



中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 6066

2021

**Social Responsibility
& Environmental,
Social and Governance
(ESG) Report**

CSC Financial Co., Ltd.

Definitions

Definition of frequently used terms	
CSC, the Company	CSC Financial Co., Ltd.
China Securities Futures	China Futures Co., Ltd., a wholly-owned subsidiary of the Company
China Securities Capital	China Capital Management Limited, a wholly-owned subsidiary of the Company
China Securities International	China Securities (International) Finance Holding Company Limited, a wholly-owned subsidiary of the Company
China Securities Funds	China Securities Funds Management Limited, a wholly-owned subsidiary of the Company
China Securities Investment	China Securities Investment Limited, a wholly-owned subsidiary of the Company
Director(s)	Director(s) of the Company
Board or Board of Directors	Board of Directors of the Company
Supervisor(s)	Supervisor(s) of the Company
Supervisory Board	Supervisory Board of the Company
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
SEHK	Stock Exchange of Hong Kong
BSE	Beijing Stock Exchange
A Share(s)	Listed domestic shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange and traded in RMB
H Share(s)	Listed overseas foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in HK dollars



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ESG Governance Statement from the Board

CSC applies the new development philosophy and contributes to the achievement of “peak carbon emissions and carbon neutrality” (the “3060” targets) by boosting the high-quality development of the real economy. In 2021, the Company continued to increase investment in green finance, harness green finance for economic growth, and make steady progress in ESG performance to create long-term sustainable value.

Board's Role in ESG Governance

CSC has built up an ESG governance structure with clearly defined responsibilities, effective collaborations, and a checks and balances system among the decision-making body, the supervisory body, and the management body. The Company's Board of Directors and Supervisory Board participate in the deliberation and decision-making on ESG issues, formulate ESG strategy, and oversee ESG implementation. They also review the corporate social responsibility (CSR) & ESG report every year and execute resolutions on ESG issues.

The Company has set up an ESG Committee under the Executive Committee to review, manage, and oversee the Company's ESG-related work and its implementation. The ESG Committee works with the departments to integrate ESG factors into corporate governance, business strategies, and risk management. The Company's chairman and general manager serve as its chairperson and deputy chairperson respectively. The committee hold a regular meeting at least once a year and convenes ad hoc meetings as needed.

ESG Management Guidelines and Strategy

Rooted in its business strategy and the characteristics of the securities industry, CSC draws on domestic and international policies and ESG standards to identify, evaluate, and analyze material ESG issues. The Company collects input from internal and external stakeholders every year and uses the results to rank the issues by materiality. The Company then identifies issues to be disclosed in the report and submits them for board review and validation.

ESG Targets, Indicators, and Review Progress

CSC has established a quantitative ESG performance management mechanism that includes important ESG indicators such as resource consumption, greenhouse gases (GHG), waste management, human resources management, product responsibility, and community engagement, and regularly identifies risks and opportunities over the short, medium, and long term. By benchmarking against international standards and industry best practices, the Company also undertakes an alignment assessment to identify and prioritize climate-related risks and opportunities.

While maintaining sound operations and creating economic value for society, CSC also gives priority to the management of ESG risks and opportunities as a socially responsible business. In 2021, the Company received an MSCI (Morgan Stanley Capital International) ESG rating of “BBB”, ranking among the highest-rated Chinese securities companies. CSC will continue to optimize the ESG management and operating mechanisms, further integrate ESG factors into corporate governance, risk management, and business strategies, and actively identify and supervise ESG risks and opportunities that have a significant impact on its business performance. The Company will strive towards the goal of becoming a financial company with ESG leadership to achieve sustainable growth in the long term.

About Us

Company Profile

Founded on November 2, 2005, CSC Financial Co., Ltd. (CSC) is a nationwide comprehensive securities company approved by the China Securities Regulatory Commission (CSRC). The Company had a registered capital of RMB7.757 billion as of the end of 2021. Registered in Beijing, the Company has 312 business branches nationwide and five first-tier subsidiaries, namely China Securities Futures, China Securities Capital, China Securities International, China Securities Funds, and China Securities Investment. The Company has built a strong reputation for providing quality and professional financial services for governments, corporations, and institutional and retail investors. The Company is one of three securities companies that have been rated AA in the A category by the China Securities Regulatory Commission (CSRC) for 12 consecutive years since 2010, which is the highest rating given to securities companies to date. The Company was listed and traded on the Stock Exchange of Hong Kong (stock code: 6066.HK) and Shanghai Stock Exchange (stock code: 601066.SH) in 2016 and 2018 respectively.

