the CMS Attendance Management Requirements</i>
B5: SUPPLY CHAIN MANAGEMENT	<i>the Law of the PRC on Tendering and Bidding</i> <i>the Implementation Regulations on the Law of the PRC on Tenders and Bids</i> <i>the Interim Regulations on Tender Evaluation Committee and Tender Evaluation Method</i> <i>the Measures on Tender and Bidding for Engineering in Construction Projects</i> <i>the Measures on Tender and Bidding for Goods in Construction Projects</i> <i>the Regulations on Construction Projects Obligated to Tender</i>	<i>the China Merchants Group Procurement Management Policy</i> <i>the China Merchants Group Supplier Management Measures</i> <i>the CMS Procurement and Bidding Management Measures</i> <i>the CMS Contract Management Policy</i> <i>the CMS Supplier Management Provisions</i>

B6: PRODUCT LIABILITY	<i>the Measures for Compliance Management in Securities Companies and Investment Funds Management Companies</i> <i>the Measures for the Suitability Management of Securities and Futures Investors</i> <i>the Guidelines for the Implementation of the Suitability Management of Investors in Securities Business Institutions (trial)</i> <i>the Guidelines for Internal Control of Securities Companies</i> <i>the Measures for Compliance Management in Securities Companies and Investment Funds Management Companies</i> <i>the Specifications for Comprehensive Risk Management of Securities Companies</i> <i>the Securities and Futures Ordinance (Hong Kong).</i> <i>the Guidelines for Bank Consolidation Supervision (Trial)</i>	<i>the CMS Compliance Manual.</i> <i>CMS Investor Suitability Management Approaches</i> <i>the CMS Regulations on confidentiality</i> <i>the CMS Confidentiality Requirements</i> <i>the CMS IT System Data Confidentiality Management Approaches</i> <i>the CMS Financial Service Outsourcing Confidentiality Management Approaches</i> <i>the CMS Client Complaint-handling Management Approaches</i> <i>the CMS Retail Client Complaint-handling Measures</i>
	<i>Criminal Law of People's Republic of China.</i> <i>Anti-Money Laundering Law of People's Republic of China.</i> <i>Law of the People's Republic of China on Anti-Unfair Competition.</i> <i>Law of People's Republic of China on Tendering and Bidding.</i> <i>Regulations on the Prevention of Bribery in Hong Kong Special Administrative Region of the People's Republic of China.</i> <i>Measures for Administration of Reporting of Large-amount Transaction and Suspicious Transaction of Financial Institutions.</i> <i>Hong Kong's Regulations on the Fight against Money Laundering and Terrorist Financing (Financial Institutions).</i> <i>Guidelines for the Management of Money Laundering and Terrorist Financing of Legal Person Financial Institutions.</i> <i>Notice on Printing and Issuing the Specifications of the Data Extraction Interface for Anti-Money Laundering of Securities and Futures Insurance Institutions.</i>	<i>the CMS Compliance Manual.</i> <i>the CMS Procurement Management Policy</i> <i>the CMS Branch Anti-Money Laundering Internal Control Policy</i> <i>the CMS Client Identification Management Approaches.</i> <i>the CMS Client Identity Approaches,</i> <i>Transaction Records Documentation and Management</i> <i>the Measures of CMS for Risk Classification Management of Anti-money Laundering Clients</i> <i>the Regulations for the Decision of “3-Significant and 1-Large” Issues</i> <i>the Notice on Printing and Issuing the Specifications of the Data Extraction Interface for Anti-Money Laundering of Securities and Futures Insurance Institutions</i> <i>the Measures for the Management of Money Laundering and Terrorist Financing Risks</i> <i>the Measures for the Confidentiality Management of Anti-Money Laundering</i> <i>the Measures for Anti-money Laundering Publicity Training Management</i> <i>the Regulations on accountability management of CMS</i> <i>the Detailed rules for accountability of CMS</i> <i>the On-site Audit Work Operating Rules.</i> <i>the Measures for Branch Personnel Resignation Audits</i> <i>the Audit Archives Working Rules.</i>
B7: ANTI-CORRUPTION		
B8: COMMUNITY INVESTMENT	<i>the Charity Law of PRC</i>	<i>the CMS Foundation Chapter</i>

Appendix III List of Quantitative Data

ESG Index		Unit	2019	2018	2017	2016
A. Environment						
A1. Emissions						
A1.1	types of emissions, related emission data and density					
	total emission of nitrogen oxide	g	1,201,727	1,058,619	/	/
	emissions of nitrogen oxide, per capita	g/person	162	110	/	/
	total emission of particulate matter	g	88,481	77,944	/	/
	emissions of particulate matter, per capita	g/person	11.93	8.07	/	/
	total emission of sulfur oxide	g	9.30	10.17	14.41	16.59
	emissions of sulfur oxide, per capita	g/person	0.001	0.001	0.001	0.001
	total discharge of domestic wastewater	ton	95,648	100,207	99,843	93,133
	discharge of domestic wastewater, per capita	ton/person	12.90	10.40	9.39	8.61
A1.2	emission and density of greenhouse gas					
	range 1 - total gasoline emissions	ton	1,493	1,572	2,228	2,565
	range 1 - gasoline emissions, per capita	ton/person	0.20	0.16	0.21	0.24
	range 1 - total diesel emissions	ton	3.22	6.97	5.38	4.33
	range 1 - diesel emissions, per capita	ton/person	0.0004	0.0007	0.0005	0.0004
	range 2 - total emissions of purchased electric power	ton	17,552	18,107	10,456	10,182
	range 2 - emissions of purchased electric power, per capita	ton/person	2.367	1.87	0.98	0.9
	total greenhouse gas emissions	ton	19,049	19,686	12,689	12,752
	per capita emissions of greenhouse gases	ton/person	2.57	2.04	1.19	1.2
A1.3	total amount and density of harmful waste produced					
	total amount of ink cartridge	piece	1,326	1,433	2,094	6,408
	per capita amount of ink cartridge	piece/person	0.18	0.15	0.20	0.60
	toner cartridge	item	4,019	4,714	4,723	4,,766
	per capita amount of toner cartridges	item/person	0.54	0.49	0.44	0.44
	lamp	piece	7,127	6,938	11,535	9471
	per capita amount of the lamp	piece/person	0.96	0.72	1.08	0.88
A1.4	total amount and density of harmless waste produced					
	electronic equipment	set	1,467	1,688	618	1,681
	per capita amount of electronic equipment	set/person	0.20	0.17	0.06	0.16
A2. Use of resources						
A2.1	energy consumption and density					
	power consumption	kWh	20,978,053	29,025,245	15,542,884	15,054,277
	per capita electricity consumption	kWh/person	2,828	3,003	1,462	1,392

