

LUCION

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

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

Stock Code: 1697



2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THIS REPORT

REPORTING SCOPE

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



REPORTING PERIOD

Unless otherwise specified, the period covered for this report is 1 January 2019 to 31 December 2019 (the “Reporting Period”).



REPORTING CYCLE

This report is prepared annually.



BASIS OF PREPARATION

This report has been prepared by the Company in accordance with the *Environmental, Social and Governance Reporting Guide* (hereinafter referred to as “ESG Reporting Guide”) described in Appendix 27 of the Rules Governing the Listing of Securities (hereinafter referred to as the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Stock Exchange”), for the purpose of disclosing the comprehensive performance of SITC in creating values for shareholders and customers and SITC’s proactive fulfillment of social responsibility. This report should be read together with the Corporate Governance Report from *2019 Annual Report* of the Company and Corporate Social Responsibility section of the Company’s official website for a more comprehensive understanding of the Company’s environmental, social and governance performance.

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



ABOUT THIS REPORT (Continued)

SOURCE OF INFORMATION

The financial data in this report is extracted from the *2019 Annual Report* of SITC, while other information and data are sourced from the internal management documents and statistical information of the Company. Unless otherwise indicated, the currency for denomination in this report is Renminbi (hereinafter referred to as “RMB”).



FORM OF PUBLICATION

This report is issued in the form of printed version and electronic version. The printed version is available for inspection by the Company's shareholders and stakeholders at the Company's Office of Securities Affairs Department; the electronic version can be downloaded from the official website of the Company (www.sitic.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).



CHAIRPERSON'S STATEMENT

2019 is the 70th anniversary of the establishment of the PRC and a critical year when SITC accelerated the promotion of its transformation and innovation, and achieved high quality development. Facing the complicated and changing economic and financial situations as well as the regulatory environment emphasising stringent regulation, strengthened compliance and valued governance, the Company firmly adhered to the general principle of “seeking progress while maintaining stability”, conducted rational analysis and research on the market condition, calmly dealt with severe challenges, and coordinated for the promotion of “strengthening Party building, promoting reform, returning to the original commitment, serving the real economy, optimising structure, and preventing risks”. The development of the Company maintained stable and its main operating indicators are in line with expectations. The Company developed new growth drivers and accelerated its application, remarkably enhanced the quality and efficiency of its business, improved its risk prevention and control system, continuously solidified the foundation of its compliant operations, and further bolstered its governance system. In 2019, the Company recorded an operating revenue of RMB1.887 billion, net profit attributable to shareholders of the Company of RMB664 million, and cashed trust benefits of RMB15.458 billion to trust beneficiaries. The Company has always adhered to the positioning as the trustee, maximised its trust advantages, returned to the original purpose of trust, insisted on serving the real economy, constantly provided innovative financial services, practically fulfilled social responsibilities, and made trust contributions to driving high-quality economic development and helping create better life for people.

In 2019, we further promoted reform and innovation, and sought to constantly improve the quality and efficiency of our financial services. We have accelerated the establishment of “smart trust” and officially launched the SITC APP, continuously increasing the prominent role of technology empowering finance. We have promoted an increasingly mature operation model of family trust and constantly increased the brand influence of “De Shan Qi Jia” (德善齊家). In addition, we conscientiously improved protection of consumers' rights and interests, and provided innovative education activities for investors, in order to actively create a sound financial consumption environment.

In 2019, we adhered to high-quality development and conscientiously served the real economy. We took “gathering capital to develop Shandong” as our mission, increased the financial supply within Shandong Province, fully supported major projects for the conversion of old growth drivers to new growth drivers. We maximised our trust advantages to effectively guide social capitals and conscientiously served the real economy.

In 2019, we vigorously promoted the inclusive finance to help create a better life for people. With the successful launch of the “Tian Xi Ying” (天禧盈) cash management product, the scale of consumption trusts continued to expand and service trusts were poised for launch. We actively promoted the inclusive finance with trust features to help meet people's needs for a better life.

In 2019, we leveraged on the charitable trusts to win the tough battle against poverty. We proactively performed our social responsibilities and innovated charitable trust modes to support the development of charitable and public welfare causes. With “Major Secretary” staying in villages to help villagers, we formulated and implemented measures according to local conditions, and adopted targeted poverty alleviation policies to jointly win the tough battle against poverty.



CHAIRPERSON'S STATEMENT (Continued)

In 2019, we actively practiced the idea of “people-oriented” and cared more about the growth of employees. The Company is committed to working with all of its employees to build a “home culture” to comprehensively ensure the physical and mental health of employees. The Company continued to deepen the reform of “three systems”, strengthened employee training and improved their professional skills.

2020 is destined to be an extraordinary year. Confronted with the unexpected outbreak of COVID-19 pandemic, we took active measures, fulfilled our responsibilities and made trust contributions to winning the battle of prevention and control of the pandemic. Under the guidance of “135” strategies, we will rely on serving the real economy as our roots, returning to our foundations as our core, leveraging smart trusts as our pillars, and giving play to the advantages of the Hong Kong listing platform, firmly take new steps towards the transformation, innovation and high-quality development, grow and share the achievements of development together with shareholders, customers and employees!



A handwritten signature in black ink, appearing to read 'Wan Zhong'.

For and on behalf of all directors

Wan Zhong
Chairperson



ABOUT SITC

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

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

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

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



ABOUT SITC (Continued)

The growth of SITC in recent years has been recognised and praised by different sectors in the society, and successively evidenced by numerous awards, such as “Best IPO Award of the Year of 2017”, “Most Valuable Financial Stock in the 2018 Golden Hong Kong Stocks Awards”, “Shandong Charitable Award – the Most Influential Charity”, “Integrity Trust – Excellent Company Award”, “Integrity Trust – Management Team Award”, “Best Innovative Trust Company”, “Best Socially Responsible Trust Company Award”, “Best Financial Service Entity Award”, “Excellent Risk Control Award”, “Best Corporate Governance Award”, and “Best Information Disclosure Award for Hong Kong Listed Companies”. As a state-owned enterprise based in Shandong Province, the Company received high recognition in the province for its development and was awarded with the honorary title of “Advanced Company Contributing to Financial Development of Shandong Province” by the government of Shandong Province. Also, the Company has won the “Financial Innovation Award of Shandong Province” for three consecutive years.

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



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LUCION



GOVERNANCE

CORPORATE GOVERNANCE

In 2019, the Company, in accordance with domestic and overseas regulatory requirements, continuously increased the transparency of corporate governance so as to safeguard the interests of the shareholders and increase corporate value. In accordance with the Listing Rules and the relevant requirements of the *Company Law of the People's Republic of China* (《中華人民共和國公司法》), *Guidelines for the Governance of Trust Companies* (《信託公司治理指引》), etc., the Company has clearly classified the responsibilities among the shareholders' general meeting, the Board of Directors of the Company (hereinafter referred as to the "Board"), the Board of Supervisors of the Company (hereinafter referred to as the "Board of Supervisors") and senior management, establishing a more comprehensive corporate governance structure.

In particular, the shareholders' general meeting acts as the highest authority of the Company; the Board is held accountable to shareholders; the Board of Supervisors oversees the operation of the Company and the performance of duties of the Board and senior management; the senior management is responsible for the implementation of resolutions from the Board and the daily operation and management of the Company, as well as regular reporting to the Board and the Board of Supervisors.

The Shareholders' General Meeting

During the Reporting Period, the Company convened a total of two shareholders' general meetings, at which, 16 resolutions were approved. The convening of shareholders' general meetings is in line with applicable legal procedures. All shareholders properly exercised shareholders' rights at such meetings.

The Board

As of the end of 2019, the Board comprised seven Directors. The Board has established six special committees, namely, the Business Decision Committee, the Strategies and Risk Management Committee, the Audit Committee, the Human Resources and Nomination Committee, the Remuneration Committee and the Trust Committee, which are operated under the leadership of the Board and make recommendations in respect of decisions made by the Board. In 2019, the Company convened a total of eight Board meetings, at which, 39 resolutions were considered.

