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CMS 招商证券

2021 Environmental, Social and Governance Report

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The purpose of this report is to disclose to stakeholders the actions and the achievements of the Company in fulfilling its social responsibilities and committing to sustainable development.

Scope of this Report

Scope of this report

China Merchants Securities Co., Ltd.' s headquarters, 12 branches, 259 securities branches, and 5 wholly-owned subsidiaries.

Reporting period

January 1, 2021 to December 31, 2021 (certain contents are retrospective and prospective as appropriate).

Report period

This is an annually disclosed report.

Basis for Preparing this Report

This report is prepared in accordance with the principles set out by the Hong Kong Stock Exchange in Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Listing Rules of the Main Board.

Report Data Description

The data in this report are mainly derived from relevant records of the actual operation of the Company. Unless otherwise specified, the financial data presented in this report are denominated in RMB.

Reporting Principles

In response to the principle of materiality, this report identifies and responds to important ESG issues that affect the Company' s sustainable development based on data analysis and other work. The materiality analysis process and results are detailed in the section headed “Responsibility Governance” of this report.

In view of the quantitative principle, the Company' s ESG quantitative key performance has been disclosed in this report, as detailed in Appendix III “List of Quantitative Data” to this report.

In response to the principle of consistency, the present report provides as much consistency as possible with the indicators used in different reporting periods to reflect trends in performance levels. For the indicators of achievement that need to be calculated, the relevant basis and reference standards are indicated in the present report.

In response to the principle of balance, the content of this report reflects objective facts and discloses both positive and negative indicators.

Report Assurance Method

The Company makes a public commitment to the truthfulness and reliability of this report, which is self-published and will be subject to third-party review when appropriate.

Report Distribution Format

This report is published in electronic form and can be downloaded from:

Shanghai Stock Exchange website (URL: <http://www.sse.com.cn>)

Hong Kong Stock Exchange website (URL: <http://www.hkex-news.hk>)

The Company' s website (URL: www.cmschina.com)

All contents and data disclosed in this report have been reviewed and approved by the Board of Directors of China Merchants Securities Co., Ltd.

Statement of the Board of Directors

The year of 2021 was the opening year of the 14th Five-Year Plan and the start of a new journey towards the construction of a comprehensive socialist modern country. The Board of Directors of China Merchants Securities (the “Board”) is responsible for monitoring, evaluating and making decisions on major ESG-related matters of the Company. In accordance with the ESG management and disclosure requirements of the Hong Kong Stock Exchange as well as the Company’s development plans and business philosophy, the Board established and improved ESG supervision, deliberated major ESG issues and monitored the progress of ESG related matters. Meanwhile, the Board also applied ESG concepts and initiatives to its own operations, improved its communication with stakeholders, and promoted the Company’s sustainable development.

Establishment and improvement of ESG supervision: The Board oversaw the progress of the Company’s ESG matters, and the Company’s management team made special reports on ESG to the Board to make sure that relevant ESG matters are closely linked with the Company’s business.

Deliberation of significant ESG issues: Having considered the relevant national and industry policies, the Company’s strategy

as well as its stakeholders’ key concerns and expectations, we defined the social responsibility issues of greater importance according to the identification, evaluation and screening procedures and such social responsibility issues were highlighted and addressed in this year’s report. The Board considered relevant major ESG issues.

Supervision of the progress of ESG-related matters: The Board oversaw the progress and implementation of ESG-related matters. In 2022, the Board considered and adopted the 2021 Environmental, Social and Governance Report of China Merchants Securities Co., Ltd. and commented and raised certain requirements on the Company’s work concerning environmental, social and corporate governance.

This report disclosed in detail the progress of China Merchants Securities’ management and practice on the above work and other ESG issues, and all relevant matters were deliberated and approved by the Board in March 2022.

About the Company

China Merchants Securities Co., Ltd. (“China Merchants Securities”) is a securities company under China Merchants Group, which has a history of over 100 years. After 30 years of development, China Merchants Securities has become a first-class brokerage company with a full license of securities market in China, inheriting the Group’ s gene of innovation spirit, market-based management, internationalized operation and prudent business style. China Merchants Securities was listed on the Shanghai Stock Exchange (stock code: 600999) after its initial public offering of A shares in November 2009 and on the Hong Kong Stock Exchange (stock code: 06099) after its initial public offering of H shares in October 2016.

Boasting stable and constant profitability, reasonable risk management structure and eminent professionalism, China Merchants Securities has developed multi-level customer service channels, with 259 securities offices in China. The Company wholly owns China Merchants Securities International Company Limited, China Merchants Securities Futures Co., Ltd., China Merchants

Securities Asset Management Co., Ltd., China Merchants Zhiyuan Capital Investment Co., Ltd. and China Merchants Securities Investment Co., Ltd., and is a shareholder of Bosera Assets Management Co., Ltd. and China Merchants Fund Co., Ltd. The Company has also established subsidiaries in Hong Kong SAR, the United Kingdom, Korea and Singapore to build a comprehensive securities service platform with integrated domestic and international business.

China Merchants Securities provides a wide range of customer-focused financial products and services to individual, institutional and corporate clients, and engages in investment and trading, with its main businesses including wealth management and institutional business, investment banking, investment management, investment and trading. Through years of development, the Company has built up a significant competitive advantage in the market.

The Company has been persistent and steady in its operation, and has been awarded Class AAA rating for 14 consecutive years. With

the ability to provide services on a full-function platform and across the entire industry chain, the Company has a balanced business structure and a solid foundation for its overall development, laying a solid foundation for the Company to build its distinctive business and differentiation and provide one-stop services to its clients in the future. Our brokerage business has a solid foundation and growing competitiveness, while our institutional client business has excellent comprehensive service capability and our corporate client business keeps optimizing its service capability across the entire industry chain, with distinct competitive edge in certain lines of business. The Company has a strong brand and shareholder background, and has a good market reputation.

With the mission of “helping China’ s economic restructuring and upgrading, and helping to preserve and increase the value of social wealth” , China Merchants Securities abides by the core values of “Family Care, Commitment to the Times; Encouraging New Strength, and Commitment to the Future” and is committed to building the “best investment bank in China with distinctive features, innovation and leadership, quality first, and excellent contribution” . The Company will achieve customer value growth with excellent financial services, promote the progress of the securities industry, and strive to become an outstanding enterprise with customer trust, social respect, shareholder satisfaction, and employee pride.

Core Businesses and Services

The Group provides a wide range of customer-focused financial products and services to individuals, institutions and corporations, and engages in investment and trading.



Key Words for Social Responsibility in 2021

Trustworthy to Clients

The Company considers customers as the center, continuously optimizes the Company's business model, organization and operation, and continuously innovates products and services according to customers' needs. The Company promotes scientific and technological empowerment and provides customers with more professional and intelligent services with scientific and technological wisdom. We are committed to protecting the rights and interests of customers in products and services, establishing and improving complaint channels, ensuring the safety of customer information and transactions, and providing professional and high-quality financial services.

Pride to Employees

The Company adheres to people-oriented, protects the rights and interests of employees according to law, provides employees with a perfect and competitive salary and welfare system, establishes an equal and diversified career development path, constructs a scientific and efficient training system, strives to attract and retain the best talents, and actively promotes the common growth of employees and enterprises. In 2021, the Company continued to optimize various employee welfare security measures to ensure employees' physical and mental health in an all-round way.

Satisfactory to Shareholders

In 2021, guided by the vision of "to become the best investment bank in China with client-centric services and international competitiveness", China Merchants Securities strived to be listed into industry top five investment banks in terms of overall competitiveness, adhering to "quality and efficiency first with appropriate scale" to achieve high-quality development and sustainable development through focused strategies, business segments and resources.

Respectful to Society

In 2021, the Company actively served the coordinated development of regional economy, supported the integration of the Yangtze River Delta and the development of Guangdong, Hong Kong and Macao Greater Bay area, and helped 4 enterprises to go public, 6 regional listed companies to realize equity refinancing and 11 Guangdong enterprises to realize equity financing. We supported rural revitalization and helped three enterprises in poverty-stricken counties to realize equity financing in a total amount of RMB10.792 billion.

Green Finance

In 2021, the investment banking business department of China Merchants Securities actively served the emission peak and carbon neutrality fields to develop green finance. In terms of green bonds, it has underwritten a total of RMB2.519 billion of green and carbon neutrality related bonds and asset-backed securities.

Responsibility Governance

China Merchants Securities always abides by the core values of “Family Care, Commitment to the Times; Encouraging New Strength, and Commitment to the Future” and strives to create value for customers, shareholders, employees, society and other stakeholders.

01

1.1 Responsibility Strategy

Our responsibility goals

The Company focuses on customers, strives to build the best investment bank in China with distinctive features, leading innovation, quality first, and excellent contribution, and continues to enhance the Company’s responsibility capacity in the process of becoming bigger and stronger.

Our responsibility path

With the mission of “helping China’s economic restructuring and upgrading, and helping to preserve and increase the value of social wealth”, the Company insists on a path of scientific, innovative development, harmonious and green development, demonstrates its responsibility awareness based on its own operation and management practices and in the actual operation process, implements the strategy of responsibility work, realizes the value of responsibility and enhances the ability to fulfill its responsibilities. The Company should be aggressive and innovative; develop solid internal skills and operate steadily in compliance with regulations; insist on pursuing excellence and continue to optimize management; adhere to the core values of “Family Care, Commitment to the Times; Encouraging New Strength, and Commitment to the Future”, and strive to achieve a coordinated and balanced development of quality, efficiency and scale of the Company.

Our responsibility principles

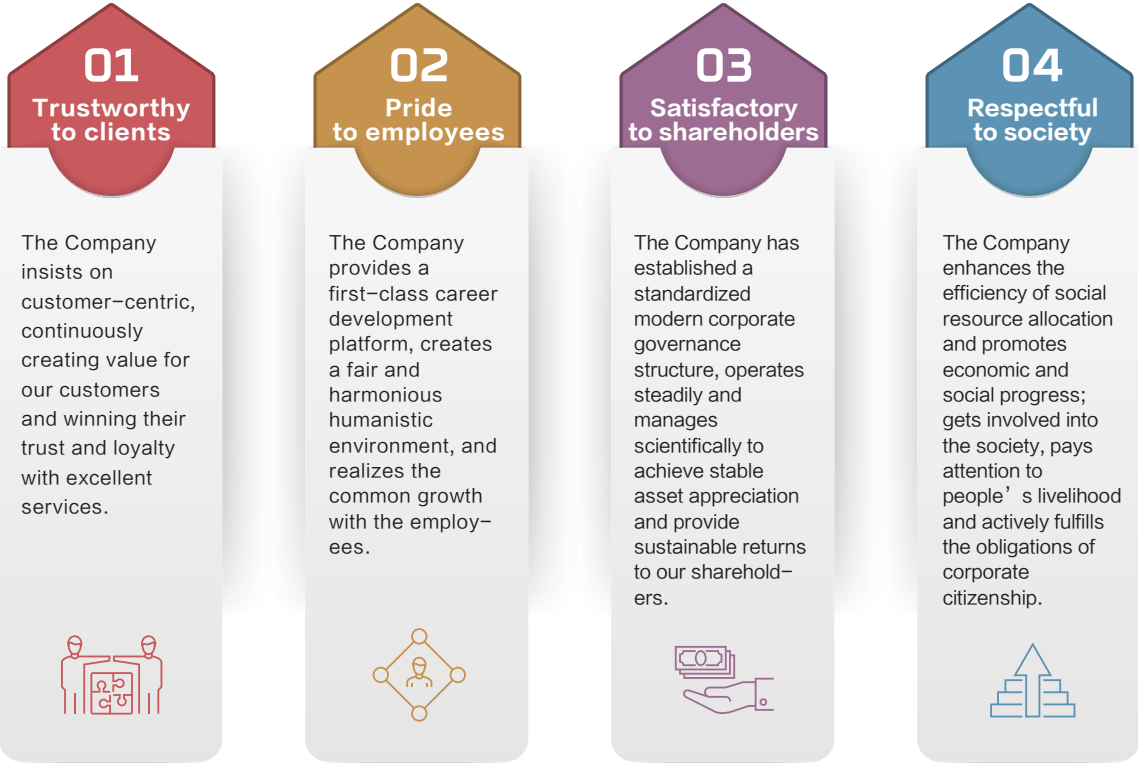
The Company insists on fairness and justice, balancing the relationship between the Company and multiple interests that are both interdependent and mutually influential; insists on taking the lead, striving to be proactive and one step ahead of others to show the exemplary effect; insists on the unity of knowledge and action, ensuring a high degree of unity between the concept of responsibility and action and integrating them into business practice; insists on continuous optimization, constantly improving itself and making continuous self-improvement, so that the management of social responsibility becomes a booster for the Company’s continuous growth and development.

Our responsibility focuses

To harmonize with society and develop with the capital market, the Company strives to promote the progress of the securities industry. The capital market is the foundation of China Merchants Securities, and the key objective of China Merchants Securities in fulfilling its social responsibility is to take up its responsibility to the capital market and the industry, and to realize its important value in the development and progress of the society.