The Company is mainly engaged in: securities brokerage; securities investment advisory; financial advisory related to securities trading and securities investment; securities underwriting and sponsorship; proprietary securities trading; securities asset management; agency sale of securities investment funds; brokerage for futures companies; margin trading and securities lending; agency sale of financial products; market making for stock options; securities investment fund custody; sale of precious metal products.

Corporate Culture

	Core Values	Achievements leading to status.
	Corporate Mission	Bringing together talents, serving customers, creating value, and contributing to society.
	Corporate Spirit	Integrity, Focus, Growth, Win-Win.
	Business Philosophy	People-oriented, learn modestly from others and learn from history.
	Business Approach	Winning and thriving together by benefiting others.
	Operating Guidelines	Committed to a correct and clear strategic direction; committed to balance between speed and quality of development; committed to a heightened focus on risk management; committed to human-centric and diverse employment; committed to healthy development.
	Corporate Vision	To be a best-in-class investment bank in China with loyal customers, engaged employees, and happy shareholders.

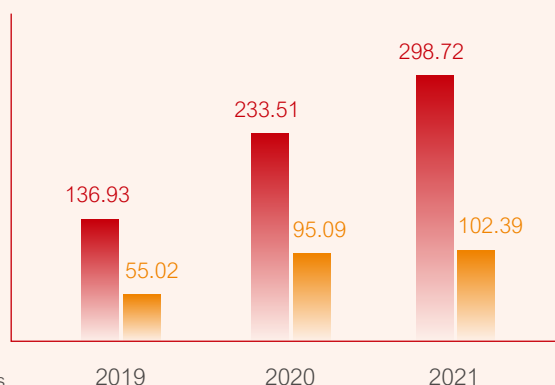
Awards and Recognition

Awards/Honors	Presenters
2020-2021 Excellent Investor Education Base	China Securities Regulatory Commission
2021 Golden Bull Social Responsibility Award for Securities Companies 2021 Golden Bull Award for Best Investment Banking Team	China Securities Journal
2021 Junding Award for Investment Banker in China's Securities Industry 2021 Junding Award for All-Round Investment Bank in China's Securities Industry 2021 Junding Award for Investment Bank on STAR Board in China's Securities Industry 2021 Junding Award for Independent Financial Advisory Team in China's Securities Industry 2021 Junding Award for Financing Deal on the Main Board in China's Securities Industry (Beijing–Shanghai High-Speed Railway IPO) 2021 Junding Award for Financing Deal on the GEM Board in China's Securities Industry (CATL's Private Placement of A-Shares)	Securities Times
2021 Global Green Finance Award	International Finance Forum (IFF)
3rd New Fortune Best Investment Advisory Team Award	New Fortune
China Securities Funds wins the following honors: 2020 Highest-Potential Fund Company 2021 List of Outstanding Asset Management Institutions in China – Competitiveness Award	East Money, Modern Bankers
China Securities Capital wins the following honors: 2021 5th Golden Bull Best Institution for Brokerage Equity Investment	China Securities Journal,
China Securities International wins the following honors: Top Breakthrough Participant, Currency Futures	Hong Kong Exchanges and Clearing
China Securities Futures wins the following honors: Best Futures Company in China Best Targeted Poverty Alleviation and Charity Award	Futures Daily, Securities Times

Performance in Numbers

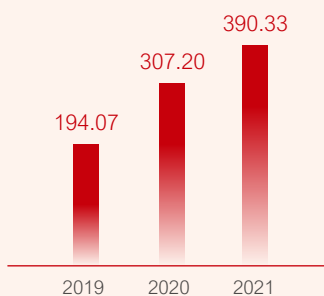
Economic

● Total revenue and other income ● Net profits attributable to the parent company Unit: RMB100 million

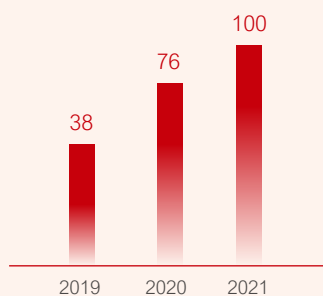


1. Calculated in accordance with the Chinese Accounting Standards for Business Enterprises.

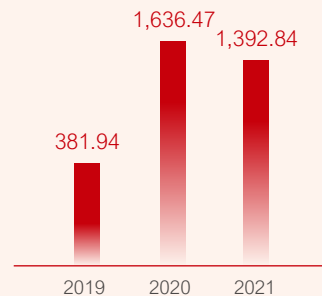
Gross income and other income (RMB100 million)²