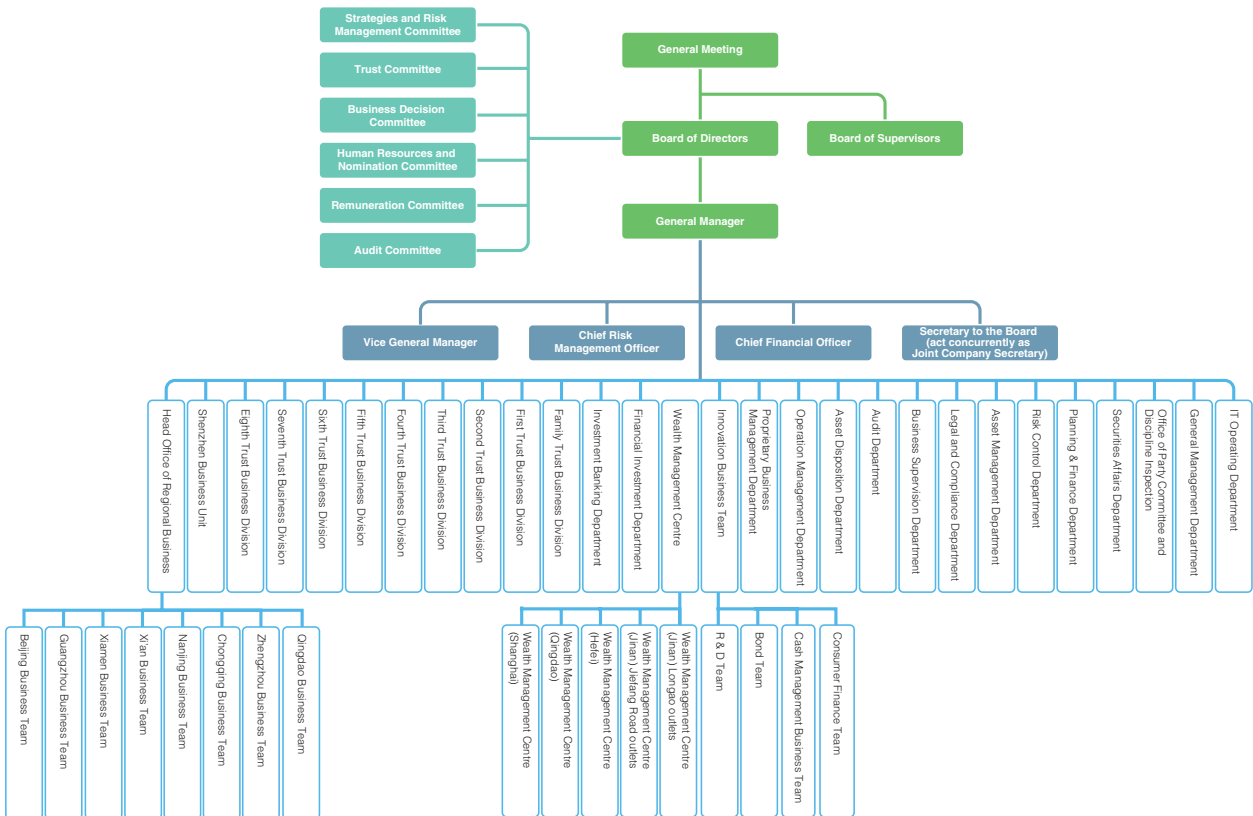


GOVERNANCE (Continued)

The Board of Supervisors

As of the end of 2019, the Board of Supervisors consisted of nine Supervisors. In 2019, the Company convened four meetings of the Board of Supervisors, at which, 12 resolutions were considered.

Corporate Governance Structure



GOVERNANCE (Continued)

Investor Relations

In 2019, the Company maintained close communication with capital market and investors through holding results presentation, carrying out investor roadshows and attending activities held by third party institutions. In March, the Company convened the 2018 annual results presentation in Hong Kong and invited stakeholders such as investors, media and analysts to attend. In September, the Company attended the “Connectivity • Win-Win – 2019 Hong Kong Listed Companies Investment Summit and Investors Reception Day” organised by Quanjing, to interact and communicate with investors online and offline. In December, the Company attended “Gelonghui • Global Investment Carnival • 2019” organised by Gelonghui, and held a special roadshow to introduce to investors the investment highlights of the Company, which successfully showed market presence, attracted public attention and maintained good interactions with investors.



The Company held the 2018 annual results presentation in Hong Kong



The Company attended “Gelonghui • Global Investment Carnival • 2019” organised by Gelonghui, and held a special roadshow



GOVERNANCE (Continued)

COMPLIANCE WITH LAWS AND REGULATIONS

Operations in Compliance with Laws and Regulation and Prevention and Control of Financial Risk

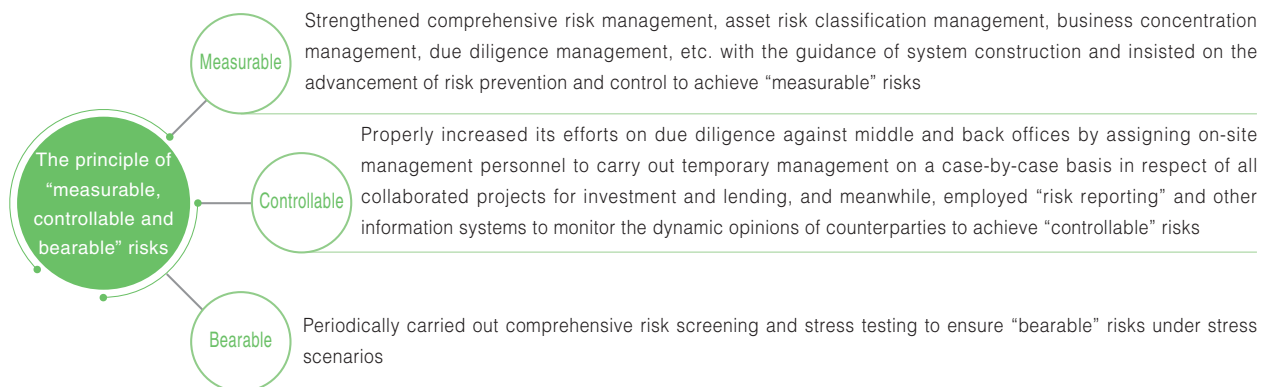
In 2019, facing the complicated and changing economic and financial situation as well as the regulatory environment emphasising stringent regulation, strengthened compliance and valued governance, the Company focused on accelerating the conversion of old growth drivers into new growth drivers, and intensified its efforts to support the development of the real economy with adherence to the essential requirement of high-quality development. In addition, the Company also maintained comprehensive improvement of our risk management system and actively put into practice the operation concept of “compliance creates value” to ensure sound and efficient business management.

Continuously solidifying the foundation of compliant operations. Taking the opportunity of the activity “The Year 2019 for Industry Norms Building”, the Company kept promoting the concept that “prioritises compliance, requires all staff to comply with laws and regulations consciously and encourages staff to create value when complying with laws and regulations”. It established a compliance management system that “defines rules on internal control, sets restrictions on each department, specifies responsibility of each position, sets procedures for all operation, requires supervision over all processes, demands close monitoring on risks, requests performance assessment, and sets clear accountability”. In 2019, the Company revised 33 systems, covering business, compliance, risk control, finance, staff management and protection of consumers’ rights and interests and other key fields, further improving internal control management system of the Company; conducted special projects in key fields with at least 10 times of examination on both regular and irregular basis, eliminating the potential compliance risks; consistently carried out comprehensive annual internal audit, internal control assessment, special audit on credit collection, special audit on the compliance of trust business, special audit on anti-money laundering work and special audit on work of consumer’s rights and interests protection, providing a strong support for operations in compliance with laws and regulations.

The Company followed the principle of “measurable, controllable and bearable” to continuously establish and improve the risk management system.



GOVERNANCE (Continued)



Strict Performance of its Obligation of Anti-Money Laundering as a Financial Institution

In accordance with relevant laws and regulations including the *Anti-money Laundering Law of the People's Republic of China* (《中華人民共和國反洗錢法》), the *Rules for Anti-money Laundering by Financial Institutions* (《金融機構反洗錢規定》), the Company developed and implemented the *Administrative Measures on Anti-Money Laundering* (《反洗錢管理辦法》) and made amendments periodically in accordance with the latest regulatory rules. The measures defined the Company's anti-money laundering system and standardised work on anti-money laundering management, ensuring that the Company could perform the obligations for anti-money laundering in accordance with applicable laws and regulations on anti-money laundering.

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

Standardisation of Intellectual Property Rights, Trademarks and Advertising Management

In compliance with the *Copyright Law of the People's Republic of China* (《中華人民共和國著作權法》), the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》), the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), and other laws and regulations, the Company is entitled to intellectual rights such as using trademarks and domain names by applying for registration, third party authorisation or other methods to protect the Company's rights and interests with avoidance of infringement of other persons' intellectual property.



GOVERNANCE (Continued)

The Company conducted business by strictly complying with the *Administrative Measures of Collective Trust Scheme of Trust Companies* (《信託公司集合資金信託計劃管理辦法》) and other requirements, and commissioned publicity agencies to publish advertisements with compliance with laws and regulations, without any act of openly marketing or promoting the Company's trust products. The Company has commissioned media to publish the summary of its annual report, etc., and appropriately publicised such information as its fulfilment of social responsibilities in carrying out public benefit activities, supporting for the development of the real economy, etc.