1.2 Responsibility Model

China Merchants Securities is committed to providing superior integrated financial services to domestic and international clients, creating value and driving progress of the capital markets and securities industry. Our value creation focuses on four areas:



1.3 Responsibility Management

In formulating the Company's strategic planning, China Merchants Securities actively considers the challenges and opportunities of sustainable development, continuously improves the management of corporate social responsibility, and establishes a sound social responsibility management path and management methods. The Company adopts the management model of "unified leadership, block implementation, strategic supervision and systematic review" for our social responsibility work and integrates the concerns of various stakeholders into the Company's development to realize the organic cycle of the Company's development originating from society while contributing to the society through the Company's growth.

1.4 Stakeholder Identification and Communication

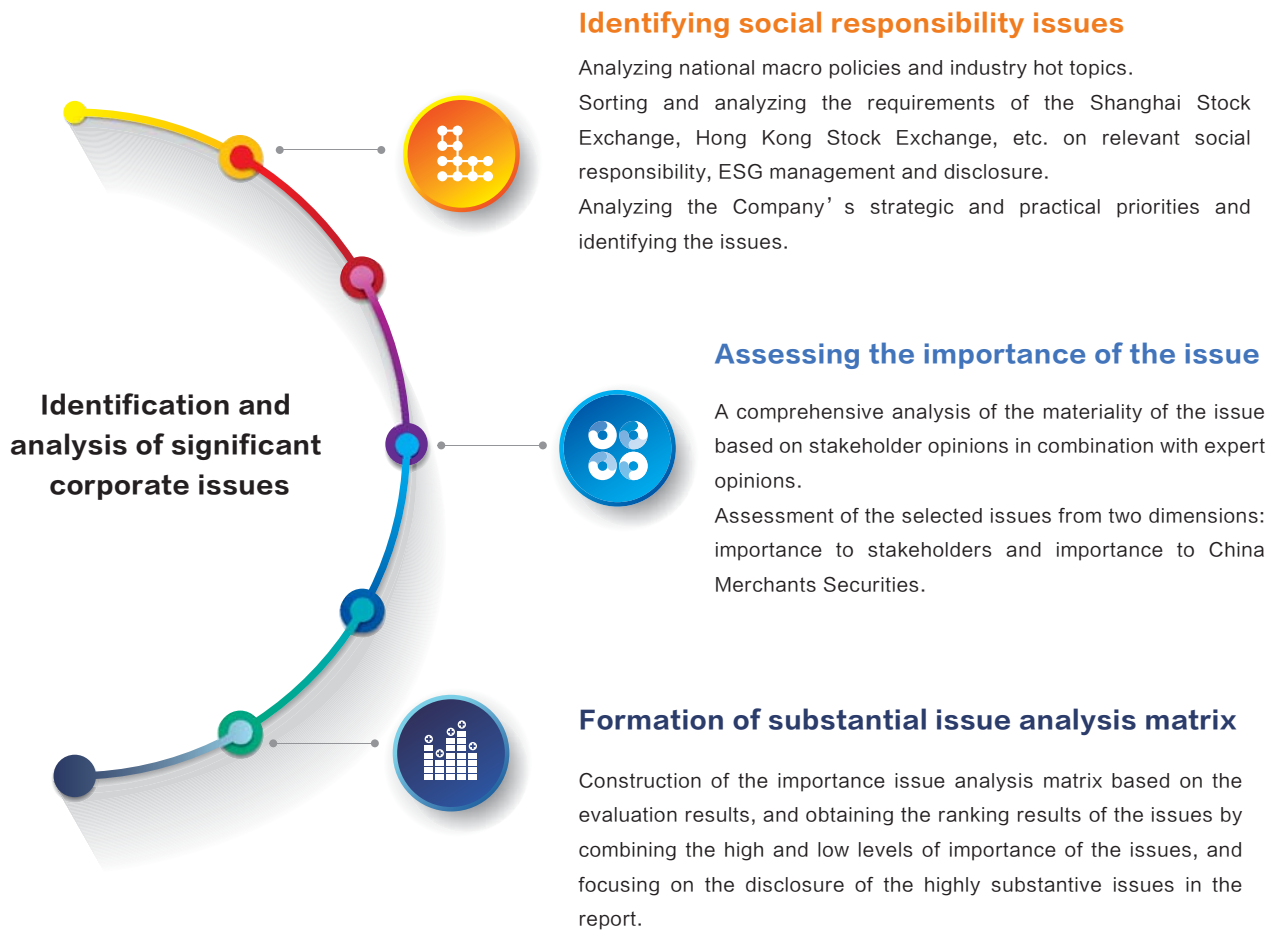
China Merchants Securities attaches great importance to communication with various stakeholders and establishes a regular communication mechanism with government and regulatory bodies, shareholders, customers, employees, communities and other stakeholders. Through diversified communication channels and methods, it understands the expectations and demands of various stakeholders in a timely manner and responds in a targeted manner to promote the development of the Company in line with the expectations and interests of various stakeholders.

Table 1: List of stakeholders' concerns and communication channels

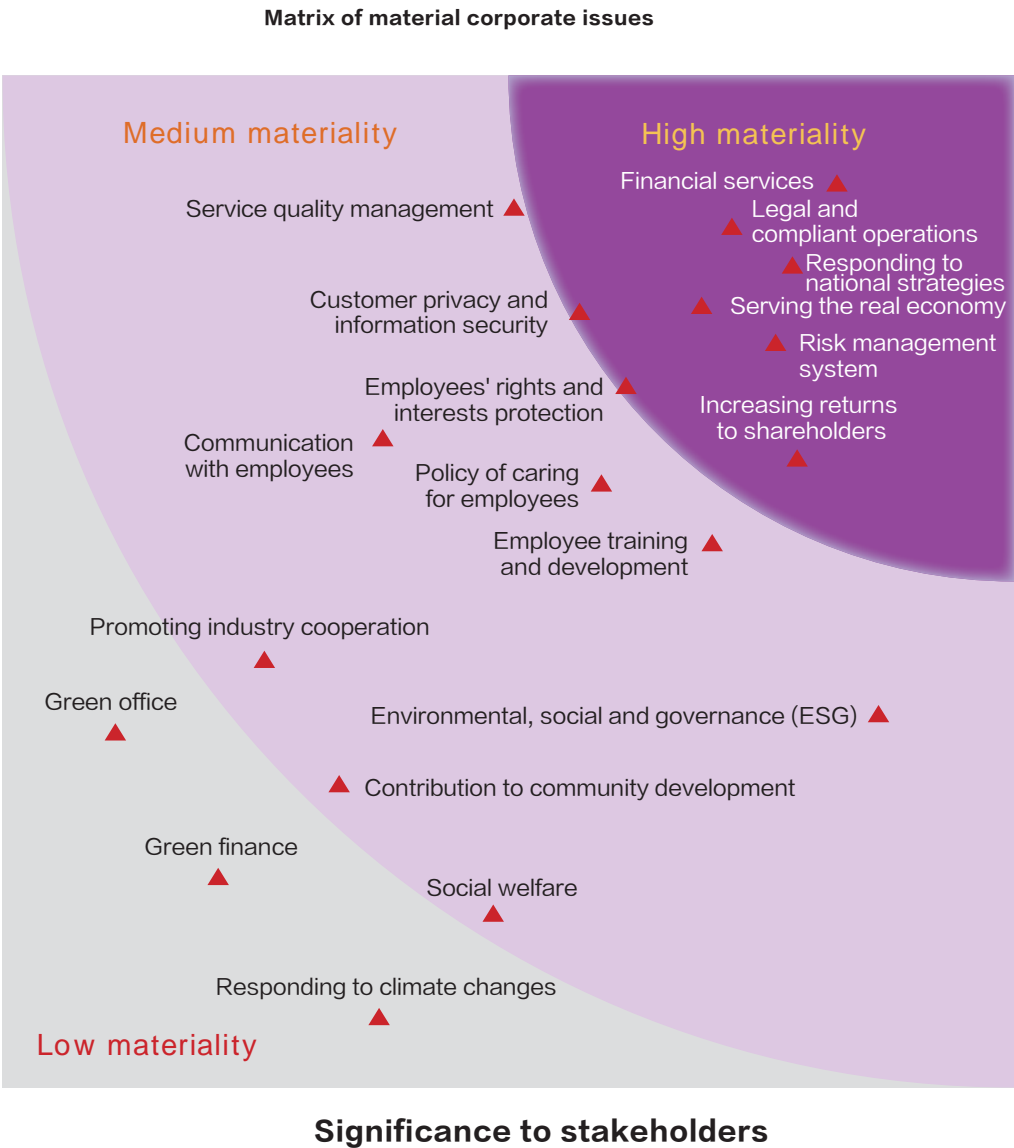
Stakeholders	Expectations and demands	Communication channels	Response
Government and regulatory bodies	Paying taxes in accordance with the law Robust and compliant operations Open and transparent information Helping local development	Meetings and training of government and regulatory bodies Project cooperation with local governments and enterprises Regular reports	Improving the Company's management system Timely and accurate reporting of business conditions Disclosure of the Company's environmental data
Shareholders	Sound corporate governance Risk management system Business ethics Protecting the rights and interests of small and medium shareholders	The Exchanges' official websites and other designated media Investor Relations column on the official website Shareholders' meeting Investor briefing Investor research Phone IR Email	Improving governance structure Sound risk control system
Clients	Customer Privacy Policy Improving customer service Meeting product needs	95565 Client Hotlines Theme-based questionnaire Research on customer needs for products Survey on customer satisfaction Official website, Official WeChat, Zhiyuan Financial Services Platform PC, mobile and other channels Investment strategy session Training, conferences and meetings Daily communication by email/phone Visit to customers	Compliant and legal operation Suitability management Protecting customer privacy Improving the complaint mechanism Innovating in product services
Employees	Employees' rights protection Working environment Respect for diversity Stability of employees Career development Balance between work and life	Corporate WeChat account Office mobile App OA platform E-learning platform	Creating an equal and fair career platform Providing a competitive compensation package Creating a healthy and safe working environment Enriching employees' life in spare time Establishing a training system linked to career development
Community	Environmental protection Responding to climate change Supporting community development Carrying out charitable activities	Disclosure of environmental performance information Community research and training Helping rural revitalization Serving the real economy Practicing financial inclusion	Developing green finance Practicing green operation Targeted support Public charitable activities

1.5 Identification and Analysis of Material Issues

In the preparation of this annual report, we reviewed the results of the identification and analysis of the material issues of China Merchants Securities in previous years, took into account the relevant national and industry policies, comprehensively considered the Company's strategy as well as the focus and expectations of stakeholders, and defined the social responsibility issues with a high degree of importance according to the process of identification, evaluation and screening, which will be highlighted for disclosure and response in this year's report.



Significance to China Merchants Securities





Trustworthy to Clients

We insist on customer focus, continuously optimize the Company's business model, organization and operation, and continuously innovate in products and services according to the needs of customers; promote technology empowerment and provide more professional and intelligent services for customers with technological wisdom. We are committed to protecting customers' rights and interests in our products and services, establishing sound complaint channels, safeguarding customers' information and transaction security, and providing professional and high-quality financial services.

02

2.1 Improving Customer Service

2.1.1 Optimizing customer service

In 2021, the Company deeply implemented the service concept of "customer demand as the center" and further improved the customer service experience.

· **Consultancy and accompanying ability:** The Company continued to strengthen the capacity-building of wealth consultants.

In terms of protection through resources	we vigorously introduced excellent professionals, carried out hierarchical training, empowerment and skill challenge competition, and built a professional wealth consulting team.
In terms of protection through mechanism	we optimized the assessment of wealth consultants, strengthened the assessment guidance such as "product yield", and established an assessment mechanism focusing on customers' interests and guiding customers' long-term rational investment.
In terms of protection through the capacity of digital platform	we built and continuously optimized wealth management asset allocation platform, product investment and research platform and wealth management platform, and improved customer service experience with financial technology. The Company continued to improve the whole process accompanying service ability of wealth consultants before, during and after sales, accurately identified the needs of customers before sales, conducted in-depth communication during sales, and provided targeted solutions and suggestions for customers. For after sales, we continued to pay attention to tracking customers' positions, timely reviewed and adjusted solutions, in order to help customers achieve the wealth goal of maintaining and increasing the value of assets.

· **Product and allocation capabilities:** We established four foundational capabilities for building product and investment capabilities.

Product allocation capability	We formed a customer-centric product allocation business brand image with selected mutual fund and private fund 50, etc. as the core.
Capabilities of asset management products	We joined hands with CMS Asset Management to build the image of China Merchants' own high-quality products.
Fund investment advisory capability	We seized the opportunity of fund investment advisory business license and vigorously promoted fund investment advisory business capacity building.
Private banking capabilities	We customized services for high-net-worth clients as the entry point for product customization.

2.1.2 Responding to market risks

In 2021, the Company implemented the risk alerting work for trading of delisted stocks by releasing information on the remaining trading days of delisted stocks, relevant risk alerting announcements on the official website and trading system runners, sending risk alerting SMS to customers holding shares, making outbound calls to customers, producing and releasing relevant investment education products, and developing trading control and risk alerting functions in the trading system.