Number of equity financing deals

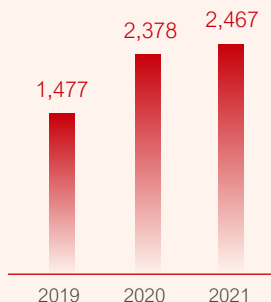


Total equity financing lead underwriting amount (RMB100 million)

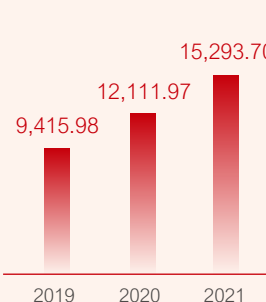


2. Calculated in accordance with the Chinese Accounting Standards for Business Enterprises.

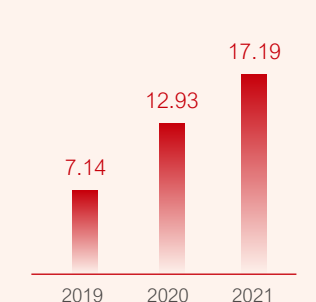
Number of bond issues as lead underwriter



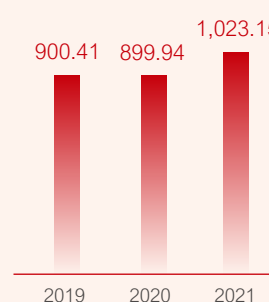
Total bond lead underwriting amount (RMB100 million)




Value of brokered stock funds traded (RMB trillion)



Number of customer capital accounts (10,000)





Social

Indicators (unit)	2019	2020	2021
Social contribution value per share (RMB)	2.15	3.15	3.51
Total charitable giving (RMB10,000)	682.59	2,996.57	2,499.94
Spending on consumption-driven assistance (RMB10,000)	143.32	687.49	771.36
Number of service-related complaints	390	203	83
Number of rural revitalization and assistance bond underwritings	3	7	17
Rural revitalization and assistance bond underwriting amount (RMB100 million)	15	25.37	33.02

Indicators (unit)	2020	2021
Total number of employees ¹	9,420	11,778
Average employee tenure (years) ²	6.95	6.69
Average male employee tenure (years)	6.66	6.35
Average female employee tenure (years)	7.35	7.71
Number of training programs conducted	172	537
Total training investment (RMB10,000)	729.8	1,131
Percentage of employees trained (%)	86.5	90.0
Average training hours completed per employee	47	45.2

Notes:

1. In 2021, the Company included outsourcing personnel into the statistical scope of employer-related indicators and adjusted the statistical caliber of indicators including the total number of employees and the total workforce composition, the number of new employees in 2021 and their composition, etc.