Strict Standardisation of Procurement Management

The major suppliers of the Company, as a financial institution, include law firms, accounting firms, asset appraisal institutions, IT companies and the suppliers of office supplies. The Company has formulated relevant regulations, including the *Interim Management Measures for Tender and Procurement* (《招標採購管理暫行辦法》) and *Interim Management Measures for Non-Tender and Procurement* (《非招標採購管理暫行辦法》), to continuously strengthen normalised and standardised procurement management and improve the quality and efficiency of the procurement work. The Company enhanced access management and assessment of suppliers, rejecting high polluting, high energy-consuming manufacturers and products with a view to guiding suppliers to fulfill their necessary social responsibilities and environmental obligations. The Company has incorporated procurement management into business integrity building, aiming to prevent employees from seeking illegitimate benefits for themselves or others by taking advantage of their positions. In 2019, the Company carried out procurement activities in strict compliance with the relevant regulations and did not receive any oral or written complaints from suppliers.

Strengthen the Building of Professional Integrity

The Company has always been attaching great importance to the development of professional integrity of all employees, especially leading cadres, and in strict compliance with institutional regulations such as *Several Provisions on Probity Practice for Leaders of State-owned Enterprises* (《國有企業領導人員廉潔從業若干規定》), and *Opinions on Further Promoting the State-owned Enterprises' Implementation of the Decision-making System for Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money* (《關於進一步推進國有企業貫徹落實「三重一大」決策制度的意見》), earnestly strengthening its supervision of professional integrity. In order to establish a sound punishment and prevention system for professional integrity, the Company, focusing on institutional development, has formulated the *Provisional Rules on Employees' Professional Integrity* (《員工廉潔從業暫行規定》), *Administrative Measures for Reporting Violation of Rules and Disciplines* (《違規違紀舉報管理辦法》) and other systems, actively establishing a long-term mechanism of professional integrity.



GOVERNANCE (Continued)

The Discipline Inspection Committee of the Company (hereinafter referred to as the “Discipline Inspection Committee”) and the office thereunder are dedicated to work related to professional integrity and anti-corruption. The Company has made intensified efforts to supervise, manage and control key points, key personnel and key matters by organising and studying the *Work Guidance on the Prevention and Control of Integrity Risks* (《廉潔風險防控工作指引》) and relevant rules effectively preventing and controlling professional integrity risks.

In 2019, the Company further consolidated its obligations of professional integrity supervision and management, with leading cadres and middle management personnel signing Letter of Responsibility for Building A Fine Party Culture and Keeping Its Organisations Clean, and all employees signing Letter of Professional Integrity Undertakings. The Company carried out investigations into the abnormal behavior of all employees through questionnaires, talks and other means; steadily conducted the special warning education on “learning from cases, creating an honest and disciplined work style”; implemented the “three new lessons” system, carried out talks on professional integrity and organised warning talks on overseas business trips with three educational films with warning effect watched for the whole year and one special warning education through visiting a prison in Shandong Province was organised; improved the management of staff working in other regions by establishing a management model of monthly dispatch, quarterly meeting person-in-person and year-end reporting; formulated a scheme for supervision of teams in other regions with on-site supervision carried out in Xiamen, Qingdao and other regions. During the Reporting Period, the Company has organised on-site investigations and studies on teams in other regions for several times with a great effort to care about the staff working in other regions, whereby guiding the staff to work in an integrity way.



The Discipline Inspection Committee was reporting its work on professional integrity for 2019



The Company organised a special warning education through visiting a prison in Shandong Province



GOVERNANCE (Continued)

Continuous Assurance of Information Security

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

In 2019, the Company has completed the registration of national information security protection as Grade III certification for the major information systems, that is, its overall security in terms of physical security, network security, server host security, operation and management, etc. has met the relevant requirements of Grade III protection of information system security by the Ministry of Public Security of the PRC.

Enhancement of Work Safety Management

In strict compliance with the rules and regulations on workplace safety such as the *Fire Prevention Law of the People's Republic of China* (《中華人民共和國消防法》) and the *Work Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), the Company has always taking workplace safety as its priority task, ensuring the implementation of workplace safety by firmly setting up the concept of "staff orientation, safe development" and insisting on the policy of "safety first, focus on prevention and comprehensive control".

The Company has set up a work safety management organ with a special work safety committee established. According to the requirements of "operations cannot be separated from safety management", the Company continuously improved the accountability system on work safety of "the Party and government accountability, responsibility for work safety in performing job duties, all-round participation of supervision on work safety", making all-out efforts to build a long-term mechanism for



GOVERNANCE (Continued)

work safety management. The Company has formulated 11 rules including the *Principal Accountability for Work Safety* (《安全生產主體責任制度》) and the *Fire Safety Management System* (《消防安全管理制度》). The Company also requested all employees to sign the liability statement on work safety and enhanced the team development of work safety and education and training on occupational health.

In 2019, the Company conducted 12 safety inspections, organised three sessions of training on the *Work Safety Law*, occupational health and knowledge of fire-fighting and two fire emergency drills, hence further improving emergency rescue capability and on-site treatment capability of the Company. The Company has always maintained a good record of zero work safety accident, ensuring the continuous stability of work safety situation.



Bulletin Board of the Production
Safety Month of 2019



Bulletin Board of the
119 Fire Prevention Day



Fire Control Promotional Banners of the Company

GOVERNANCE (Continued)

ESG MANAGEMENT

ESG Concept

In the course of business development, SITC has always upheld the corporate cultural ideas of “professionalism, honesty, diligence and accomplishment” and sticking to its positioning as a trustee, fully leveraging the advantage of trust. While actively creating values for the shareholders, the Company maintained close communications with the stakeholders and responded to their requests in a timely manner, and contributed its efforts to the sustainable development of society and the environment through actively assuming social responsibilities. The Company continued to accelerate the transformation of wealth management by ceaselessly innovating products and services, and earnestly protected the consumers’ legitimate rights and interests, so as to create a sound financial consumption environment; fully utilised trust instruments to serve the development of real economy, practicing the concept of inclusive finance; actively built the “home culture” to provide a broad development platform for employees to achieve their own values; insisted on environmental protection by placing emphasis on improving employees’ awareness of environmental protection, adopting various measures to reduce energy and resources consumption in the course of business operation to minimise impact on the environment, and jointly working with stakeholders to promote a sustainable development of the environment.

ESG Management Structure

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



GOVERNANCE (Continued)



Communications with Stakeholders and Assessment on Significance of Issues

Based on the industry environment of the Company, its own nature of business, and characteristics of its products and services, SITC has identified its major stakeholders such as shareholders, regulatory authorities, the government, customers, employees, partners, the community and the public. In the ordinary course of business, the Company maintained close communications with the above-mentioned stakeholders through various channels to fully understand and earnestly evaluate their expectations and requests and make timely responses. During this year, the Company's communication methods with major stakeholders and their main topics of concern are as follows:



GOVERNANCE (Continued)

Stakeholders	Communication mechanism	Topics of concern	Responses
Shareholders	General meetings, information disclosure, results roadshows, communication on investigations and studies	<ul style="list-style-type: none"> • Operating results and financial performance • Disclosure of information • Corporate governance • Risk prevention and control 	<ul style="list-style-type: none"> • Conducting prudent operations • Disclosing information timely • Improving the structure of corporate governance • Strengthening the management of investor relations
Regulatory Authorities	Regulatory policies, on-site inspections, off-site supervision, delivery and receipt of official documents, conferences on specific topics, disclosure of information, daily reporting	<ul style="list-style-type: none"> • Compliant operations • Risk management • Internal control system • Corporate governance • Net capital and venture capital 	<ul style="list-style-type: none"> • Improving internal control system • Perfecting comprehensive risk management and control systems • Improving the Company's capital strength
Government	Policy guidance, important meetings, reporting on specific topics, daily communication	<ul style="list-style-type: none"> • Observance of laws and disciplines • Timely payment of taxes • Implementation of the national policies • Support for national strategies 	<ul style="list-style-type: none"> • Serving the real economy • Supporting the construction of infrastructure projects • Serving the construction of major projects on the replacement of old growth drivers with new ones • Supporting the development of micro, small and medium-sized enterprises



GOVERNANCE (Continued)