The sales department explained to customers the system and trading risks related to delisted stocks through investment salons, stockholder schools and strategy reports, guided customers to fully understand the trading regulations and the fundamentals of listed companies before participating in trading of delisted stocks, and participated in trading in a prudent and regulated manner according to their own financial status, actual needs and risk tolerance.



2.2 Fintech Empowerment

China Merchants Securities attaches great importance to financial technology innovation and continues to increase its digital investment. The Company focuses both on top-level design and mechanism innovation to continuously promote digital transformation and enhance technological innovation capabilities, providing more specialized and intelligent services for individual, institutional and corporate clients.

In 2021, the Company upgraded its digital organization, enriched the talent team for digital development, built a product manager system, and opened up the last stage of business and technology connection.

The Company continued to build an advanced and easy-to-use financial service platform, strengthened intelligent operation, and provided professional and intelligent services for individual clients, institutional clients and corporate clients.

2.2.1 Optimizing the financial services platform

Individual clients

In order to meet the wealth management needs of individual clients, China Merchants Securities actively develops private domain traffic operation, constructs a WeChat social service ecosystem by opening up the “China Merchants Securities wealth management +” applet, corporate WeChat and China Merchants Securities App, and supports the transformation of the Company’s wealth management.

Institutional clients

China Merchants Securities built an industry-leading overall solution for institutional business. Through a series of special services such as full-service asset management, cross-asset risk control, ultra-fast market trading, and exclusive strategy platform, China Merchants Securities provides one-stop institutional service solutions for institutional clients to meet the ultimate and specialized investment needs.

In 2021, it maintained the advantages of institutional business transaction performance and service level. Geetek’s full link performance is the industry leader, and it is the first market making counter for hardware acceleration (FPGA) options in the industry. It has also upgraded the institutional marketing service platform, created the “institutional +” service system and launched the “institutional +” applet to effectively improve the marketing service ability and customer satisfaction of institutional clients.

Corporate client

In 2021, the Company launched the corporate client CRM system to support the implementation of the client manager system, realized the online implementation of the whole life cycle of companies from the “Gazelle Incubator Project” database, and supported the online implementation and management of more than 1,000 companies from such database. The intelligent investment banking business platform took the lead in achieving the intelligent analysis of all formats of bank transactions, through which audit efficiency can be increased by approximately 12 times, supporting the first batch of public offering REITs issuance.

2.2.2 Advancing intelligent operation

To enhance customer contactless services during the pandemic, the Company intelligently upgraded its Internet dual recording system, adding artificial intelligent auditing before, during and after recording, continuously detecting elements such as network, equipment, light, sound, picture quality, face in frame, face obscuring and customer answers, and comprehensively using information technology such as voice recognition technology, multi-target detection technology and picture light intensity modeling to enhance customer dual recording experience and improve business processing pass rate through business digitalization, operation intelligence and audit positioning.



Case: Fintech facilitated the innovation of managed outsourcing products and services

- Fund E-contract Butler: It provided full-process, full-lifecycle online services and management to improve the efficiency of investors, administrators and custodians’ business processing and reduce the risk of contract errors and omissions. It has served approximately 4,000 administrators and handled over 70,000 fund contract businesses.
- The industry’ s exclusive PC terminal and mini-program terminal investor service platform: Investors can check positions, fund returns, information disclosure reports and notices anytime anywhere. It realized the symmetry of fund information, and reduced the problem of having no channel for offline consultations for investors.
- Intelligent reporting of information disclosure reports: It assisted over 1,000 asset management institutions to generate, download and report approximately 30,000 accurate information disclosure and regulatory reports through digital staff RPA, data quality control, operational monitoring, etc.



2.3 Protection of Customers’ Rights and Interests

China Merchants Securities insists on being “customer-centric” and is committed to providing customers with a diversified and multi-level product and service system, while attaching great importance to the protection of investors’ rights and interests. Through suitability management, it matches customers with financial products that suit their risk tolerance. Through perfect privacy protection mechanism, it protects customers’ personal information. Through the improvement of complaint handling, it promotes the service reform of modern investment banking. Through various investor education activities, it helps investors better understand investment risks and establish rational investment ideas.

2.3.1 Suitability management

The Company attaches great importance to investor suitability management, fully understands the importance and necessity of implementing investor suitability management, follows the Measures for the Administration of Suitability of Investors in Securities and Futures, Guidelines for the Implementation of Suitability Management of Investors in Securities Business Institutions (Trial) and other related regulations, and has formulated the Measures for the Administration of Suitability of Investors in China Merchants Securities, which clearly sets out the methods and requirements of suitability management to protect the rights and interests of investors.

2.3.2 Protecting the security of information and transactions

China Merchants Securities has formulated relevant management rules or regulations, such as the Measures for the Classification and Grading Management of the Company’ s Data Security, Measures for the Management of Information System Data Confidentiality, Measures for the Management of Network Security, Measures for the Management of Computer Terminal Security, Regulations for the Management of Information System Data Backup and Measures for the Emergency Management of Network Security Incidents to fully protect the security of customer information and safeguard transactions.

Protecting the security of customer information

China Merchants Securities attaches great importance to the management and protection of customer information, and has established a system related to data security, granted the minimum authority in accordance with the needs of the position in the business, established corresponding control measures in each stage of the process, strengthened supervision and accountability, and enhanced the staff’ s awareness of confidentiality. It has strengthened the use of technology and consolidated the technical guarantee for customer information security.

Table 2: China Merchants Securities’ initiatives to use technical measures to protect the security of customer information

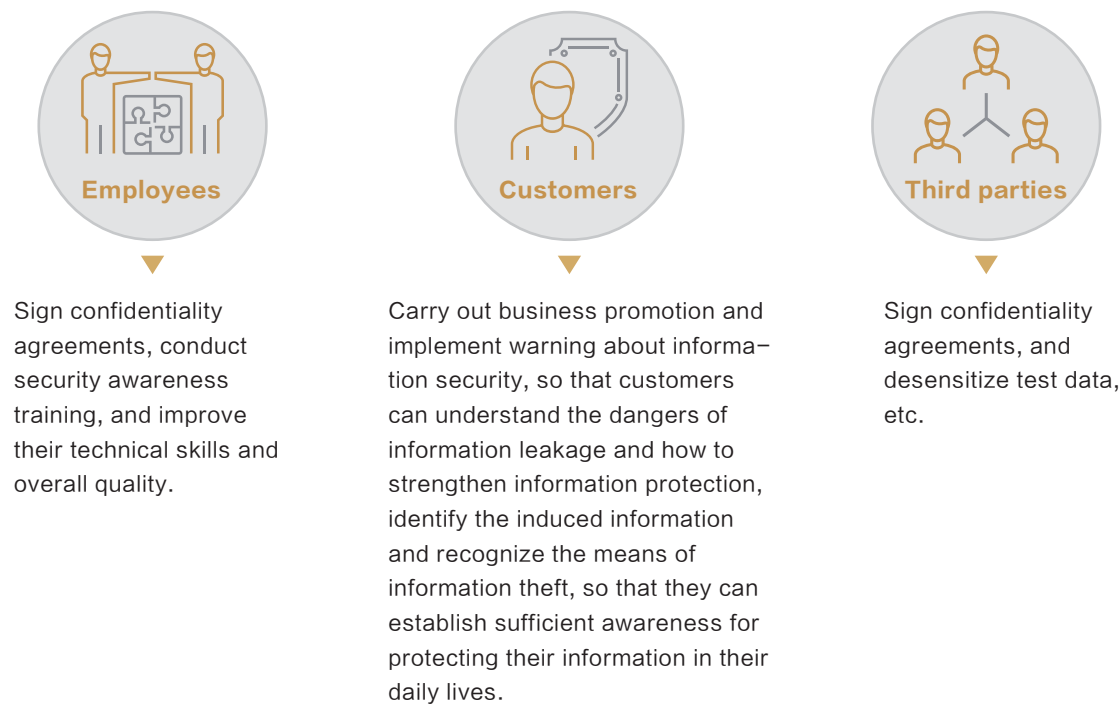
Building in-depth defense system for network security

The Company has continued to improve its security technology capabilities in the three major security areas of “application, data and operation” , built in-depth defense system for network security, implemented the responsibility system for network security, completed the formulation and identification of the Company’ s infrastructure standards, and implemented various protection measures for critical information infrastructure.

Strengthening “anti-intrusion, anti-virus, and anti-leakage” capabilities

The Company has built an automated network attack blocking platform, deployed flow monitoring equipment in 2 locations and 3 centers which cover 100% of the Company’ s security domain, reinforced the webpage anti-tampering system to protect the homepage of the official website from tampering, deployed host intrusion detection systems on all servers, and loaded data leakage prevention strategies on desktop terminals across the Company.

Table 3: China Merchants Securities’ initiatives to protect the security of customer information in terms of personnel management



Safeguarding transactions

To protect the security of our customers’ assets and information, in 2021, we actively innovated and continuously improved to provide our customers with safe, thoughtful and convenient online transaction services.

Table 4: China Merchants Securities’ initiatives to ensure the security and stability of transactions

Pre-safety control	<p>Optimize the standardized process of development, testing, launching, operation and removal of information systems and improve the security baseline standards.</p> <p>Promote the construction of DevOps system process, incorporate security inspection to the DevOps process, and comprehensively ensure the implementation of various security control measures for data security and customer information.</p> <ul style="list-style-type: none">· Set up code audit access control measures when code is submitted to detect security vulnerabilities early at the code level;· Strengthen supply chain management, develop supplier management and injection rules and product library interception rules to check and intercept external third-party dependency libraries to avoid the inflow of insecure component security vulnerabilities in the released packages in the product library.
Multiple security measures	<p>Adopt a number of security measures such as IP blacklist, customer number blacklist and packet encryption to guarantee the security of data communication.</p> <p>Customer account will be automatically frozen for continuous input of wrong password.</p>
Guaranteeing stability	<p>Conduct full-link performance pressure testing before launching, and capacity monitoring and analysis of the full link after launching to guarantee full-link performance matching and improve the guarantee capability.</p>

2.3.3 Sound complaint management

The Company has always attached great importance to the handling of customer complaints and has formulated rules and regulations such as the Measures for the Handling and Management of Customer Complaints of China Merchants Securities Co., Ltd. and Rules for the Implementation of the Handling of Customer Complaints in Securities Brokerage Business of China Merchants Securities Co., Ltd. to clarify the principles of customer complaint handling, standardize the workflow of customer complaint handling, determine the time limit for complaint handling and realize the closed-loop management of complaint handling.

The Company has clearly set out customer complaint channels such as telephone and website in the business department site, the Company’ s official website, official microblog and trading software. The Company also receives customer inquiries and complaints in multiple dimensions and channels such as media monitoring to ensure that customer issues are responded to quickly in the first place.

The Company has established a unified electronic complaint handling platform – “Customer Complaint Handling Process” . Through the electronic process, the content of filling in each link of complaint processing is standardized; the processing time limit of each stage is clarified; and the flow of tracking complaint, report statistics and supervision and inspection are promoted. The Company also constantly summarizes customer feedback to optimize the service process under the premise of compliance management, and regularly feeds back customer complaints to relevant business departments to facilitate targeted improvement of customer service by the business departments, effectively enhancing customer service efficiency and satisfaction.

The Company’ s major measures for further optimization and strengthening of management over customer complaints are as follows:

01	Strengthening the analysis of customer complaints and optimizing key rectification matters	<p>The Company strengthened the analysis of customer complaints in brokerage business, issued the annual report of customer complaints and analyzed the key issues of customer complaints, and all relevant departments made regular rectification and optimization on key issues. In 2021, the Company optimized the management process of account cancellation and commission rate, improved the stability of information system, and strengthened investor education for new clients. The above complaints are less than that in 2020.</p>
02	Strengthening the supervision of complaint handling and improving the settlement rate of complaints	<p>In order to further strengthen the supervision function of the branch and the competent department of litigation related business in the handling of customer complaints and urge the business department to properly handle customer complaints and disputes, the Company adjusted the supervision time limit from 20 working days to 8 working days. The complaints or disputes that are not handled effectively within the time limit shall be handled in a timely manner under the supervision of the branch company and the business department involved which should also give guidance opinions, and this effectively helps to settle complaints, resolve disputes and avoid further escalation of complaints. In 2021, the complaint handling and settlement rate was 98.1%, representing an increase of 4.9% over 2020 (93.2%).</p>
03	Improving the return visit requirements of customer complaints and effectively reduce the supervision rate of regulatory complaints	<p>The Company further improved the requirements of complaint return visit, strengthened the review of complaint handling supporting materials, and timely carried out complaint return visit for insufficient supporting materials, so as to ensure the effectiveness of complaint settlement and reduce the supervision of regulatory complaints. In 2021, the supervision and complaint of the Company’ s brokerage business supervision department decreased by 73.3% over 2020.</p>

2.3.4 Investor education

In 2021, China Merchants Securities achieved the five goals of systematization, normalization, technology, standardization and diversification in investor education, continuously improved the breadth and depth of investor services, and fully implemented investor education.