	gasoline consumption	kL	585	692	980	1,128
	total amount of gasoline per capita	kL/person	0.08	0.07	0.09	0.10
	diesel consumption	kL	1.23	2.67	2.061	1.66
	per capita consumption of diesel	kL/person	0.0002	0.0002	0.0002	0.0002
A2.2	water resources consumption and density					
	water consumption	ton	106,275	111,341	110,936	103,481
	water consumption per capita	ton/person	14.33	11.52	10.43	9.57
	Note: The denominator of the above data is the total number of employees by the end of the reporting period. The 2016 environment data consist of the full-year data from our Shenzhen headquarter (First Tower), 10 branches, 191 securities branches and 4 controlled subsidiaries. The 2017 environment data consist of the full-year data from our Shenzhen headquarter (First Tower), 11 branches, 193 securities branches and 5 controlled subsidiaries. The 2018 environment data consist of the data from our Shenzhen headquarter (CMS Building and First Tower) and IT center, 12 branches, 249 securities branches and 5 controlled subsidiaries. The 2019 environment data consist of the full-year data from our Shenzhen headquarter (CMS Building) and IT center, 12 branches, 259 securities branches and 5 controlled subsidiaries.					
	B.Society					
B1.1	number of employees: according to gender, type of employment, age and region					
	number of people	person	8,757	9,664	10,633	10,817
	male	person	5,031	5,610	6,169	6,327
	female	person	3,726	4,054	4,464	4,490
	under 30 (including 30)	person	3,765	4,845	5,945	6,688
	31-40	person	3,683	3,575	3,434	2,991
	over 40	person	1,309	1,244	1,254	1,138
	within China (mainland China)	person	8,407	9,327	10,246	10,373
	overseas China (including Hong Kong, Macao and Taiwan)	person	350	337	387	444
B1.2	employee turnover and loss ratio: according to gender, age and region					
	general staff turnover rate	%	9	11	13	11
	Calculation formula: total employee turnover of the reporting period / (total new employees of the reporting period + total employees at the end of last reporting period)					
B3.1	proportion of trained employees: divided according to the type of employment					
	non-marketing staff	%	59	53	47	36
	marketing staff	%	41	47	53	64
B3.2	employees' average training hours: classified according to the type of employment					
	non-marketing staff	hour	39.69	54	49	64
	marketing staff	hour	79.40	83	81	58
B5.1	suppliers divided by region					
	suppliers in Shenzhen	item	146	112		
	suppliers in mainland China (except Shenzhen)	item	194	186		
	overseas suppliers	item	17	3		
B7.1	the number of corruption litigation cases					
	the number of cases involving corruption, bribery, extortion, fraud and money laundering	case	0	0	0	0
B8.2	resources used in the focus category					
	value of charity donation	10,000 (RMB)	134	180	243	/

Appendix IV Content Index

Aspect, General Disclosure and KPI	Description	Relevant Chapters
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	8.3 Supporting environmental protection
KPI A1.1	The types of emissions and respective emissions data.	Appendix III List of Quantitative Data
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix III List of Quantitative Data
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix III List of Quantitative Data
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix III List of Quantitative Data
KPI A1.5	Description of measures to mitigate emissions and results achieved.	8.3 Supporting environmental protection
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	8.3 Supporting environmental protection
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	8.3 Supporting environmental protection
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).	Appendix III List of Quantitative Data
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix III List of Quantitative Data
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	8.3.2 Green office
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	8.3.2 Green office
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Company's financial products need no packaging material, so this indicator is not applicable
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	8.3.2 Green office
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	8.3.2 Green office
B1: Employment		

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6 Pride to Employees
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix III List of Quantitative Data
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix III List of Quantitative Data
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.2 Strengthening employee care
KPI B2.1	Number and rate of work-related fatalities.	Non-disclosure
KPI B2.2	Lost days due to work injury.	Non-disclosure
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.2 Strengthening employee care
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Improve training and promotion
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix III List of Quantitative
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix III List of Quantitative
B4: Labor Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	6.1 Equal employment
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	6.1 Equal employment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Equal employment
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	7.3 Supplier Management
KPI B5.1	Number of suppliers by geographical region.	Non-disclosure
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	7.3 Supplier Management
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5 Trustworthy to Clients

KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Company's financial products need no recalls, so this indicator is not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Non-disclosure
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	7.2 Risk and compliance internal control management
KPI B6.4	Description of quality assurance process and recall procedures.	5.2 Protecting the rights and interests of clients
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2 Protecting the rights and interests of clients
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	7.2 Risk and compliance internal control management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Appendix III List of Quantitative
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	7.2 Risk and compliance internal control management
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8 Respectful to Society
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	8 Respectful to Society
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Appendix III List of Quantitative