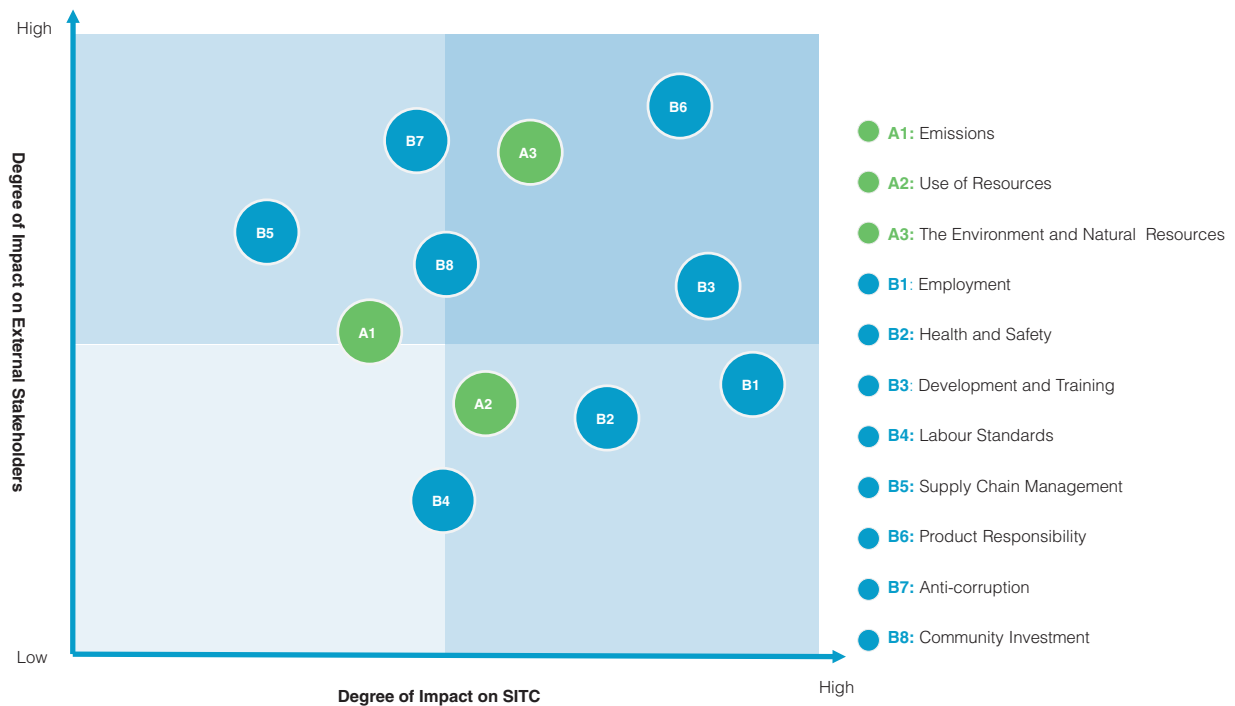
Stakeholders	Communication mechanism	Topics of concern	Responses
Customers	Product promotion, publicity education, complaint hotline, survey on level of satisfaction, customer visit, WeChat official account, corporate website, due diligence	<ul style="list-style-type: none"> • Communication channels • Service quality • Consumer's rights and interests protection • Popularisation of trust knowledge • Business process • Product and service innovation 	<ul style="list-style-type: none"> • Promoting use of APP • Additionally establishing wealth management outlets • Protecting consumers' rights and interests • Popularising financial expertise • Offering innovative products • Upgrading service experience
Employees	Employee trainings, business salons, outward bound, labour unions, employee representative meetings, company internal journals	<ul style="list-style-type: none"> • Employees' benefits • Vocational trainings • Compensation and benefits • Promotion and vocational development • Group activities 	<ul style="list-style-type: none"> • Multi-level training systems • Sound compensation incentive system and welfare security system • Smooth promotion access
Partners	Strategic cooperation, intra-industry exchange, procurement events	<ul style="list-style-type: none"> • Equality and cooperation • Mutual benefit and win-win situation • Mutual sharing and joint establishment • Commercial ethics • Transparent procurement 	<ul style="list-style-type: none"> • Developing an ecosystem for strategic clients • Increasing intra-industry exchange • Clean and transparent procurement management



GOVERNANCE (Continued)

Stakeholders	Communication mechanism	Topics of concern	Responses
Community and Public	Public welfare activities, promotion of financial expertise, WeChat official account, investor relations hotline, Company's website	<ul style="list-style-type: none"> Social responsibility Community relationship 	<ul style="list-style-type: none"> Setting up a charitable trust Conducting poverty alleviation work Making donations to schools Creating the consumers investment reception day

In 2019, through analysis of the general expectations and requests of stakeholders as well as the ESG issues at the 11 aspects listed in the *ESG Reporting Guide*, the Company identified major topics for the year, including the environment and natural resources, development and training, product responsibility, and community investment. The relevant topics include emissions, use of resources, employment, health and safety, labour standards, supply chain management and anti-corruption. The Company will discuss the content of each topic separately in this report. The Company's identification and analysis of ESG topics are listed in the diagram below.



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SOCIAL

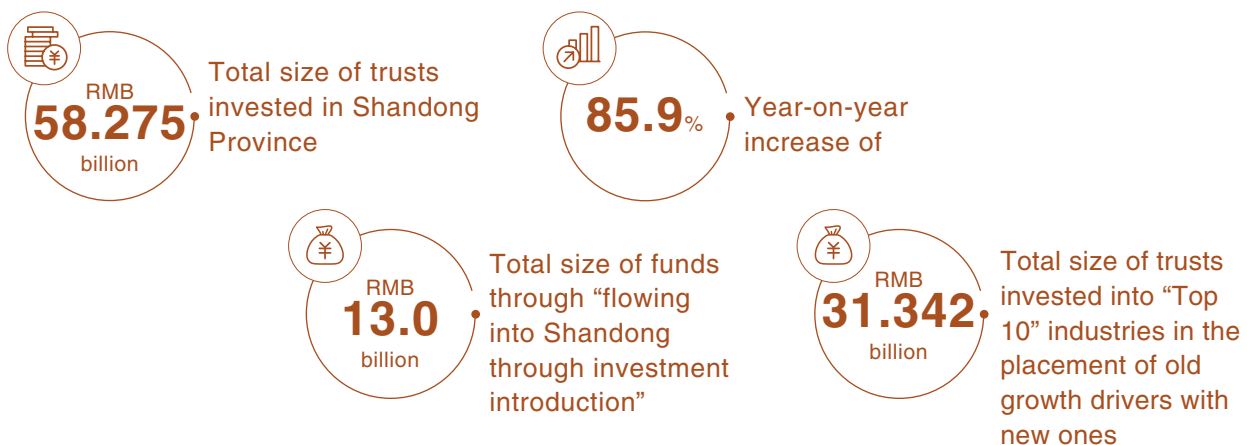
As a state-owned financial institution, the Company has always adhered to the principle of financial institutions serving local economic and social development. It gave full play to the institutional advantages of trust – covering “real economy, capital market and monetary market” – to facilitate financial supply side reform and the replacement of old growth drivers with new ones in the construction of key projects in Shandong Province, utilised various financial instruments including equity investment, debt financing and industry funds, to consistently diversify financial supplies and boost support to local infrastructure and strategic and emerging industries supported by national strategies. Meanwhile, as a trustee, the Company continuously innovates financial services and speeds up transformation in wealth management to constantly satisfy the ever-growing personalised and diversified demands of high-net worth customers for wealth preservation and appreciation.

SERVING THE REAL ECONOMY WITH ACTIONS

Real economy is the foundation of the survival and development of the Company. SITC adheres to the functional positioning of trust – “industrial trust, and industrial investment bank”, effectively guided social funds to invest in real economy and industries supported by national and local strategies. Sticking to the responsibilities and missions of “Starting from Shandong and Serving Shandong”, SITC targeted the demands for financial services in the replacement of old growth drivers with new ones in the construction of key projects in Shandong Province and increased the financial supply in the province to support the development of real economy in various sectors.

Taking root in real economy with remarkable results in gathering capital to develop Shandong

In 2019, in order to facilitate financial supply side reform and the replacement of old growth drivers with new ones in the construction of key projects in Shandong Province, the Company increased the financial supply in the province and provided strong support to the economic and social development of Shandong Province. As of the end of 2019, total size of trusts invested by the Company in the real economy of Shandong Province reached RMB58,275 million, of which the new increase of RMB15,489 million was registered in 2019, representing a year-on-year increase of 85.9%. The total size of funds “flowing into Shandong through investment introduction” through business development in different places, underwriting by banks and other channels reached RMB13 billion and RMB31,342 million of trusts were invested into “Top 10” industries in the replacement of old growth drivers with new ones.



SOCIAL (Continued)

Case:

Financing supporting the development of mining and construction machinery manufacturing enterprises and serving industrial transformation and upgrading

In 2019, the “Parent Fund for Replacing Old Growth Drivers with New Ones in Shandong Province” initiated by the Company provided an equity investment of RMB10 million to an enterprise specialised in manufacturing mining engineering machinery and equipment to facilitate the development of key projects for the conversion of old and new growth drivers in Shandong Province.

Case:

Supporting the development of TV dramas production and distribution enterprises through trust loans

In 2019, the Company set up the “Ludao No. 3 Capital Trust” to support the development of outstanding TV dramas production and distribution enterprises which are devoted to the improvement of contents and quality and the creation of thematic works. Counterparties in the trust program introduced two TV series, namely “Our Forty Years” and “Sailing”, and both were on the list of 100 key TV series in 2018-2022 released by the National Radio and Television Administration. The two series were shown on various satellite TV channels and on the network platform and were widely recognised in the society.