Table 5: China Merchants Securities' performance in conducting investor activities in 2021

Number of investors covered by online and offline investor education campaigns 537,716	
Number of investor education activities 1,839	Total volume of investor education products issued by headquarters and branches 661,328

Table 6: China Merchants Securities' performance related to investor education base in 2021

Total types of investor education products 4,126	
Average monthly opening hours 216 hours	Average monthly person served 881 person-times
Investor education activities conducted 110 hours	Average monthly number of participants in online and offline surveys 758 person-times
Customer satisfaction 99%	Originality rate 73%

Revising regulations and standardizing management

In 2021, the Company formulated the Management Measures for Protection of Investors' Rights and Interests of China Merchants Securities Co., Ltd., revised the Measures for the Management of Investor Education of China Merchants Securities Co., Ltd., the Measures for the Management of Investor Education Base of China Merchants Securities Co., Ltd. and the Rules for the Management of New Media Public Account of "Investor Education Base" of China Merchants Securities Co., Ltd. to regulate the behavior of the Company in providing financial products and services related to brokerage business to investors, improve the rules for investor education and clarify the management responsibilities of each department.

The Company deeply implements the service concept of "investor education first", integrates investor education into all aspects of business development, and requires marketing and service personnel to make use of relevant investor education materials to fully popularize business knowledge and risk tips to investors before developing business.

Focusing on multi-level capital market

For "3.15", "5.15", "financial knowledge popularization month", infrastructure REITs, Beijing Stock Exchange and other hot topics in the capital market that investors are concerned about, the Company has launched relevant original investor education products and activities.

- Conducting investor education activities on themes such as "Interpreting Infrastructure REITs", "Scientific Understanding of Snowball Products" and "Here Comes the Beijing Stock Exchange".
- Creating a series of investor education graphics such as the "I grow with China Merchants" investor education animation, "Mini-classroom for investors" investor education short video, "Mutual fund refueling station" and "Here comes the Beijing Stock Exchange".

- Working together with senior industry experts to launch a series of investor education courses on funds, futures and the Beijing Stock Exchange, as well as a new financial book recommendation section called "Yuanjian" (远荐).

Integrating investor education into national education

The Company actively practices the policy of integrating investor education into national education and provides differentiated investor education services for investors of different investment cycles.

- Investors who have been in the market for a short period of time
Regular classes were held for new stockholders to help them understand the most basic and necessary information about the market.
- Investors with some investment experience
The Company conducted methodological studies on research report reading methods, fund evaluation methods and so on, and closely cooperated with the Exchanges to carry out activities such as "Hong Kong Stock Exchange Investor Education Miles 2021" and "SSE Stock Market in High Quality Development" to help them better participate in the capital market.

- Female investors
We offered female-only family asset allocation courses from the perspective of female's investment characteristics and needs to help female investors understand the inner logic of investment and formulate reasonable family asset allocation plans.
- Elderly investors
We cooperated with the CSRC Shenzhen Office, Shenzhen Stock Exchange and Shenzhen Elderly Healthcare College to offer risk education courses for the elderly and introduce them to common financial scams by performing live investor education scenarios in communities.

Protecting investors' rights

The Company always adheres to the "investor-centric" concept and incorporates the exercise and protection of investors' rights into every investor education activity through posters and other forms. After the promulgation of the new Securities Law and the amendment to the Criminal Law (XI), the lecturers of the Legal Compliance Department were invited to give courses to investors on site at the base to help them know, understand, and abide by the law and defend their rights. The Company introduced original science popularization illustrations such as "Introduction to investor rights protection channels of China Securities Regulatory Commission" to popularize the knowledge of exercising rights and rights protection channels.

Publicizing anti-money laundering knowledge

In 2021, the Company fully popularized anti-money laundering knowledge through online and offline channels by placing investor education products and holding joint community investor education activities.

- Publicity of investor education products
The latest anti-money laundering system documents and risk tips such as "Be aware of involvement in money laundering crimes" and anti-money laundering lectures of China Merchants Securities were publicized on the outdoor and risk warning area screens of the physical investor education base, Internet investor education base, WeChat public account and other online and offline channels, covering approximately 120,000 people.
- Publicity of investor education activities
From November to December, the Company joined hands with Jincheng Community and Xinghe Sub-district Community to conduct investor education lectures on "prevention of illegal securities, anti-money laundering, illegal fund raising and other illegal financial activities", explaining anti-money laundering knowledge to middle-aged and elderly people and volunteers in the community. Hazards of anti-money laundering crimes to community residents were publicized through online knowledge quizzes at the Jinrong Community Financial Tour, covering approximately 500 community residents.

Pride to Employees

We insist on people-oriented, protecting the rights and interests of employees according to the law, providing employees with a perfect and competitive salary and welfare system, building an equal and diversified career development path, constructing a scientific and efficient training system, striving to attract and retain the best talents, and actively promoting the common growth of employees with enterprises.

03

3.1 Protecting Employees' Rights and Interests

China Merchants Securities strictly abides by relevant laws and regulations, and takes positive actions in equal employment, improving remuneration and benefits, caring for physical and mental health, etc. to effectively protect the legal rights and interests of employees.

3.1.1 Ensuring equal employment

The Company strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Regulations of Shenzhen Special Economic Zone on the Promotion of Harmonious Labor Relations and related laws and regulations, signs labor contracts with all employees on the basis of equality, free will and consultation, establishes labor relations in accordance with the law, and provides safe and hygienic labor environment and working conditions in strict accordance with labor protection requirements. The Company always abides by the rules and regulations on labor employment, so that the formulation and implementation of the regulations are legal and compliant, and the phenomenon of forced labor and child labor is prevented. The Company continues to strengthen its labor and employment specifications, establishes a law-abiding and honest image of the Company, further promotes the establishment of a good employer brand, eliminates all discrimination due to gender, region, ethnicity, religion, etc. in recruitment, salary, training and promotion matters, and ensures that all employees enjoy fair, just and open job opportunities.

3.1.2 Improving compensation and benefits

In order to ensure the stability of the talent team, China Merchants Securities has formulated and continuously improved a series of compensation and benefit policies and systems, striving to provide employees with a highly competitive compensation and benefit guarantee system.

We established a compensation incentive system that matches the Company's operating position to enhance compensation competitiveness and promote business development. We optimized the compensation structure, strengthened the close linkage between bonuses and business performance, and enhanced bonus incentives. We designed differentiated incentive mechanisms to meet different business characteristics and competitive needs, and considered the intensity of investment in compensation incentives for core and key talents.

In terms of welfare protection, we have established a multi-level endowment insurance system. A variety of protection programs including social insurance, supplementary medical insurance, and enterprise annuity plans are combined with each other and complement each other to jointly build a perfect welfare security system for employees and address their worries.

Table 7: Multi-level endowment insurance system established by China Merchants Securities for its employees

Social insurance	<ul style="list-style-type: none">· This includes basic endowment insurance, basic medical insurance, local supplementary medical insurance, work injury insurance and unemployment insurance.· 100% of the employees are covered by this policy.
Supplementary medical insurance	This includes group accident insurance, critical illness insurance, comprehensive medical insurance, etc.
Corporate annuity plans	We established corporate annuity plans for employees who have served in the Company for a certain number of years to encourage them to grow together with the Company and share the results of the Company's continuous operation.

3.1.3 Caring for physical and mental health

China Merchants Securities complies with laws and regulations such as the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and the Regulations on Work-Related Injury Insurance, and has formulated rules and regulations such as the Regulations on Attendance Management, made every effort to ensure workplace safety, provided employees with medical checkups, and truly cares for the physical and mental health of the employees.

Safeguarding workplace safety

China Merchants Securities took action in conjunction with the Group's three-year action for special rectification of production safety. Combined with the actual work on site, 4 production safety meetings were held and 3 production safety inspections were carried out in 2021, and specific implementation plans were formulated for key stages and key parts prone to problems and hidden dangers. Responsibility was implemented at all levels, and the hidden dangers were strictly investigated in combination with all departments, branches and wholly-owned subsidiaries, and were proactively managed. We strengthened the management and monitoring of hidden dangers, and carried out timely rectification of the accident hazards mastered by the survey to ensure that all safety hazards are rectified.

Raising security awareness

China Merchants Securities actively responded to the "production safety month" of China, actively deployed and widely mobilized to understand the safety management situation of all departments in time to prevent accidents. Through various forms and content-rich activities, targeted safety training and other initiatives, we continuously enhanced the safety awareness and prevention skills of employees.

Table 8: China Merchants Securities' initiatives to raise the safety awareness of employees

Enhanced publicity	Learning and training of safety knowledge	Dedicated training
This is done through online question and answer, the arrangement of publicity columns and posters, etc.	Carry out learning and training on production safety laws and regulations and safety knowledge, safety and fire drills and other activities for all employees.	Organize professional training on food safety, traffic safety and first aid.

3.2 Helping Employees Development

China Merchants Securities attaches great importance to talent development and knowledge system construction, and insists that employees are the strategic resources to build the "best investment bank in China with international competitiveness", and helps employees achieve their career growth through the improvement of personal professional ability and performance level by enriching training system and talent management mechanism.

3.2.1 Talent management mechanisms

The Company always takes "talent is the first resource, the first capital and the first driving force" as its guiding principle, adheres to the principle of Party-controlled cadres and Party-controlled talents, deeply implements the strategy of developing stronger enterprises with talents, scientifically plans the talent selection, appointment and cultivation system, continuously improves the diversified development channels of the talent team, and focuses on wealth management, investment banking, investment, investment research, asset management, financial technology, internal control compliance and other strategic fields through the mechanism of market-oriented management. The aim is to build a high-quality professional talent team with sufficient quantity, reasonable structure, excellent quality, outstanding professionalism, good innovation and courage, which can adapt to the Company's high-quality rapid development, effectively support the Company's "14th Five-Year Plan" development goals and promote the Company's new five-year strategy.

In 2021, the Company continued to broaden the space for the development of professional talents. In line with the experience of international investment banks, the Company has comprehensively implemented the business grade system, actively evaluated and rated professional talents in wealth management, investment banking and financial technology, further improved the dual-channel mechanism for talent development, comprehensively managed the qualification system, and promoted employees to be able to move up and down. First, the Company effectively implemented the "dual-channel career development" orientation and adopted the parallel policy of "business grade system" and "cadre position system" for employees to broaden their career development path. Meanwhile, on the basis of the original business grade system, we continued to explore diversified and specialized development channels, further improved the existing MD business grade sequence and administrative service sequence in 2021, and added a new financial technology grade sequence to encourage employees to fully develop their talents in diversified professional channels. Second, we managed the qualification system, carried out periodic evaluation of the qualification and adjustment of the business grade of the staff in 2021, "downgraded as much as possible" the staff who did not meet the qualification standards of their positions, ensured that "there is a standard for the position, the value is reflected and the channel is in place", and promoted the staff to "be able to move up and down".

3.2.2 Building a training system

China Merchants Securities plans and implements a hierarchical and categorized training plan with a focus on business development needs around a five-year change strategy, and supports and guarantees the effective implementation of training through five major systems: training strategy, system, resources, operation and support. The Company encourages employees to participate in all kinds of professional training and qualification related to their jobs and gives financial support when the regulations permit.

Training system

Based on competence and job responsibilities, China Merchants Securities has established a hierarchical and categorized training curriculum system based on the professional courses, management courses and general courses. Around the Company’s strategy and talent training goals, China Merchants Securities has established a four-dimensional training guarantee system of “sound training system guarantee” + “reasonable training resources allocation” + “efficient training project operation” + “advanced learning platform support”. In line with the latest learning trends, the Company vigorously promoted blended learning forms, and adopted diversified learning methods such as online learning, online live streaming, on-site training, training-practice combination, action learning and integration of testing and training according to different training objectives to achieve precise training and in-depth training, improve learning efficiency and promote the application of the learned knowledge. Based on the training system, the Company combined standardized training with personalized training and implemented corresponding training programs for employees at different stages of development, covering all employees throughout their careers.

Table 9: Employee training performance of China Merchants Securities in 2021

Total sessions of the training program	Total hours of employee training	Total attendance of employee training	Average satisfaction of training programs
667	698,000 hours	729,000	96.2 points



Case: Increasing training investment and broadening training latitude

We increased training investment in 2021, with a 30% increase in actual training costs compared to 2020. We focused on training to strengthen staff practice management, investment investigation lecture and hard technology training for “three investment” (investment bank, investment research and investment) staff, medium and long-term training for outstanding young cadres, digital transformation training for digital talents, lecturer training to expand and cultivate internal lecturer team, and staff professionalism training, etc. We have ensured that the training needs necessary for staff growth and business development are met, and contributed to the enhancement of the Company’s core competitiveness.

3.3 Deepening Care for Employees

China Merchants Securities cares for the health of employees, promotes the construction of a harmonious corporate culture, pays attention to the work-life balance of employees, carries out rich and diverse activities to enrich the leisure time of employees, enhances the cohesion of the Company and the team identity of employees, and jointly creates a harmonious humanistic environment.

3.3.1 Care for employees’ health

In 2021, China Merchants Securities continued to optimize various employee welfare security measures to ensure employees’ physical and mental health in an all-round way. The Company continuously optimizes the annual physical examination plan of employees and continuously promotes the daily health management activities of employees; through special mental health lectures, helps employees build a psychological pandemic prevention defense line and ensures employees’ mental health; and through webcast, exclusive service consultation hotline and other means, ensures that employees can easily and quickly understand and use the Company’s welfare guarantee.

3.3.2 Create a harmonious corporate culture

China Merchants Securities pays attention to the construction of corporate culture. In 2021, the Company carried out diversified activities to create a positive cultural atmosphere and promote the improvement of work style and operation and management around “celebrating the 30th anniversary”, “well received consensus”, the “third (2021) China Merchants Securities Corporate Culture Festival” and “vigorous promotion of the Creed of China Merchants Group in the New Era”.

· Celebrating the 30th Anniversary

In 2021, to celebrate the 30th anniversary of the Company and around the overall goal of “enhancing cohesion internally and strengthening the Company’s brand externally”, the Company formulated the overall celebration plan for the 30th anniversary, and carried out a series of diverse activities including the theme report, the exhibition of the Company, the promotional film, the cultural party, “Sailing to the peak” and so on. The purpose is to enhance the sense of mission and responsibility of the Party cadres and all employees in unity and struggle, financial service to the country, and love for the work. The Company reviewed its history, summarized its experience, looked forward to the future, reinforced its values, boosted morale, enhanced employees’ pride, sense of belonging and love for the Company, and enhanced cohesion, which was well received by the cadres and staff of the Company.

· Well received consensus

In 2021, we fully promoted the implementation of the new version of Corporate Culture Consensus of China Merchants Securities, and guided and promoted the high-quality development of the Company with a new cultural concept: through the publicity, study and continuous promotion of the “Gazelle Incubator Project” and other special businesses, the core concept of the consensus of “family care and responsibility of the times” was deeply planted in the process of business development. The Company produced the “Dadaozhiyuan – Consensus Training Courseware” to let all employees truly understand the consensus. The Company carried out the painting and photography competition of “Culture in painting and calligraphy”, and the winning works were displayed in the Company’s office building. Meanwhile, based on the concept of consensus, a set of posters were designed and displayed on the full image projection screen of the office building and printed and posted in the Company’s internal canteen to effectively make every employee know the consensus.

· Third (2021) China Merchants Securities Corporate Culture Festival

In the form of innovative and enjoyable events, the Company launched the first “Management Elite Cup” Badminton Invitational Tournament and the 16th “Endeavour Cup” Badminton Team Tournament, the “Battle of Kings, Top of Glory” e-sports competition, the 13th “China Merchants Securities Cup” Basketball League, the 13th “China Merchants Securities Cup” Football Tournament, the “Dragon Boat Race”, the “Singing for the 30th Anniversary” Competition and other cultural and sports events to show the vitality and vigor of the people of China Merchants Securities, enhance their sense of belonging and cohesion, and inspire cadres and employees to further overcome difficulties and make collaborative efforts.

· Vigorous promotion of the “Creed of China Merchants Group in the New Era”

In accordance with the focus of China Merchants Group’s deployment, the Company vigorously promoted the “Creed of China Merchants Group in the New Era” within the Company, including: organizing to participate in the release ceremony of the “Creed of China Merchants Group in the New Era” and listening to training lectures; promoting the creed and its interpretation on the workplace TV screen and in the internal magazine and intranet; promoting the Group’s culture in conjunction with the 30th anniversary of the Company and the 18th Company Day of China Merchants Group, such as thoroughly publicizing the Group’s culture in conjunction with the Company’s history at the development summary conference; organizing the “power of faith” thematic Party class activities; organizing the “learning the Party rules, complying with the Party discipline and abiding by the regulations” knowledge contest; and carrying out integrity actions among employees. The Company’s grass-roots units also organized visits to the History Museum of China Merchants Group, quizzes on the history of the Party and China Merchants Group and seminars on the “Creed of China Merchants Group in the New Era”, organized Party members to watch the movie “Battle at Lake Changjin” and make donations for Vietnam veterans, and organized environmental activities such as garbage collection in parks, visits to study local model schools, walks for public welfare, and other kinds of cultural activities.

3.3.3 Balancing work and life

In 2021, the Company’s trade union insisted on building the Party with group building, gave full play to the bridge and link role of the trade union, continued to implement various care for the staff, and offered greetings to the demobilized and veterans of the Company on August 1, the Military Day. The Company timely sent greetings to maternity employees and sick employees; held lectures on the knowledge of COVID-19 vaccine, contacted staff of the sub-district office to organize collective vaccination of employees within the Company, and organized nucleic acid tests for all employees several times when the pandemic situation was serious. Under the situation that Zhengzhou was suddenly hit by a rare flood and the traffic in the city was paralyzed, the Company’s trade union quickly responded and contacted logistics companies to quickly deliver the materials in shortage to our business departments in the affected areas, which effectively solved the urgent needs of employees.

Satisfactory to Shareholders

We are fully aware that the Company carries the high expectation of preserving and increasing the value of shareholders' assets and the responsibility of realizing the long-term value of shareholders. China Merchants Securities has always adhered to sound and standardized operations, continuously improved corporate governance, attached importance to risk management, deepened internal control and compliance, strived to improve operational performance, and continuously rewarded shareholders' trust.

04

4.1 Corporate Governance

We strictly comply with the requirements of relevant domestic and overseas laws, regulations and regulatory documents, continuously improve our corporate governance structure, proactively carry out strategic changes, seek corporate transformation and development, and continue to create greater value for our shareholders.

4.1.1 Five-year change strategy

Under the new situation of accelerated macroeconomic transformation and comprehensive deepening of reform in the capital market, the securities industry is faced with both opportunities and challenges. China Merchants Securities adheres to the strategic vision of "developing itself into the best investment bank in China with international competitiveness by putting customers at the center of its business", takes "top five in the industry in terms of overall competitiveness" as its strategic goal, implements the overall requirements of "quality first, efficiency first and moderate scale", carries out the concept of high-quality development, insists on strategic focus, business focus and resource focus, strives to achieve high-quality development and sustainable development, continuously enhances the Company's ability to provide comprehensive services to customers and improves its overall competitiveness.

2021 was a key year in the Company's five-year change strategy. The Company continued to be guided by its strategic objectives and further realized its mission to "build a modern investment bank with six dimensions". The Company developed itself into a comprehensive wealth management service provider and consolidated its advantages of comprehensive services for institutional clients; promoted the integrated development of capital and service business and enhanced the capacity of comprehensive financial services; accelerated the digital transformation, increased investment in financial technology and built a "technology-enabled" ecology; and strengthened the integration of cross-border services to enhance cross-border business service capabilities while focusing on the five core capabilities of risk control, technology, talent, synergy and capital.

4.1.2 Corporate governance structure

The Company has continuously improved its corporate governance structure in accordance with the requirements of the Company Law, the Securities Law and the relevant rules and regulations of the CSRC, the SFC and the Hong Kong Stock Exchange, and its corporate governance is in compliance with the relevant laws and regulations. It has formed a corporate governance structure in which the shareholders' meeting, the Board, the Supervisory Committee and the management are separated from each other and have mutual checks and balances to ensure the standardized operation of the Company. During the reporting period, the Company held a general meeting of shareholders and considered 13 proposals; the board of directors held 7 meetings, considered 36 proposals and listened to 7 reports; special committees of the board of directors held 17 meetings, considered 40 proposals and listened to or reviewed 13 reports; the Supervisory Committee held 5 meetings, considered 14 proposals and listened to 4 reports.

4.1.3 Investor relations management

The Company has always been committed to protecting the interests of investors and has made efforts to improve transparency in its daily work to enhance investors’ and potential investors’ understanding of the Company. Through a variety of channels such as information disclosure, shareholders’ meeting, analyst meeting, investor briefing, roadshow, reception and investigation, dedicated phone lines, email, and online platform (investor relations column on the Company’s website, E-interactive platform of Shanghai Stock Exchange, and third-party platforms), we maintained effective communication with investors and continuously improved the quality and efficiency of communication with investors.



Case: Increasing online communication with investors

In 2021, the Company actively enhanced communication with investors through online means. In April and September, the Company held analyst teleconferences for 2020 annual performance and 2021 interim performance. The Company’s executives and business backbone had in-depth communication with analysts at home and abroad on the Company’s development strategy, financial performance and business development. The Company held the “China Merchants Securities 2020 online performance briefing”, “2021 interim online performance briefing” and “2021 third quarter online performance briefing” through the E-interactive platform of the Shanghai Stock Exchange, and participated in the “2021 collective reception day for investors of listed companies under Shenzhen jurisdiction” through www.p5w.net. The Company maintained close contact with domestic and foreign analysts and investors, exchanged industry trends and the Company’s operation and development in-depth, and actively publicized the Company’s investment value, communicated with a total of more than 600 people.

4.2 Risk and Compliance Internal Control Management

The Company has established and improved corporate governance and effective risk management and internal control system to manage the risks faced by the Company in the securities market.

4.2.1 Comprehensive risk management

The Company attaches great importance to risk management, and has established a sound and effective comprehensive risk management system, including a sound risk management organizational structure, a multi-level and complete risk management system, a quantitative risk management indicator system, an effective risk assessment, review, monitoring and response mechanism, a cross-market, global, multi-currency and intelligent integrated Group risk management platform, and an excellent risk management team, constantly optimizing and improving the “six-dimensional” comprehensive risk management system to pursue the highest standard of practice.

In accordance with the requirements of the Guidelines for Internal Control of Securities Firms and the Code for Comprehensive Risk Management of Securities Firms, the Company has taken the lead in establishing a five-level modern risk management structure in accordance with its own operational needs, including: strategic arrangements by the Board, supervision and inspection by the Supervisory Committee, risk management decisions by senior management and the Risk Management Committee, risk control and balance by risk management-related functions, and direct management by other departments, branches and wholly-owned subsidiaries.

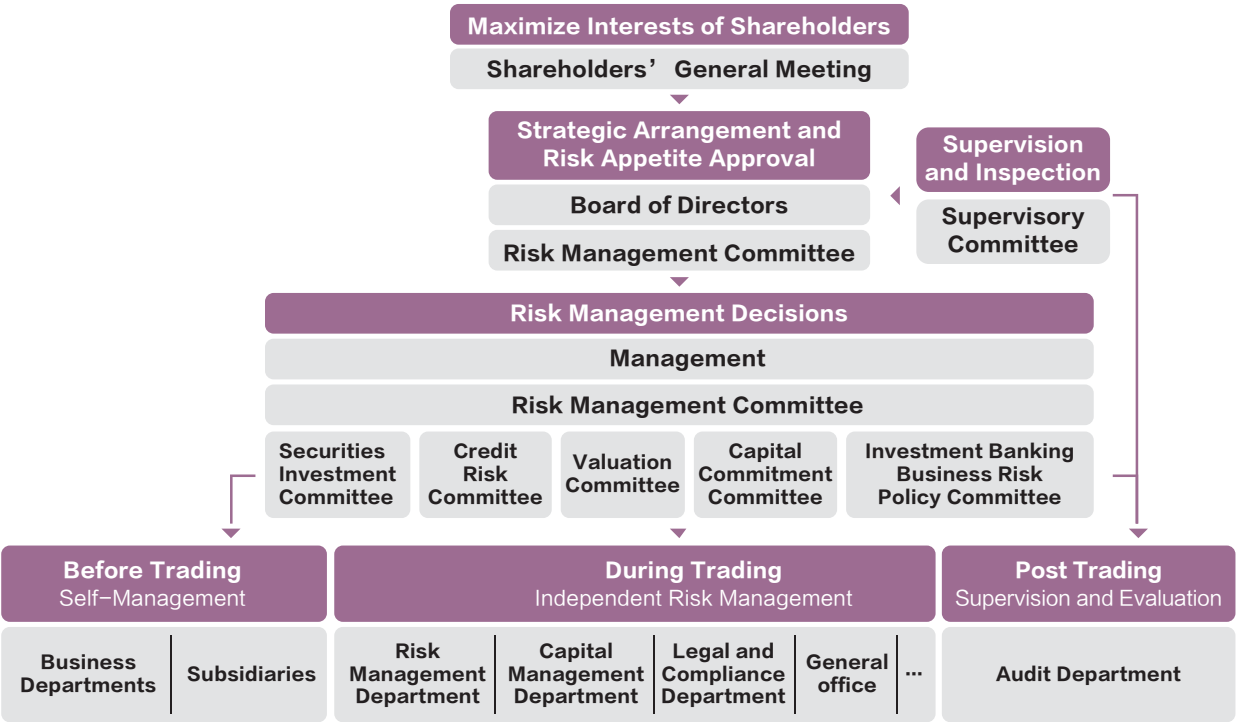


Figure 1: Risk Management Structure

The Company has established three lines of defense for risk management: the first line of defense is the implementation of effective risk management self-control by all departments and branches; the second line of defense is the implementation of professional risk management by relevant functional departments of risk management; and the third line of defense is the post-supervision and evaluation implemented by the audit department.