Poster for the TV series “Our Forty Years”



Poster for the TV series “Sailing”

SOCIAL (Continued)

Leveraging on financial technology and practicing inclusive finance to benefit the public

The Company took the lead in the industry to propose to develop “smart trust” with the strategic engine of “data + technology”. In 2019, the “smart trust” of the Company was among the trial demonstration projects on the first batch of “modern advantageous industry clusters + artificial intelligence” in Shandong Province. The construction of the phase-I “smart trust” was under smooth progress and the data centre, wealth management, consumer finance and other systems were introduced and under operation, increasingly highlighting the prominent role of empowering finance with technology. Leveraging on the smart trust system, the Company serves medium, small and micro enterprises more precisely and facilitates the sufficient flow of social resources in real economy and sectors of people’s livelihood, practically practicing the development philosophy of inclusive finance. As at the end of 2019, SITC has established 29 consumer trust programs, advanced 677,500 grants with approximately RMB2,342 million and satisfied the capital demands of about 460,000 persons through its partners. It developed distinctive trusts on inclusive finance and the “Rongyi” (融易) consumer trusts were awarded the “Prize for Outstanding Consumer Trusts”.

INNOVATING FINANCIAL SERVICES WITH THOUGHTS

In 2019, the Company kept making progress in innovation on products and services and sped up in the transformation of the wealth management, to better satisfy diversified and personalised demands of high-net worth customers, and to strive to create more reliable wealth for society and customers. By adhering to the service concept of being “customer-oriented”, the Company properly incorporated consumer’s rights and interests protection in each work stream so as to constantly improve consumers’ awareness of financial products and services, increase consumption security awareness and exerted for creating efforts to vigorously create a good financial consumption environment.



SOCIAL (Continued)

Promoting business innovation and speeding up in transformation of wealth management

In 2019, the Company kept making progress in innovation on products and services, researched and created innovative wealth management products, making significant steps in the transformation of wealth management.

Case:

In 2019, the Company innovatively established a single trust account wealth management business for high-net worth customers with a starting point of RMB10 million. It provides customers with exclusive account management, exclusive trust products, exclusive right of first refusal over trust products, exclusive value-added services and other comprehensive wealth management services, bringing personalised and refined wealth management businesses to individual customers and effectively improving the service experience of high-end customers.

Case:

In 2019, the Company actively deploys standardised business and develops and launches the first cash management product “Tianxiying Collective Fund Trust Plan”. As at 31 December 2019, the renewal scale of the product reached RMB580 million, and the 7 day annualised rate of return was 4.75%, which broadened diversified and stable investment channels for investors and effectively enhanced client’s loyalty.



SOCIAL (Continued)

Optimising the layout of wealth outlets and improving marketing services

In 2019, the Jinan head office of the Wealth Management Centre of the Company was split into two outlets, namely Jinan Jiefang Road Wealth Management Centre and Jinan Long'ao Wealth Centre. The outlets have complete function divisions, including the office area, signing rooms for financial services, customer rest areas, meeting rooms, VIP negotiation rooms, sharing spaces, family trust offices and other areas, which are equipped with wealth management teams with high business skills and professional wealth management qualifications to provide customers with one-to-one financial and wealth management services.

Empowering with financial technology and upgrading customers' service experience

In order to achieve precision marketing and the upgrade of customer services, improve customers experience and enhance the loyalty of customers, the Company upgraded the functions of the CRM system, online trust, WeChat trust and other systems and completed the establishment of APP clients and online sales platforms for online trusts in 2019. In November, SITC APP was introduced and empowered wealth management with financial technology, achieving the closed-loop function of "Account Management-Product Information-Online Signing-Asset Management". It perfectly replicated the traditional counter trust business online with one-stop services and one-key operation, providing customers with safe, efficient and convenient self-service and intelligent trust services.



SOCIAL (Continued)

**Protecting consumer's interests and safeguarding the legitimate rights and interests of consumers**

SITC attached great importance to the protection of consumer's rights and interests, always focused on the "customer-oriented" approach, persistently increased efforts in the protection of consumer's interests and solidly carried out full-process business management on the protection of rights and interests of financial consumers. It provided smooth channels for the complaints and reporting from consumers and properly handled consumers' complaints. It vigorously innovated the publicity methods and contents of financial knowledge and initiated distinctive publicity and education activities on the protection of consumer interests. Through conducting regular employee trainings and enhancing compliance sales management, the Company built up the knowledge on the protection of consumer's interests and practically safeguarded the legitimate rights and interests of consumers.



SOCIAL (Continued)

Improving working systems and enhancing implementation of protection

The Company formulated *Management Measures for the Protection of Consumer's Rights of Shandong International Trust Co., Ltd. (Trial)* (《山東省國際信託股份有限公司消費者權益保護管理辦法(試行)》) in accordance with relevant laws and requirements such as the *Law of the People's Republic of China on Protection of Consumer's Rights and Interests* (《中華人民共和國消費者權益保護法》), the *Administrative Measures of the People's Bank of China for the Protection of Financial Consumers' Rights and Interests (Trial)* (《金融消費權益保護工作管理辦法(試行)》) and the *Implementation Measures of the People's Bank of China for Protecting Financial Consumers' Rights and Interests* (《中國人民銀行金融消費者權益保護實施辦法》) and the *Interim Management Measures for Complaints and Reporting of Customers by Shandong International Trust Co., Ltd.* (《山東省國際信託股份有限公司消費者舉報投訴管理暫行辦法》), to clarify content for the protection of consumer's rights and interests such as the working principles, the division responsibilities, the full process of administration and control, appraisal and evaluation, as well as product information inquiries. It further clarified and defined the organisational structure and operational mechanism of the protection of consumers' rights and interests, the process for accepting and handling of consumer complaints, the framework and arrangement on the publicity of financial knowledge for consumers, the platform for inquiry of information on trust products, the reception day for complaints on the protection of consumers' rights and interests and the processes of other work.

Meanwhile, the Company incorporated the Board's responsibilities and decision-making procedures in relation to the protection of consumer's rights and interests into the Terms of Reference for the Trust Committee under the Board. Content in relation to special inspection on the protection of consumer's rights and interests was clarified in the Internal Audit System of Shandong International Trust Co., Ltd., providing solid and effective systematic protection to the Company for its work on protection of financial consumer's rights and interests.

Through the official website, WeChat official account, *Investor Handbook*, self-service inquiry machines, public signboards in the places of business and several other channels, the Company announced a complaint hotline and E-mail for consumers to provide smooth reporting and complaint channels. The Company has established a working team led by the general manager for handling consumer reporting and complaints, designated the Wealth Management Centre as an agency for handling general consumer reports and complaints and specialised personnel to be responsible for work related to reports and complaints. The Company launched the "first-person accountability" policy to clearly stipulate the procedures and time limit for handling reports and complaints, strengthen the tracking and management of complaints, regularly summarise and analyse information such as customers' recommendations and common areas of complaints, and look for weak links and hidden risks of products and services for and improvement on a case-by-case basis to realise the preventive and corrective functions of complaints.

Case:

Based on the requirements of the Shandong Provincial Banking Association, the Company established the working process of the reception day for complaints on the protection of consumer's rights and interests. Since December 2019, the Company arranged consumer reception day activities at least once a month to deal with consumer complaints. Each reception time was at least a half day long. At the same time, at least two reception days shall be arranged each year. It widely listened to the comments and suggestions proposed by consumers to the Company, practically safeguarding the legitimate rights and interests of consumers.



SOCIAL (Continued)

Augmenting efforts on promotion and improving promotion results

Through various methods like placement of leaflets, electronic displays, books and newspapers, distribution of promotional materials, twittering financial knowledge through WeChat and introduction of promotion videos, the Company publicised financial knowledge and the promotion and education on consumer financial knowledge were enhanced. In 2019, seeing the organisation of publicity such as “3•15 Financial Consumer Rights Day”, “Protection Against Illegal Fund Raising and Anti-money Laundering” and “Delivering Financial Knowledge to Thousands of Households”, the Company seized the opportunity and designated March, May and September each year as intensive promotion months for consumer rights protection, and proactively organised series of activities for the protection of financial consumer’s rights and interests. It also carried out business promotion through various online and offline channels.



The Company’s financial manager entered into the Shimuyuan Community (十畝園小區) to carry out the “Prevention of Illegal Fund Raising Month” activity



The Company and the Party-Public Service Center of Qianfoshan Sub-district conducted public lectures on financial security



The Company carried out the promotion of financial knowledge and public activities in Zhonglu Deep-sea Fishery Co., Ltd.



The wealth manager of the Company carried out the promotion of financial knowledge and public activities at Shuxiangmendi Community (書香門第小區), Binhu District, Hefei Province



SOCIAL (Continued)

In 2019, the Company carried out a total of over 20 educational activities on financial investing through visiting communities and enterprises, which were recognised by regulatory authorities and widely praised in the society. The “3•15 Financial Knowledge Promotion and Publicity” activities of the Company were on the list of “3•15 Credible Financial Brands” of *Dazhong Daily* for 2019. In 2019, the Company distributed nearly 6,000 promotional leaflets, sent 6,246 text messages, displayed 10 slogans on LED screens, uploaded 29 articles through WeChat and released 16 news on the website in the promotion of financial knowledge.