Based on the comprehensive risk management system of China Merchants Securities Co., Ltd. and the working rules of the risk management committee of the board of directors of China Merchants Securities Co., Ltd., the Company has formed a complete risk management system including comprehensive risk, market risk, credit risk, operational risk, liquidity risk, reputation risk and money laundering risk, and the boundary and general principles of various risk management are clarified.

Being one of the six securities firms to obtain the qualification for pilot consolidated supervision in the industry

In March 2020, the Company officially obtained the qualification for pilot consolidated risk management supervision by the CSRC among the first batch of six securities firms. The Company took this opportunity to continuously improve the management mechanism of consolidated risk control indicators and continuously improve the ability of group risk management. The overall operation of the Company's risk management was good; the asset quality remained excellent; and no major risk events occurred.

Promoting the application of bond internal evaluation in investment banking

The Company promoted the establishment of the application mechanism of bond internal evaluation in investment banking business, greatly improved the effectiveness and convenience of the application of internal evaluation tools by investment banking staff, continuously improved the accuracy of internal evaluation results by optimizing the internal evaluation model and improving the internal evaluation working mechanism, enabled the front-line business to carry out, and helped to fully grasp business risks.



4.2.2 Compliance and internal control management

Compliance is the foundation of a business. In 2021, in the face of strict supervision and zero-tolerance regulatory trend, China Merchants Securities insisted on risk orientation and continued to improve the legal compliance management system, actively facilitating business innovation and development on one hand, and handling and preventing major compliance and legal risks on the other hand, ensuring the Company's business compliance operation and supporting the Company's transformation and change.

The Company clearly stipulates that before developing new businesses and products, relevant business departments should submit applications for going online, which will be screened by the business management, risk control and compliance departments at each level and finally reviewed by the Company's management before being approved, ensuring the compliance. The Company pays close attention to external regulatory information, penalty information, violation cases and internal compliance points, and prompts business units to pay attention to relevant policy changes, risk hazards and management oversights. It requires relevant units to take compliance management measures in accordance with regulatory requirements, and further identify non-compliant parts of business stages through compliance checks and make corresponding rectifications. Meanwhile, it also deepens the legal compliance concept through targeted and focused legal compliance training and compliance culture publicity in various forms.

In order to promote the timely and effective regulatory reporting and handling of compliance risk events and prevent risk spillover, the Legal Compliance Department organized the sorting of compliance risk internal and external reporting mechanisms, refined the relevant work requirements and procedures, and provided effective operational guidance for the reporting and handling of compliance risk events.

The Company accelerates the transformation of the digital intelligence of compliance work and improves the efficiency and quality of compliance management; promotes the development of various business monitoring platforms, realizes the monitoring and investigation of important compliance risks of relevant businesses through systematic means, and improves the ability of compliance risk prevention and control.

4.2.3 Anti-money laundering management

China Merchants Securities attaches great importance to anti-money laundering. In compliance with the requirements of the Anti-Money Laundering Law of the People's Republic of China and other laws and regulations, it continues to conscientiously fulfill its anti-money laundering obligations and actively implements anti-money laundering requirements through system improvement, system optimization and promotion and training.

In 2021, under the strong guidance of the People's Bank of China and other regulatory bodies, the Company studied the regulatory policies on anti-money laundering, focused on improving the effectiveness of anti-money laundering, and actively carried out all anti-money laundering work.

The Company has deepened its improvement of anti-money laundering internal control system, established and revised a number of rules and working guidelines. The internal control system basically covers anti-money laundering organization structure, customer identification, customer money laundering risk level classification, customer identification data and transaction record keeping, beneficiary identification, suspicious transaction reporting, list monitoring, anti-money laundering training and publicity, etc., providing a more solid system foundation for fulfilling anti-money laundering obligations.

The Company has established the Money Laundering Risk Management Leading Group and the Money Laundering Risk Management Group, forming a money laundering risk management structure of "Board of Directors (Risk Management Committee) - Money Laundering Risk Management Leading Group - Money Laundering Risk Management Group" and reporting upwards level by level.

The Company has continued to strengthen the technical support for anti-money laundering by building a self-assessment system for money laundering risks, improving the anti-money laundering list monitoring system, and increasing the investment in the construction of the central monitoring system.

The Company comprehensively implements the requirements related to customer identification, and continues to push forward the implementation of customer identification by standardizing the rectification of guidelines, conducting special training, targetedly strengthening the continuous identification of non-natural person customers, and proactively optimizing the rules of customer identification. We adopt enhanced identification measures and other risk control measures for high-risk customers to effectively prevent risks.

The Company has carried out in-depth training through a combination of internal and external methods, and organized more than 30 anti-money laundering training sessions internally which cover anti-money laundering laws and regulations, policy and situation, business skills, case analysis, etc. The training targets include the Company's senior management, business departments, designated personnel of subsidiaries, compliance officers and tellers of branches, new employees, etc.

4.2.4 Anti-corruption management

China Merchants Securities strictly complies with the requirements of the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and other laws and regulations. By establishing a sound institutional system, strengthening disciplinary education and improving accountability mechanisms, the Company manages anti-corruption for its employees and supply chain to ensure that all levels of the Company and subsidiaries uphold integrity in their business activities and put an end to unethical practices. The Company has conducted 9 anti-corruption publicity and education activities in 2021, with a total of 35,060 participants.

4.3 Supplier Management

China Merchants Securities prepared the Procurement Management System of China Merchants Securities Co., Ltd., Rules for the Management of Suppliers of China Merchants Securities Co., Ltd. and Guidelines for the Implementation of Bidding for Engineering Projects Required to be Bought by Law of China Merchants Securities Co., Ltd. (Trial) in accordance with the Bidding and Tendering Law of the People's Republic of China, Provisional Provisions for Centralized Procurement Management of State-owned Financial Enterprises and Procurement Management Measures of China Merchants Group to standardize the whole process of entry, use, evaluation, withdrawal and supervision of external suppliers, and evaluate the cooperative suppliers every year.

In 2021, China Merchants Securities started from various aspects, such as system construction and internal control process, to strengthen compliance management and carry out corruption-free procurement. The Procurement Management System of China Merchants Securities Co., Ltd. was revised, and the Guidelines for the Implementation of Bidding for Engineering Projects Required to be Bought by Law of China Merchants Securities Co., Ltd. (Trial) was issued, with emphasis on social responsibility performance such as supplier's integrity and compliance with the law. The supplier's compliance with the law and trustworthiness, bad performance, etc. were included in the scope of the inspection for entry into the database and performance evaluation, and the supplier with bad behavior was punished seriously.

4.3.1 Corruption-free procurement

The Company is committed to realizing corruption-free procurement through various ways. In 2021, we strengthened compliance management and carried out corruption-free procurement by posts setting, construction of standards and disciplinary constraints.

(I) Separation of procurement and demand, job separation: The procurement and demand department, the procurement organization department and the inspection and supervision department each performed their respective duties in accordance with the four principles of legal compliance, fairness and impartiality, collective decision-making and interest avoidance.

(II) Continuous improvement of procurement system and process: Based on the Procurement Management System of China Merchants Securities Co., Ltd., the Company continuously pushed forward to improve the management mechanism and operating procedures of the specific procurement process. Centralized procurement projects were all executed in the unified trading platform of China Merchants Group, and the whole process was managed electronically. Bidding projects were evaluated and managed in the professional bidding evaluation place of the Bidding Center of China Merchants Group.

(III) Enhancing procurement evaluation committee and evaluation management: The Company established the procurement expert pool, clarified the mechanism for establishing the evaluation committee for procurement projects, and limited the percentage of the number of staff from the procurement and demand department in the evaluation committee. We strictly declared the discipline of evaluation work such as avoidance of interest and fairness and impartiality. Violations or corruption of evaluators were handled and held accountable according to the regulations.

(IV) Regulating supplier management and cracking down on procurement non-compliance: The Company has formulated and issued the Rules for the Management of Suppliers of China Merchants Securities Co., Ltd. to regulate the access of suppliers, performance management and norms for dealing with malpractices; regularly evaluated the performance of suppliers; and actively created a fair and just procurement environment.



Respectful to Society

China Merchants Securities understands that enterprises have to shoulder economic and legal responsibilities and create corruption-free profits in the process of operating and paying taxes strictly in accordance with the law. China Merchants Securities actively plays the advantage of resource allocation of financial institutions to support national strategies and serve the development of the real economy. It firmly takes up its ethical and charitable responsibilities, and implements its corporate values in its corporate behaviors such as helping the poor and the needy, facilitating education, saving resources and protecting the environment, so as to contribute to the wealth creation and sustainable development of society.

05

5.1 Serving the Real Economy

China Merchants Securities follows the national development strategy, gives full play to its own advantages to promote the optimal allocation of resources, innovates in products and services, serves the national strategy and facilitates the development of the real economy.

5.1.1 Serving regional coordinated development

· Facilitating the integrated development of the Yangtze River Delta

China Merchants Securities actively supported the integrated development of the Yangtze River Delta. It assisted the listing of four enterprises in the Yangtze River Delta region (Shanghai, Jiangsu, Zhejiang and Anhui) and raised RMB3.062 billion, and assisted the equity refinancing of six listed companies in the Yangtze River Delta region and raised RMB10.498 billion.

· Facilitating the development of the Guangdong-Hong Kong-Macao Greater Bay Area

China Merchants Securities assisted the equity financing of 11 enterprises in the Guangdong region, including 6 IPOs (including Zhuhai Guangyu, the first company in Zhuhai listed on the science and technology innovation board of the Shanghai Stock Exchange ("STAR Market")), 3 additional issuance projects and 2 convertible bond projects (including 1 in Shenzhen). It raised a total of RMB10.428 billion, with China Merchants Securities underwriting RMB9.596 billion.



Case 1: Assisted CM Shekou to issue public offering REITs

We led the industry in product innovation and assisted CM Shekou to issue public offering REITs with Wanrong Building and Wanhai Building as infrastructure projects, with an issuance amount of RMB2.079 billion. The project has become one of the first approved and issued infrastructure public offering REITs projects in the market, and the only industrial park public offering REITs project in the Guangdong-Hong Kong-Macao Greater Bay Area, opening up a new path for the whole life cycle development model and investment and financing mechanism of industrial park "investment, financing, construction, management and retirement", and setting up another "early demonstration" in the Guangdong-Hong Kong-Macao Greater Bay Area with a major financial innovation in equity financing.



Case 2: China Merchants Securities (Hong Kong) assisted Shenzhen Municipal Government to complete offshore bond issuance and pricing

On October 11, 2021, China Merchants Securities (Hong Kong) Company Limited assisted the Shenzhen Municipal Government to complete the issuance and pricing of three offshore bonds totaling RMB5 billion with maturities of 2 years, 3 years and 5 years, respectively. Among which, the bonds with 3-year and 5-year maturities were green bonds. This was the first issuance of offshore local government bonds by a mainland local government, which not only enlivened the offshore RMB market in Hong Kong, but also facilitated the progress of RMB internationalization. The issuance of offshore local government bonds has enriched the supply of offshore RMB assets and gained high attention from the market.

5.1.2 Practicing financial inclusion

China Merchants Securities has been practicing inclusive finance in conjunction with the “Gazelle Incubator Project” to facilitate the development of “specialized, special and new” and high-tech SMEs. 2021 was the third year since the Company officially launched the “Gazelle Incubator Project”. By the end of 2021, a total of 254 enterprises have been included in the project, among which the “Gazelle Incubator Project” incubated Primarius Technologies as the first company in the field of “EDA” (electronic design automation) to be officially listed on the STAR Market of the Shanghai Stock Exchange, marking that the “Gazelle Incubator Project” has entered a new stage of “bearing fruits”.



Case: China Merchants Securities assisted ACRO Biosystems Co., Ltd. to be listed on the ChiNext Board of Shenzhen Stock Exchange

On October 18, 2021, ACRO Biosystems Co., Ltd. was successfully listed on the ChiNext Board of the Shenzhen Stock Exchange, and China Merchants Securities acted as the sole sponsor and lead underwriter for this listing. ACRO Biosystems Co., Ltd. publicly issued 20.00 million shares at an issue price of RMB112.50 per share, with a P/E ratio of 77.66 times and total proceeds of RMB2.250 billion, ranking among the top ten listed companies in the ChiNext market under the registration-based IPO system and the largest IPO project in the ChiNext market in terms of financing by China Merchants Securities up to now.

Founded in 2010, ACRO Biosystems Co., Ltd. is a high-tech enterprise specializing in providing recombinant proteins and other key biological reagent products and technical services, helping global biopharmaceutical companies, biotechnology companies and research institutions to develop and produce biological drugs, cellular immunotherapy and diagnostic reagents, and aiming to become a cornerstone enterprise in the field of biopharmaceutical and health industry.