Case:

During the “Delivering Financial Knowledge to Thousands of Households” conducted in September, SITC carried out five outdoor promotional activities in Lishan Mingjun Community in Jinan, Yinzu Garden Community in Jinan, Chenguang Community in Fulaishan Sub-district in Yantai, Xinheyuan Beiyuan Community in Luyang District in Hefei and Zhonglu Deep-sea Fishery Co., Ltd. and distributed nearly 2,000 promotional leaflets.

Conducting employees training and enhancing awareness on protection of consumer’s rights and interests

In 2019, the Company formulated employees training plans with the theme on the protection of consumer’s rights and interests. It learnt about regulatory policies and documents and advanced experiences of outstanding financial institutions in the industry through WeChat groups and other online methods and conveyed the conducting of the protection of consumer interests, the revision of systems and working results through offline methods such as convening meetings of the Board and the general manager’s office as well as meetings on summarising the protection of consumer interests. For marketing employees on trust products, it regularly conducted trainings on the protection of consumer interests through weekly meetings, product roadshows, special lectures and review meetings to enhance the consciousness of employees on the protection of consumer’s rights and interests.

Strengthening interaction with customers and maintaining good relationships

In recent years, the Company has created a series of exclusive service activities themed by “health management” for high-end customers to provide customers with customized, personalized and exclusive health management services, strengthen the sound interaction between the Company and its customers, and maintain good customer relationships. In 2019, the Company held the “Table Tennis Friendship Tournament in Happy Summer”, “Smell the Fragrance to Find the Path to Wealth” Fragrance Appreciation Campaign, “Keeping in good health care, and seek medical consultation” One-to-one Health Consultation Activities and various wealth salons and other customer activities, with positive response received from customers.



The Company held a health lecture themed by “Yixiang•the Way to Keep in Good Health in Winter” and invited renowned experts to offer tips to keep in good health through traditional medicine



The Company held the “Table Tennis Friendship Tournament in Happy Summer” with customers



SOCIAL (Continued)

Innovating operation model and enhancing the brand value of “De Shan Qi Jia” (德善齊家)

As one of the key types of service trusts, the family trust has been the core business developed by the Company since 2014. As of the end of 2019, the family trust managed by the Company has signed a contract amount exceeding RMB10.4 billion, of which the trust assets that have actually been delivered amounted to RMB10.1 billion, representing a year-on-year increase of 52.93%, thus continuing to secure a leading position in the industry. In 2019, the family trust of the Company established a “customised + standardised” mature development model. The Company successfully created non-listed company equity-type and self-managed family trusts, and developed and launched standardised products such as funds for wedding and education, which further enhanced the ability of customised and professional services. The family trust brand “De Shan Qi Jia” (德善齊家) of the Company was awarded “Top 10 Family Trust Management Innovation Award by Securities” (十佳家族信託管理創新獎) by *The Banker* (《銀行家》), consistently enhancing the brand value and market influence.

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

CARING ABOUT EMPLOYEES’ GROWTH WITH WARMTH

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



SOCIAL (Continued)

Adhering to normative employment under the laws and safeguarding the welfare of employees

SITC has always adhered to the principle of “people first”. It strictly complies with the *Labour Law of the People’s Republic of China* (《中華人民共和國勞動法》), the *Labour Contract Law of the People’s Republic of China* (《中華人民共和國勞動合同法》), the *Social Insurance Law of the People’s Republic of China* (《中華人民共和國社會保險法》) and other relevant laws and provisions. It employs staff in accordance with laws and regulations, conducts standard labour relationship management, pays full amount of social insurance and housing provident fund on schedule, strives to improve the remuneration and welfare of employees and standardises the implementation of the annual leave and overtime approval system. It practically safeguards the legitimate rights and interests of employees, resolutely puts an end to any form of discrimination arising from diversified factors such as nationality, skin color, religion, gender and age, and is prohibited from the employment of child labour and forced labour.

The Company has established a series of systems such as the *Interim Measures for Employee Recruitment Management* (《員工招聘管理暫行辦法》), *Remuneration Assessment Scheme* (《薪酬分配考核辦法》), and *Administrative Measures for Employee Position Adjustment* (《員工崗位級別調整管理辦法》) to specify the promotion channels and qualifications for its employees, focusing on the establishment of a fair, just and open employment platform. The Company attaches great importance to the role of labour union and its role in democratic management and supervision. It adopted various measures, such as strengthening labour protection, improving the working conditions and carrying out distinctive activities to practically safeguard the legitimate rights and interests of employees and establish a harmonious and stable labour relationship. At the same time, the Company sets out the terms on the termination of labour contract with its employees in the labour contract to avoid the risk of non-compliance in the dismissal process.

Building talent teams and enhancing talent reserves

SITC attaches great importance to building talent teams, expanding teams of talent and increasing our talent reserves through approaches such as campus recruitment and social recruitment. The Company has a team of highly educated, and qualified young talents who graduated from well-known colleges domestically and abroad. Meanwhile, guided by various talent projects, the Company focuses on the cultivation of high-end financial talents. As at 31 December 2019, among all staff of the Company, nearly 100 successfully applied for high-end talents of Jinan City, one was awarded Financial Star of Shandong Province for 2019, one was recognised as high-end financial talent in Shandong Province, one was rated as advanced individual in poverty alleviation in Shandong Province. There are a total of 15 successfully applied for talent subsidies in 2019. The Company obtained subsidies or capital supports of approximately RMB300,000 in total for employees. Currently, more than 60% of employees possess various qualifications such as international financial planners, registered financial analysts, certified public accountants and qualified legal practitioners.



SOCIAL (Continued)

		As at 31 December 2019	
	Items	Headcount	%
Distribution of Age	Aged 25 and below	2	0.87%
	Aged 25–29	47	20.52%
	Aged 30–39	126	51.03%
	Aged 40 and above	54	23.58%
Distribution of Education Levels	Doctoral degree	6	2.62%
	Master's degree	161	70.31%
	Bachelor's degree	51	22.27%
	Junior college	11	4.80%
Distribution of Gender	Male	139	60.70%
	Female	90	39.30%
Total		229	100.00%

As at the end of 2019, the Company had 229 employees in total. In 2019, the employee turnover rate stood at 3.49%.

Health protection for employees and expanding coverage of welfare

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



SOCIAL (Continued)

The Company arranges employees to carry out fire drills on an annual basis, regularly conducts safety inspection on office environment, provides employees with annual routine medical examinations and standardises the implementation of the annual leave system; by providing employees with enterprise annuities, relatives subsidies for medical expenses and child care fee subsidy, the Company comprehensively protects the health of all employees. In 2019, on the basis of the original supplemental medical insurance, the Company newly introduced reimbursement of expenses on outpatient services, while establishing a baby care room equipped with related equipment at the Company, further extending the coverage of employee welfare.

In 2019, there were no work-related injuries or fatalities among the employees of the Company.

Enhancing employee trainings and facilitating employee development

Guided by the development strategy, the Company aims at enhancing the business skill, overall quality and work performance of employees. Relying on the internal and external lecturer resources, the Company integrates centralized learning with employee self-study, combines online learning and offline learning, and builds a platform for the employee development with various talent projects as the carrier.

Specific training plans shall be adopted by the Company targeting at different groups including the middle and senior management training, orientation for new employees, all staff training, customised training, Party building and discipline inspection training, production safety training and so on.

The mid-level and senior management training

Training for the senior management focuses on cultivating the idea and concept, thereby improving insights, decision-making and coordination and judgment skills. Training for the mid-level management focuses on enhancing professional skills, management and coordination and communication skills.

Orientation for new employees

Orientation for new employees aims at making new employees to quickly and better adapt to the new working environment and get familiar with the corporate culture, management requirements and working procedures of the Company by external training and internal training. It enhances the adaptability of new employees to the working positions, improves the comprehensive quality of employees and facilitates them to start personal career with the best performance.



SOCIAL (Continued)

All staff training

All staff training includes four modules namely special training, business salons, “reading space” and SITC online. Special training aims at improving the overall quality and professional skills for employees, and keeping track of the latest development trend in the industry. Business salons are conducted through ways including experience sharing, special seminars and interest groups to encourage employees to improve business communication and facilitate information sharing. “reading space” and SITC online combine online and offline learning methods, providing employees with reading rooms offline and lever aging on the “asset management cloud” APP online to create learning resources library, provide systematic learning platforms and encourage employees to self-study.

Customised training

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

Party building and discipline inspection training

Party building and discipline inspection training is conducted for the full-time or part-time employees in the Party affairs and discipline inspection positions for the purpose of improving working skills on Party building and discipline inspection. The Company also built cultural walls for Party building in its office building to build the brand of “empowering Party building”, making innovative breakthroughs in the integration of Party building and business.

Production safety training

Production safety training is aimed at enhancing the safety awareness of employees, carefully learning protection measures and practically safeguarding employees’ safety.

In 2019, the Company organised a total of over 20 internal and external training sessions with 1,935 participants attended.



SOCIAL (Continued)

Enriching employees' spare time and enhancing employees' sense of belonging

In order to enrich employees' spare time, the Company encourages and provides financial support for employees to carry out recreational and sports activities. The Company established interest groups for sports such as badminton, table tennis, football and basketball, and arranged staff to participate in various cultural and sports competitions from time to time. In 2019, the Company opened special space and built the "reading space" library for employees. It purchased over 500 books at the expenses of the labour union based on the book list recommended by all employees. On the 70th anniversary of the People's Republic of China, the Company organised exhibitions on calligraphy, paintings and photography works with the theme of "Me and My Country". It arranged all employees to conduct expansion trainings at the Xueye Lake Training Base. Through the above activities, it further enhanced the cohesiveness and sense of belonging of employees.



Outward training for all employees in 2019



The Company's employees are participating in the table tennis match of "Lucion Cup"



The Company organised the calligraphy, painting and photography exhibition themed by "Me and My Country" to celebrate the 70th anniversary of the National Day



Reading Space

SOCIAL (Continued)

CONTRIBUTING TO PUBLIC WELFARE WITH RESPONSIBILITIES

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

Supporting the development of public welfare with charitable trust

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

In 2019, SITC established three new charitable trust projects, with a total size of RMB30,121,300. As a consulting unit of Charitable Trust Committee of the China Charity Alliance, the Company has obtained great results in actively implementing charitable trust, innovating the development mode of charities, etc., on playing a role of industry leader. As of the end of 2019, SITC has established 7 standard charitable trusts with a total size of RMB65,331,200 and several charitable trusts for serving philanthropy, which strongly supported the development of charitable and public welfare causes, such as poverty alleviation, respecting the elderly, and helping impoverished students.



In June 2019, the Company's "Guozi Huinong Charitable Trust" was awarded the Prize for the Best Charitable Trust Product at the China Trust Summit & the 12th "Credible Trust Contest" and the Company was awarded the Leading Prize on Innovation. In August 2019, the Company was awarded the title of "Top Ten Units with Love in Assisting Students to Realising Dreams" by Xiamen One Heart Charity.



SOCIAL (Continued)



The modern agricultural industrial park financed and constructed by the "Guozi Huinong Charitable Trust"

Case:**Datong No. 2 Charitable Trust: innovating the mode of targeted poverty alleviation**

In January 2019, “Datong No. 2 Charitable Trust” for voluntary donations to villages assisted by “Major Secretary” of Lucion Group by employees of the Company was established. The donations were transferred to Suji Town in Cao County and will be used in the construction of photovoltaic power stations and other poverty alleviation projects. The program is another innovative measure of Datong charitable trusts in targeting poverty alleviation.



The photovoltaic power stations financed and constructed by the “Datong No. 2 Charitable Trust”



SOCIAL (Continued)

Case:

Jiahelu Charitable Trust: promoting the development of charitable causes in Shanxi Province with love

In January 2019, the “Jiahelu Charitable Trust” of the Company was initiated in Shanxi Province. The program was funded with RMB10 million by Mr. Lu and is mainly used to finance the assistance of impoverished students and other public welfare activities in Jiexiu City. The charitable trust adopts the innovative business mode of “trust company + public welfare fund”. The Company joined hands with Shandong Lucion Public Welfare Fund and accurately and efficiently met the charitable demands of trustors, effectively guaranteeing the standard operation of charitable funds.

In September and October 2019, the first phase of “Jiahelu Student Subsidies” and “Jiahelu Public Welfare Development Fund” of the Charitable Trust were distributed. The total amount reached RMB500,000 with 350 students and 3 outstanding public welfare institutes.



The opening and signing ceremony of the “Jiahelu Charitable Trust”



The awarding ceremony of student subsidies of the “Jiahelu Charitable Trust”



The awarding ceremony of public welfare development funds of the “Jiahelu Charitable Trust”

SOCIAL (Continued)

Engagement in public welfare and performing citizen's responsibilities

While maintaining integrity operation and taxation payment according to laws, SITC actively participated in social and public welfare activities of local communities to practically perform the social responsibilities of corporate citizens. In 2019, over 60 members of “Lucion Volunteers” of the Company visited Jinan Social Welfare Institute, Jinan Xingshen Special Children Care Center (濟南星神特殊兒童關愛中心), Shandong Harbor Public Welfare School (山東港灣公益學校) and local communities to conduct care service activities and donations. They visited the elderly living alone and disabled children, and donated daily-life and learning necessities to them. It also initiated the “Donation Day” activity within the Company and raised a total of approximately RMB100,000.



The Company carried out the “Donation Day” activity



“Lucion Volunteers” of the Company visited Jinan Social Welfare Institute to conduct voluntary service activities

COMBATING THE COVID-19 EPIDEMIC WITH ACTIONS

Facing the sudden outbreak of the COVID-19 epidemic, SITC enhanced organisation and leadership, actively and initiatively performed responsibilities and vigorously fulfilled the social responsibilities of a state-owned financial institution. With the solidarity of all employees and various measures, it contributed to the fight against the COVID-19 epidemic with practical actions.



SOCIAL (Continued)

Case:

Actively Undertaking responsibilities and making donations

Actively responding to the advocate of the China Trustee Association, the Company donated RMB500,000 to the “Charitable Trust of China Trustee Association on Prevention of the COVID-19” to support the epidemic prevention and assistance in Hubei. Meanwhile, the Company actively responded to the advocate of the Committee of Financial Workers’ Union of the CPC and the Youth League (中央金融團工委) and called for young employees making donations and actively participating in the special donation activity with the theme of “Fighting the Epidemic and Yong Financial Workers in Action”. 144 employees donated RMB35,500 to the China Youth Development Foundation in half a day and contributed the strength of young people in winning the battle against the epidemic in full swing.

Case:

Relieving loans interest to tide over the epidemic

In February 2020, after communication with trustors, the individual fund trust under Shandong Trust • Hong De Xin Trusts offered reliefs on interest of certain loans to borrowers to tide over the epidemic with over 20 medium, small and micro science and technology enterprises.

Case:

Subscribing bonds for epidemic prevention and assisting enterprises in work and production restarts

In February and March 2020, SITC subscribed to ultra-short-term financing bonds (bonds for epidemic prevention) issued by Shandong Commercial Group Co., Ltd. with RMB20 million and the Phase-III ultra-short-term financing bonds (bonds for epidemic prevention) in 2020 issued by China Pingmei Shenma Group Co., Ltd. with RMB30 million. It supported the normal operations of real enterprises with practical actions, sped up in work and production resumption, maintained the stable regional price and guaranteed the orderly supply of daily necessities and materials for epidemic prevention.



SOCIAL (Continued)

ASSISTING IN POVERTY ALLEVIATION WITH UNDERTAKINGS

In April 2019, the “Major Secretary” dispatched by the Company settled in Zhenlou Village, Pulianji Town, Cao County, Heze City in Shandong Province and embarked on the two-year work on poverty alleviation. The “Major Secretary” carefully implemented the decisions and deployments of the CPC Central Committee and the Provincial Committee of Shandong Province on “focusing on Party building and promoting poverty alleviation and revitalisation of rural areas”, firmly held on to the responsibilities and positioning of the “Major Secretary” and conducted poverty alleviation with practical actions. They earnestly carried out inspections and implemented different policies on different places and households and coordinated capitals of over RMB2 million for the construction of roads, ditches and bridges for the production and picking of apples in Zhenlou Village to solve the difficulties in apples transportation and assisted in the building of the leisure picking industry in the 1000-mu apple orchards. They helped in the construction of two new breeding cooperatives for pigs and chickens to promote the development of the collective economy in Zhenlou Village and contributed to the revitalisation of rural industries. They raised funds from various parties for the construction of roads and the installment of drainage pipes and solar street lamps with the focus on improving the infrastructure in Zhenlou Village and building beautiful countries. They coordinated with Shandong Lucion Public Welfare Fund and other public welfare institutes to donate school supplies, award scholarship to senior high school students admitted to universities, assisted students with learning difficulties entering the “Luxin Tianyi Class” jointly organised by Shandong Technician Institute and Shandong Luxin Tianyi Printing Co., Ltd. for free further studies and offered employment opportunities after graduation to prevent the intergenerational transmission of poverty through supporting education. The work of the “Major Secretary” was widely recognised and praised by villagers and was fully recognised by superior authorities.



“Major Secretary” raised funds from various parties for the construction of roads in Zhenlou Village



Rebuilding and improving the learning environment of the primary school



Environmental

50 Advocating Green Operating Philosophy

51 Carrying out Green Trust Business through Innovation



ENVIRONMENTAL

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

ADVOCATING GREEN OPERATING PHILOSOPHY

Exercising energy conservation and emission reduction efforts from details

As a financial institution, consumption of resources and energy within the Company mainly includes water usage and use of electricity in our offices, and fuel consumption of official vehicles. In daily operation, the Company always adheres to and actively fulfills the concept of green operation, vigorously promotes green travel, green office and green procurement, etc., and minimises unnecessary energy consumption through measures such as strengthening energy conservation control at the office area. To increase employees' awareness of environmental protection and reinforce the responsibility for environmental protection, the Company proactively urges its employees to use themselves to set an example, from work to daily life, to save electricity, water and paper, and promote low-carbon life. Meanwhile, the Company actively organises environmental protection public benefit activities for its employees such as planting and afforestation, green brisk walking and waste recycling and clean-up, so as to respond to the concept of sustainable development through actions.