Case: China Merchants Securities assisted the IPO of Primarius Technologies

On December 28, 2021, Primarius Technologies Co., Ltd. was successfully listed on the STAR Market of the Shanghai Stock Exchange. Primarius Technologies publicly issued 43,380,445 shares at an issue price of RMB28.28 per share, raising total proceeds of RMB1,226.799 million. China Merchants Securities acted as the sponsor and lead underwriter for the listing of Primarius Technologies. Primarius Technologies is the first company in the field of “EDA” (electronic design automation) to be listed on the STAR Market. Through EDA methodology innovation, the company promoted the deep linkage between IC design and manufacturing, accelerated the progress of process development and chip design, improved the yield and performance of IC products, and enhanced the overall market competitiveness of IC enterprises.

5.2 Rural Revitalization

In 2021, the Company strictly implemented the regulatory requirements, and promoted the effective connection between the consolidation and expansion of poverty alleviation achievements and rural revitalization through priority layout of special projects, key guarantee of resource investment and preferential support of policies and measures.

In 2021, the Company assisted the equity financing of three enterprises in poverty-stricken counties in a total amount of RMB10.792 billion, and assisted Handan Transportation Investment Group Co., Ltd., Dazhou Investment Co., Ltd. and other enterprises to issue rural revitalization bonds, raising a total of RMB3.402 billion.



Case 1: Assisted Lantian Gas, a leading gas company, to be listed on the A share market

On January 29, 2021, Henan Lantian Gas Co., Ltd. (stock code: 605368, hereinafter referred to as Lantian Gas) was successfully listed on the Shanghai Stock Exchange, raising total proceeds of RMB979.88 million. China Merchants Securities acted as the sole sponsor and joint lead underwriter for the IPO.

Lantian Gas is a well-known comprehensive gas company in the industry, with its registered office located in Queshan County, Zhumadian City, Henan Province (the county was once included in the list of national poverty-stricken counties by the Securities Association), mainly engaged in pipeline natural gas business and urban gas business in Henan Province. After the successful listing of Lantian Gas, it will vigorously invest in the construction of natural gas utilization projects in the surrounding townships of Zhumadian, which is in line with industrial policies and government planning, as well as the strategic requirements of China’s energy consumption structural adjustment. It will play a protective role in coordinating urban and rural development and promoting new urbanization, and make more contributions to improving the atmospheric environment, promoting economic and social development and improving people’s quality of life.



Case 2: Assisted JinGuan Electric to be listed on the STAR Market

On June 18, 2021, JinGuan Electric Co., Ltd. (stock code: 688517, hereinafter referred to as JinGuan Electric) was successfully listed on the Shanghai Stock Exchange. JinGuan Electric issued 34,027,296 shares in this public offering, with an issue price of RMB7.71 per share, and the total amount of proceeds raised was RMB262.35 million. China Merchants Securities acted as the sole sponsor and lead underwriter of this offering and listing.

Founded in 2005, JinGuan Electric is registered in Neixiang County, Nanyang City, Henan Province (the county was once listed as a national poverty-stricken county by the Securities Association and is one of the counties assisted by the Company). It is a national high-tech enterprise specializing in the R&D, manufacturing and sales of UHV transmission and distribution control equipment. The metal oxide arrester produced by it has been recognized as a single champion product in the manufacturing industry by the Ministry of Industry and Information Technology. In 2017, the company was rated as a leading innovation enterprise in Henan Province, and “JinGuan Electric” and its trademark were recognized as a well-known trademark in China by the State Administration for Industry and Commerce. During the “14th Five-Year Plan”, the new transregional transmission channel of the State Grid will focus on the transmission of clean energy. After the successful listing of JinGuan Electric, it will actively participate in the transformation of clean and low-carbon energy, facilitate the adjustment of energy structure, promote rural revitalization and create greater value for the society.



Case 3: Assisted Muyuan Foods to raise RMB9.55 billion by issuing convertible bonds

In August 2021, Muyuan Foods Co., Ltd. (stock code: 002714, hereinafter referred to as Muyuan Foods) publicly issued convertible corporate bonds, raising total proceeds of RMB9.55 billion. China Merchants Securities acted as the sponsor and joint lead underwriter for the issuance of the convertible bonds.

The main business of Muyuan Foods is pig farming, including feed processing, pig breeding and pig slaughtering. In January 2014, it has been listed on the SME Board of the Shenzhen Stock Exchange, raising RMB722 million of proceeds. Since 2008, China Merchants Securities has been preparing for the listing of Muyuan Foods. After the listing of Muyuan Foods, China Merchants Securities accurately understood the development strategy of Muyuan Foods, deeply explored various needs of Muyuan Foods, provided all-round capital market services for Muyuan Foods, became a long-term and main cooperative broker of Muyuan Foods, and strongly supported Muyuan Foods to become a leading enterprise in the animal husbandry industry. Muyuan Foods used the raised proceeds for its own business development and poverty alleviation projects, which also effectively promoted the economic development and the growth of social employment of Neixiang County. In recent years, Neixiang County's economic growth and increment have continued to rise; the regional economic ranking has remained high; and the comprehensive development level has rapidly climbed from the tier of Nanyang third-party manufacturer to the first tier, becoming a star county in the regional economy.



Case 4: Assisted the issuance of rural revitalization bonds

On August 12, 2021, the Company assisted Handan Transportation Investment Group Co., Ltd. to issue rural revitalization bonds "2021 Medium-term Notes (First Tranche) (Rural Revitalization) of Handan Transportation Investment Group Co., Ltd.", with a total issuance amount of RMB1 billion.

On November 24, 2021, the Company assisted the issuance of asset-backed securities of Anhe Special Plan for Asset-backed Securities (Third Tranche) (Rural Revitalization), with a total issuance amount of RMB1.402 billion.

On December 16, 2021, the Company assisted Dazhou Investment Co., Ltd. to issue the 2021 directional debt financing instruments (first tranche) (old revolutionary base areas/rural revitalization), with a total issuance amount of RMB1 billion.

5.3 Public Charity

5.3.1 Public Welfare Foundation

China Merchants Securities established the Public Welfare Foundation on November 11, 2015, aiming at practicing socialist core values, carrying out charitable activities, putting people first, doing our best to give back to the society and creating harmony together. The scope of the Foundation's public welfare activities includes services to help the poor, the needy, the elderly, orphans, the sick and the disabled, disaster relief, medical care, and education.

The Foundation has a Board of Directors, a Supervisor, a Secretariat, a Finance Department and a Legal Department, and carries out financial help, educational help, disaster relief, consumer help and similar programs in accordance with the Articles of Association of Shenzhen China Merchants Securities Public Welfare Foundation, and actively carries out public charity activities.

5.3.2 Charitable donations

In 2021, China Merchants Securities donated RMB2.5907 million, mainly focusing on public welfare and charity fields such as education assistance and disaster assistance. The main projects include: donating RMB1 million to Xi county, Linfen City, Shanxi Province for the post disaster reconstruction of Xi county, consolidating the achievements of poverty alleviation and helping rural revitalization in response to rainstorm disasters in many areas of Shanxi Province; donating RMB500,000 to Shenzhen Futian District Charity Association for the purchase of hot water supply facilities in student dormitories of four schools in Guangxi Province, including Shanglin County Ethnic Middle School, Qinpai Primary School in Baiwei Town, Shanglin county (boarding department), Baiwei Middle School in Shanglin county and Qiaoxian Town Central School in Shanglin county (boarding department), which solved the problem of hot water supply for more than 2,300 boarding students; donating RMB212,100 to China Merchants Weining Yucai Primary School for the purchase of LED electronic color screens to promote the information technology construction of the school; donating RMB150,000 to the People's Government of Nanjiang County for the "construction project of student bathroom of Dahe Middle School in Nanjiang county" to improve the living conditions of resident students; and donating RMB50,000 to the Wangcheng sub-district office of Laixi City for the "donation and construction project of Houdi Community Kindergarten in Wangcheng sub-district of Laixi City, Qingdao".

5.3.3 Volunteer activities

In terms of volunteer activities, the Company organized the education support activities themed "Sowing Hope, Loving to Warm Liangshan".



Case: Education support at Delipu Primary School, Jinhe Township, Yanyuan County, Liangshan Yi Autonomous Prefecture, Sichuan Province

During the period from May to November 2021, 11 young teachers were divided into three batches and went to Delipu Primary School in Jinhe Township, Yanyuan County, Liangshan Yi Autonomous Prefecture, Sichuan Province, for a one-month education support program. During the education support period, while completing their daily teaching tasks, the members also actively repaired the school building, renovated the cistern and built a new temporary water tower to direct clean running water to the campus, solving the students' problems of washing their hands and faces and lunch utensils. All employees of the Company also responded positively and donated a total of RMB153,200 of "Children's Day Love Pack" to Delipu Primary School, mainly including school uniforms, stationery, picture books, sports equipment and other items.

5.4 Developing Green Finance to Support the Goal of “Emission Peak and Carbon Neutrality” (雙碳)

Climate change is a global challenge and threat. China is highly concerned about the issue of climate change and is striving to reach its long-term goal of peak CO2 emissions by 2030 and carbon neutrality by 2060. China Merchants Securities actively responds to the national strategic objectives and gives full play to its role as a capital intermediary to guide financial resources to support the development of green environmental protection industry. The Company integrates the green low-carbon concept into the whole process of operation, promotes green office, pays attention to energy saving and emission reduction, advocates the concept of environmental protection, and supports the strategic deployment of the goal of “emission peak and carbon neutrality” with practical actions.

5.4.1 Developing green finance

The investment banking business of China Merchants Securities has actively served the fields of emission peak and carbon neutrality, explored the opportunities of “emission peak and carbon neutrality” and served green finance. It set up special departments related to this field (Business Departments I and II) to expand business in the relevant fields. It completed the IPO of Homelink Eco-iTech (a leading company in the global plastic catering utensils manufacturing industry and a manufacturer of national single-champion biodegradable daily-use plastic products), the IPO of Beijing ZEH0 Waterfront Ecological Environment Treatment, and the private placement of TGOOD Electric, a leading company in power exchange equipment, etc. in the key industry of “carbon neutrality” .

In terms of green bonds, China Merchants Securities underwrote RMB2.519 billion of domestic green and carbon neutrality related bonds and asset-backed securities.



Case 1: The 2021 Green Financial Bonds (First Tranche) of Bank of Chongqing Co., Ltd.

On March 16, 2021, the “2021 Green Financial Bonds (First Tranche) of Bank of Chongqing Co., Ltd.” underwritten by China Merchants Securities was successfully issued in the national interbank bond market, with a total issuance amount of RMB2 billion, a 3-year maturity and a coupon rate of 3.57%. The proceeds raised from the bonds will be used for green projects as specified in the Catalog of Green Bond Supported Projects issued by the Green Finance Professional Committee of the China Society for Finance and Banking in accordance with applicable laws and regulatory approvals.



Case 2: The 2021 Green Medium-term Notes (First Tranche) (Carbon Neutrality Bonds) of Datang International Power Generation Co., Ltd.

On August 4, 2021, the 2021 Green Medium-term Notes (First Tranche) (Carbon Neutrality Bonds) of Datang International Power Generation Co., Ltd. underwritten by China Merchants Securities was successfully issued in the national interbank bond market, with a total issuance amount of RMB1.2 billion, of which the amount of bonds underwritten by the Company was RMB600 million. The proceeds raised from this tranche of carbon neutrality medium-term notes are used for energy conservation and environmental protection, pollution prevention and control, resource conservation and recycling, and other green projects, specifically for wind power generation and photovoltaic power generation projects and repayment of prior loans. This tranche of carbon neutrality bonds has significant environmental benefits such as carbon emission reduction.

5.4.2 Practicing green operation

In compliance with the Law of the People’s Republic of China on Environmental Protection, the Law of the People’s Republic of China on Energy Conservation and other laws and regulations, China Merchants Securities earnestly studies and implements the Regulations on Energy Conservation and Environmental Protection of China Merchants Group and integrates the green and low-carbon concept into the daily operation of the Company. It formulates energy conservation and environmental protection plans to reduce energy consumption, improves the efficiency of resource use and reduce waste emissions; improves supporting facilities for energy conservation and environmental protection in office premises, and advances electronic operation and paperless office; and publicizes energy-saving and environmental protection to enhance employees’ awareness of environmental protection.

Table 10: China Merchants Securities practices green operation initiatives

Saving electricity and water

- Reasonably set the temperatures of air-conditioners in offices, with indoor air-conditioning temperatures set at no less than 26 degrees Celsius in summer;
- Use natural light as much as possible in offices, conference rooms, etc., with as few or no lights on as possible;
- Combine with safety inspection and timely check the water and electricity consumption in the office area to avoid waste.

Saving office supplies use

- Advocate the use of online OA office systems to reduce the use of paper document and faxes;
- Standardize the equipping, purchasing and receiving of office supplies, strictly equip standards, and try to choose office equipment that is environmentally friendly and consumes little energy.

5.4.3 Conducting green research

China Merchants R&D Center’s Carbon Neutrality Special Team has completed Opportunities and Risks in Domestic Economic Structure Transformation – Research on Carbon Neutrality Close to China’s National Conditions, the interpretation of Opinions of the CPC Central Committee and the State Council on Complete, Accurate and Comprehensive Implementation of the New Development Concept to Achieve Peak Carbon Dioxide Emissions and Carbon Neutrality, two important framework reports, and also 108 industry reports about macro industries and sub-industries including photovoltaic, wind power, power equipment, hydrogen energy, lithium battery, energy storage, construction, coal, steel, building materials, non-ferrous metals, petrochemical, chemical, carbon adsorption, transportation and environmental protection, as well as 111 reports on company research.