The Company actively advocates the culture of “green office” and practically implements energy conservation and emission reduction by adoption of various methods. We have continuously optimised collaborative office platform, promoted the use of “mobile office” APP and performed online processing of business processes to improve operational efficiency and reduce the consumptions of office paper, toner cartridges and ink cartridges. The Company has utilised an efficient platform for conferencing and introduced new functions such as electronic whiteboard writing and remote conferencing to enhance the conference quality, make conferences more intelligent, convenient and efficient, and reduce energy consumption incurred by employees from different locations arising from accommodation and transportation for sake of participating in conferences through promoting the use of video conferences and teleconferences. For the waste generated from daily office work such as toner cartridges, ink cartridges, packaging and waste paper, the property management company engaged by the Company recycles the waste for centralised disposal while waste electronic equipment such as computers and printers are delivered to the recycler for centralised disposal. In addition, green plants are placed at the working table of each employee to create an air-fresh working environment.



ENVIRONMENTAL (Continued)

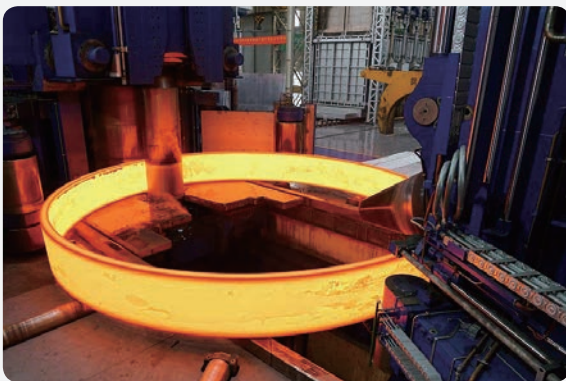
CARRYING OUT GREEN TRUST BUSINESS THROUGH INNOVATION

The Company has always focused on integrating the concept of green finance into business operation, to vigorously support the development of industries such as manufacturing high-end equipment, energy conservation and environmental protection, clean energy, intelligent agriculture, green building and other relevant industries through trust tools. The Company also strictly controls the investment in and financing of industries with high energy consumption, high pollution or overcapacity, and continues to promote sustainable and coordinated development in economic, social and environmental aspects. As at the end of 2019, the balance of the Company's green trust assets was RMB2.176 billion, which contributed to the development of green economy with the power of trust.

Case:

The Company promotes to set up a venture capital fund to support the development of wind power core equipment enterprises

In 2019, the Company, through participated in setting up the "venture capital fund of funds for replacing old growth drivers with new ones in Shandong Province", resulted in a total investment RMB120 million in a high-end equipment enterprise engaged in the manufacturing of wind power forgings and flanges, to provide financial support for the autonomous and controllable manufacturing of core materials for high-end equipment in China.



Large forgings produced by the Company



Steel ball workshop



ENVIRONMENTAL (Continued)

Case:

The Company supports the development of intelligent agricultural enterprises through trust loans

In 2019, the Company set up the “Qingshan No.6 collective fund trust plan” to raise capital of RMB300 million from public investors. The trust fund was used to construct the National Land Digitalisation and Huawei Intelligent Agricultural IoT Industrial Park and support intelligent agricultural projects integrated with information technology and agricultural technologies, such as the development and utilisation of saline-alkali land.

2019 ENVIRONMENTAL KEY PERFORMANCE INDICATORS

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

Emissions

Indicators	2019	2018	2017
Total greenhouse gas emissions (<i>tons</i>)	983.86	937.08	746.34
Greenhouse gas emissions per capita (<i>tons/person</i>)	4.37	4.46	3.82
Greenhouse gas emissions per office area (<i>tons/m²</i>)	0.085	0.080	0.065
Direct emissions (<i>tons</i>)	31.40	41.74	34.3
– Fuel consumption of company cars	31.40	41.74	34.3
Indirect emissions (<i>tons</i>)	859.46	895.34	712.04
– Electricity	859.46	895.34	712.04
Total amount of hazardous waste (<i>tons</i>)	0.53	0.39	0.45
Total amount of hazardous waste per capita (<i>tons</i>)	0.0024	0.0019	0.0023
Non-hazardous waste (<i>tons</i>)	39.38	36.75	34.21
Non-hazardous waste per capita (<i>tons/person</i>)	0.18	0.18	0.18

Notes:

- Due to the Company’s business nature, the greenhouse gas is mainly derived from direct greenhouse gas emissions from the fuel consumption of the use of company vehicles and indirect greenhouse gas emissions from the power purchased by the Company for office use.



ENVIRONMENTAL (Continued)

2. Green house gases include carbon dioxide, methane and nitrous oxide, which is presented by carbon dioxide equivalent in accordance with the *China's Regional Grid Baseline Emission Factors For Emission Reduction Projects 2017* (《2017年度減排項目中國區域電網基線排放因子》) issued by the Ministry of Ecological Environment of the People's Republic of China and the *2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories (2019 Revision)* (《2006年IPCC國家溫室氣體清單指南》(2019修訂版)) issued by the IPCC.
3. The intensity of environmental performance indicators in this report is calculated based on the average number of staff in the Company for the year. The average number of staff in the Company is equivalent to the average of the total number of staff in the Company on 1 January 2019 and the number of staff in the Company on 31 December 2019.
4. The hazardous wastes produced during the operations of the Company mainly include waste toner cartridges and waste ink cartridges, which are handed over to professional recyclers for disposal by the property management company.
5. Non-hazardous waste produced during the operations of the Company, including mainly domestic waste, is handed over to qualified third parties by the property management company for cleaning and transportation. As it cannot be measured separately, we have estimated and adopted the coefficient of per capita generation of 0.7kg domestic waste per day as the basis for calculation according to the Class I standard of Zone I as set out in the *Coefficient Manual of the First National Census on Pollution Sources for the Pollutant Generation and Discharge from Urban Living* (《第一次全國污染源普查城鎮生活源產排污系數手冊》) issued by the State Council in 2008.

Energy and Resources Consumption

Indicators	2019	2018	2017
Total energy consumption (MWh)	1,333.86	1,348.92	1,067.77
Total energy consumption per capita (MWh/person)	5.93	6.42	5.46
Energy consumption for office area per square meter (MWh/m ²)	0.12	0.12	0.092
Direct energy consumption (MWh)	128.27	170.53	130.63
– Fuel consumption of company cars	128.27	170.53	130.63
Indirect energy consumption (MWh)	1,205.59	1,178.39	937.14
– Electricity	1,205.59	1,178.39	937.14
Total water consumption (tons)	8,095.00	7,563	6,912.00
Water consumption per capita (tons/person)	35.98	36.0	35.36
Water consumption for office area per square meter (tons/m ²)	0.70	0.66	0.60

Notes:

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



KEY PERFORMANCE TABLE

Performance category	Key performance value	As at 31 December 2019	For the year ended 31 December 2019
Economic performance	Total assets (<i>RMB100 million</i>)	145.72	–
	Total equity (<i>RMB100 million</i>)	98.10	–
	Revenue (<i>RMB100 million</i>)	–	18.87
	Net profit attributable to shareholders of the Company (<i>RMB100 million</i>)	–	6.64
	Size of trust assets (<i>RMB100 million</i>)	2,576.64	–
	Actively managed trust assets (<i>RMB100 million</i>)	1,096.77	–
Social performance	Number of employees (<i>Persons</i>)	229	–
	Employee ratio by gender	1.48:1	–
Environmental performance	Balance of green trust assets (<i>RMB100 million</i>)	21.76	–



ESG REPORTING GUIDE

Aspects	Contents	Reference Page Number
A. Environmental		
A1 Emissions		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	50
A1.1	The types of emissions and respective emissions data.	52–53
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	52–53
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	52–53
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	52–53
A1.5	Description of measures to mitigate emissions and results achieved.	50
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	50
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	50
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	53
A2.2	Water consumption in total and intensity.	53
A2.3	Description of energy use efficiency initiatives and results achieved.	50
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	50
A2.5	Total packaging material used for finished products and with reference to per unit produced.	N/A as the Company is not a production company
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	50
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	50



ESG REPORTING GUIDE (Continued)

Aspects	Contents	Reference Page Number
B. Social		
B1 Employment		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	35–38, 40
B2 Health and Safety		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	17–18, 37–38
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	38–39
B4 Labour Standards		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	36
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	15
B6 Product Responsibility		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	14–15, 17, 33–34
B7 Anti-corruption		
General Disclosure	Information on policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	15–16
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.	41–47



LUCION

山東省國際信託股份有限公司
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