The Carbon Neutrality Team completed the compilation of “A Study on Carbon Neutrality Closer to National Context” to provide professional report and research findings for key SOEs; and held the “Carbon Neutrality in Ten Industries” training program for secondary markets and the Group’s internal investment banking department, with a total of over 9,000 attendees. It is a good collection and elaboration of the current macro policy and the view of carbon neutrality in each industry.

China Merchants Securities released some influential research results. Among which, The Impact of China’s Carbon Market Quota Allocation on the Competitiveness and Carbon Leakage of Export-oriented Emission-intensive Industries was selected into the Green Finance Seminar organized by Financial Research of the China Society for Finance and Banking. As the lead author, China Merchants Securities participated in the preparation of the topic of “New Opportunities for Hong Kong and Guangdong under the 100-year Change” organized by the Guangdong Provincial People’s Government and the research group of Shenzhen Local Financial Supervision Bureau.

Appendix

06

Appendix I Honors and Awards in 2021

Awarding Institutions	Awards
Shenzhen Stock Exchange	Outstanding Bond Investment Institution
	Outstanding Rate Securities Underwriter
	2020 Outstanding Corporate Bond Underwriter
	2020 Outstanding Fixed Income Business Innovation Agency – China Merchants Securities Asset Management Co., Ltd.
Central National Debt Registration and Clearing Co., Ltd.	Outstanding Underwriter
China Fund	Best Private Fund Custody Broker
National Committee of Chinese Financial Workers' Union	National Financial Pioneer
Shenzhen Federation of Trade Unions	Worker Pioneer
China Merchants Group	Model of China Merchants Group
Ping'an Zhiniao	2021 Outstanding Achievement Award
51Job	2021 Outstanding Award for Human Resource Management
Yonyou, Dayi Technology & China Association of Digital Human Resources	2021 Award for Exemplary Employer Brand Management 2021 Award for Practice Excellence in Campus Recruiting
Financial Technology Research and Development Center in Securities and Futures Industry (Shenzhen)	Second prize of 2020 Excellent Project Selection
Wind Information Technology Co., Ltd.	Best Equity Underwriter
	Best Bond Underwriter
	Best IPO Underwriter
	Best Refinancing Underwriter
	Award for Best Underwriter of Credit Bonds – Outstanding Broker
	Best Underwriter of Asset-Backed Securities
	Best Credit ABS Underwriter
	Award for Best Financial Bond Underwriter – Outstanding Broker
	Best Underwriter for Exchangeable Bonds
	Best Underwriter for Equity in the STAR Market
Caijing Magazine	Best Underwriter for Bonds of Private Companies
	Best Underwriter for Convertible Bonds
Evergreen Award – the Sustainable Development and Risk Control Award	

Awarding Institutions	Awards
New Fortune	Seventh in the "Best Local Investment Bank" category
	Seventh in "Best Equity Underwriting Investment Bank" category
	Seventh in "Best Creditors' Rights Underwriting Investment Bank" category
	Seventh in "Best IOP Investment Bank" category
	Sixth in "Best Refinancing Investment Bank" category
	Fourth in "Best Investment Bank in New Energy and Power Equipment Industry" category
Securities Times	Top 10 Investment Banks Most Respected by Listed Companies
	Top 10 Capital Market Departments Most Respected by Listed Companies (Equity)
	2021 Junding Award for All-round Investment Banking in China's Securities Industry
	2021 Junding Award for Equity Refinancing Team in China's Securities Industry
	2021 Junding Award for Independent Financial Advisory Team in China's Securities Industry
	2021 Junding Award for Interbank Bond Financing Team in China's Securities Industry
	2021 Junding Award for Wealth Service Brand in China's Securities Industry
	2021 Junding Award for All-round Wealth Brokerage in China's Securities Industry
China Securities Journal	2021 Golden Bull Wealth Management Team Award

Appendix II List of Disclosure Policies

ESG Index	Laws and Regulations	Company Policies
A1: EMISSIONS	Law of the People's Republic of China on Environmental Protection	Energy Conservation and Environmental Protection Regulations of China Merchants Group
A2: USE OF RESOURCES	Law of the People's Republic of China on Energy Conservation	Energy Conservation and Environmental Protection Regulations of China Merchants Group
A3: THE ENVIRONMENT AND NATURAL RESOURCES	Law of the People's Republic of China on Environmental Protection Law of the People's Republic of China on Energy Conservation	Energy Conservation and Environmental Protection Regulations of China Merchants Group
B1: EMPLOYMENT	Labor Law of the People's Republic of China Labor Contract Law of the People's Republic of China Trade Union Law of the People's Republic of China Employment Ordinance of Hong Kong	Attendance Management Requirements Measures for Internal Management on Trainer and Training Development Measures for Staff Recruitment Management
B2: HEALTH AND SAFETY	Production Safety Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Occupational Diseases Work-Related Injury Insurance Regulations	Attendance Management Requirements
B3: DEVELOPMENT AND TRAINING		Measures for Internal Management on Trainer and Training Development
B4: LABOR STANDARDS	Labor Law of the People's Republic of China Employment Ordinance of Hong Kong	Attendance Management Requirements
B5: SUPPLY CHAIN MANAGEMENT	Law of the People's Republic of China on Tendering and Bidding Implementation Regulations on the Law of the People's Republic of China on Tendering and Bidding Interim Provisions on the Central Procurement Management of State-owned Financial Enterprises	Procurement Management Measures of China Merchants Group Supplier Management Measures of China Merchants Group Procurement Management Measures of China Merchants Securities Supplier Management Provisions of China Merchants Securities

ESG Index	Laws and Regulations	Company Policies
B6: PRODUCT RESPONSIBILITY	Measures for Compliance Management in Securities Companies and Investment Funds Management Companies	Compliance Manual of China Merchants Securities
	Guidelines for the Implementation of Compliance Management of Securities Companies	Investor Suitability Management Approaches of China Merchants Securities
	Measures for the Suitability Management of Securities and Futures Investors	IT System Data Confidentiality Management Approaches of China Merchants Securities
	Guidelines for the Implementation of the Suitability Management of Investors in Securities Business Institutions (Trial)	Regulations on the Handling of Customer Complaints in Securities Brokerage Business of China Merchants Securities
	Measures for the Administration of Information Technology of Securities Fund Operating Institutions	
B7: ANTI-CORRUPTION	Criminal Law of the People's Republic of China	Regulations on the Accountability and Management of Cadres and Employees of China Merchants Securities
	Law of the People's Republic of China on Anti-Unfair Competition	Measures for the Administration of Incorrupt Practice of Staff of China Merchants Securities
	Anti-Money Laundering Law of the People's Republic of China	Measures for the Administration of Suspicious Transaction Reports
	Measures for Administration of Reporting of Large-Amount Transaction and Suspicious Transaction of Financial Institutions	Measures for the Management of Money Laundering and Terrorist Financing Risks
	Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance of Hong Kong	Measures for the Monitoring and Management of Anti-Money Laundering Lists
B8: COMMUNITY INVESTMENT		Measures for Anti-Money Laundering Publicity Training Management
		Measures for the Confidentiality Management of Anti-Money Laundering
	Charity Law of the People's Republic of China	Articles of Association of Shenzhen China Merchants Securities Public Welfare Foundation

Appendix III List of Quantitative Data

ESG Index		Unit	2021	2020	2019	2018
A. Environmental						
A1. Emissions						
A1.1 Types of emissions, respective emission data and intensity	Total emission of nitrogen oxide	g	1,225,960	873,182	1,201,727	1,058,619
	Emission of nitrogen oxide, per capita	g/person	102.1	94.6	162	110
	Total emission of particulate matter	g	90,265	64,290	88,481	77,944
	Emission of particulate matter, per capita	g/person	7.52	6.97	11.93	8.07
	Total emission of sulfur oxide	kg	7.06	6.62	9.3	10.17
	Emission of sulfur oxide, per capita	kg/person	0.00059	0.00072	0.001	0.001
	Total discharge of domestic wastewater	ton	155,955	108,884	95,648	100,207
	Discharge of domestic wastewater, per capita	ton/person	13.0	11.8	12.9	10.4
A1.2 Emission and intensity of greenhouse gas	Scope 1 – total gasoline emissions	ton	1,051	973	1,493	1,572
	Scope 1 – gasoline emissions, per capita	ton/person	0.09	0.11	0.2	0.16
	Scope 1 – total diesel emissions	ton	-	13.64	3.22	6.97
	Scope 1 – diesel emissions, per capita	ton/person	-	0.0015	0.0004	0.0007
	Scope 2 – total emissions of purchased electric power	ton	14,697	17,187	17,552	18,107
	Scope 2 – emissions of purchased electric power, per capita	ton/person	1.22	1.86	2.367	1.87
	Total greenhouse gas emissions	ton	15,748	18,173	19,049	19,686
	Greenhouse gas emissions, per capita	ton/person	1.31	1.97	2.57	2.04

ESG Index		Unit	2021	2020	2019	2018
A1.3 Hazardous waste	Total amount of ink cartridge	piece	744	1,014	1,433	2,094
	Amount of ink cartridge, per capita	piece/person	0.06	0.11	0.18	0.15
	Toner cartridge	item	3,703	3,920	4,019	4,714
	Amount of toner cartridges, per capita	item/person	0.31	0.42	0.54	0.49
	Lamp	piece	5,614	4,513	7,127	6,938
	Amount of lamp, per capita	piece/person	0.47	0.549	0.96	0.72
	Electronic equipment	set	1,006	2,479	1,467	1,688
A1.4 Non-hazardous waste	Amount of electronic equipment, per capita	set/person	0.08	0.27	0.2	0.17
A2. Use of resources						
A2.1 Energy	Power consumption	kWh	24,560,162	29,537,801	20,978,053	29,025,245
	Power consumption, per capita	kWh/person	2,046	3,200	2,828	3,003
	Gasoline consumption	kL	480	445	585	692
	Total amount of gasoline consumption, per capita	kL/person	0.04	0.048	0.08	0.07
	Diesel consumption	kL	0	5	1.23	2.67
	Diesel consumption, per capita	kL/person	0	0.0005	0.0002	0.0002
A2.2 Water resources	Water consumption	ton	173,282	120,982	106,275	111,341
	Water consumption, per capita	ton/person	14.43	13.11	14.33	11.52

Note:

1. The denominator of the above data is the total number of employees as at the end of the reporting period.
2. The statistical ranges of environment data are:The 2021 environment data consist of the full-year data from our Shenzhen headquarters (CMS Building) and IT center, 12 branches, 259 securities branches and 5 wholly-owned subsidiaries.
3. The calculation for emissions of nitrogen oxides, sulfur oxides and particulate matter is based on “Appendix 2: Reporting Guidance in Environmental KPIs” issued by the Hong Kong Stock Exchange.
4. The list of greenhouse gases includes carbon dioxide, methane and nitrous oxide, mainly from purchased electricity and the burning of fossil fuels. Greenhouse gas emission data are presented according to CO2 equivalent and are accounted for according to the Average CO2 Emission Factor of China’s Regional Power Grid in 2011 and 2012 published by the National Development and Reform Commission of China.
5. The types of hazardous wastes of company's operation mainly include waste selenium drums, ink cartridges, waste lamps, etc. generated by the printing equipment in the office building; Waste selenium drums and ink cartridges shall be recycled by the printer, and waste light tubes shall be recycled by qualified recyclers.
6. The water is mainly from municipal tap water, and there is no problem in obtaining suitable water source.

Appendix III List of Quantitative Data

ESG Index		Unit	2021	2020	2019	2018
B. Social						
B1.1 Employment	Number of employees	person	12,005	9,230	8,757	9,664
	Male	person	7,054	5,301	5,031	5,610
	Female	person	4,951	3,929	3,726	4,054
	Under 30 (including 30)	person	5,128	3,965	3,765	4,845
	31-40	person	4,935	3,940	3,683	3,575
	Over 40	person	1,942	1,325	1,309	1,244
	Located in China (mainland China)	person	11,521	8,843	8,407	9,327
	Located overseas (including Hong Kong, Macao and Taiwan)	person	484	387	350	337
B1.2 Employee turnover rate	General staff turnover rate	%	10.33	7.68	9	11
	Calculation formula: total employee turnover during the reporting period / (total new employees during the reporting period + total employees as at the end of last reporting period)					
B3.1 Training	Proportion of trained employees – non-marketing staff	%	59	60	59	53
	Proportion of trained employees – marketing staff	%	41	40	41	47
B3.2 Training hours	Average training hours – non-marketing staff	hour	66.27	52	40	54
	Average training hours – marketing staff	hour	72.29	65	79	83
B7.1 Anti-corruption	Number of legal cases involving corruption, bribery, extortion, fraud and money laundering	case	0	0	0	0
B8.2 Community investment	Value of charity donation [1]	RMB10,000	259.07	1,264.21	134	180