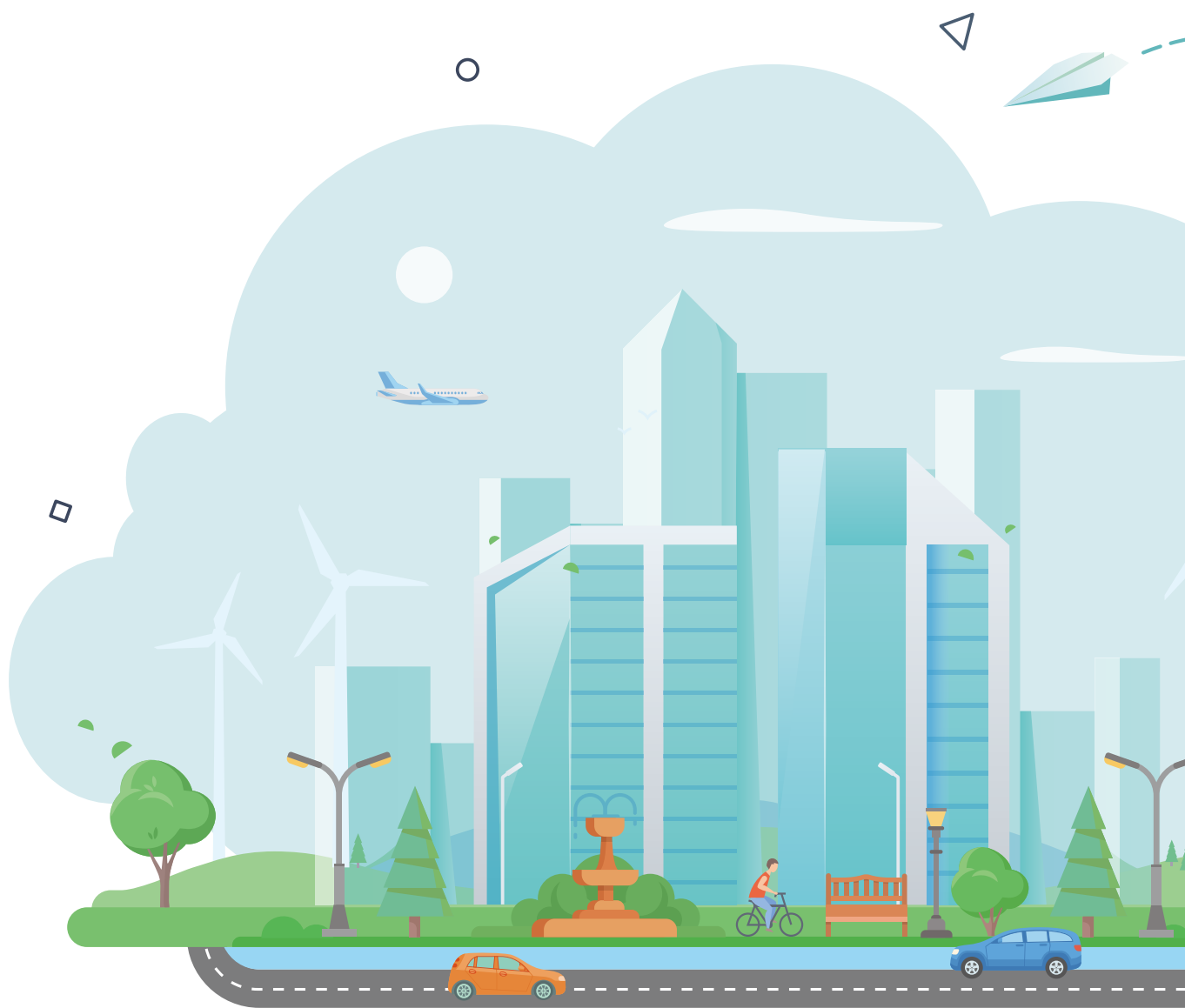
2. The statistical scope of this indicator covers the Company's directly employed employees.



Environmental

Indicators (unit)	2020	2021
Number of green bond issues as lead underwriter	31	63
Total green bond underwriting amount (RMB100 million)	168.51	254.20
Total capital raised from green bond issues as underwriter (RMB100 million)	469.80	775.49
Number of carbon neutral bond issues as lead underwriter	—	25
Total carbon neutral bond underwriting amount (RMB100 million)	—	65.21

Indicators (unit)	2020	2021
Total GHG emissions (tCO ₂ e)	6,831.86	4,620.23
Total direct (Scope 1) GHG emissions (tCO ₂ e)	421.39	371.10
Total indirect (Scope 2) GHG emissions (tCO ₂ e)	6,410.47	4,249.13





01

Strategy and Management

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Strategy and Vision

“Bringing together talents, serving customers, creating value, and contributing to society” is the corporate mission at CSC. As well as maintaining robust growth and creating value for shareholders and investors, we give equal importance to managing ESG risks and opportunities, fulfilling our social responsibilities on all fronts.



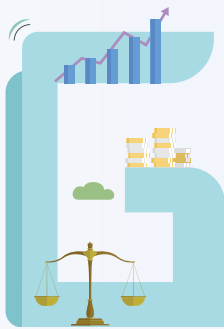
Driving Green and Low-Carbon Growth

- Building a sustainable financial system
- Innovating carbon-related financial services and products
- Empowering green industries
- Reducing environmental footprint
- Increases public awareness of environmental protection



Working Together to Shape a Vibrant Community

- Supporting national strategies
- Serving the real economy
- Improving people's wellbeing and livelihoods
- Fostering talent growth and development
- Optimizing customer service system
- Engaging in charity and public good



Building Effective Corporate Governance

- Promoting business integrity and compliance
- Using technology to drive digital transformation
- Implementing effective risk management
- Creating a strong corporate culture

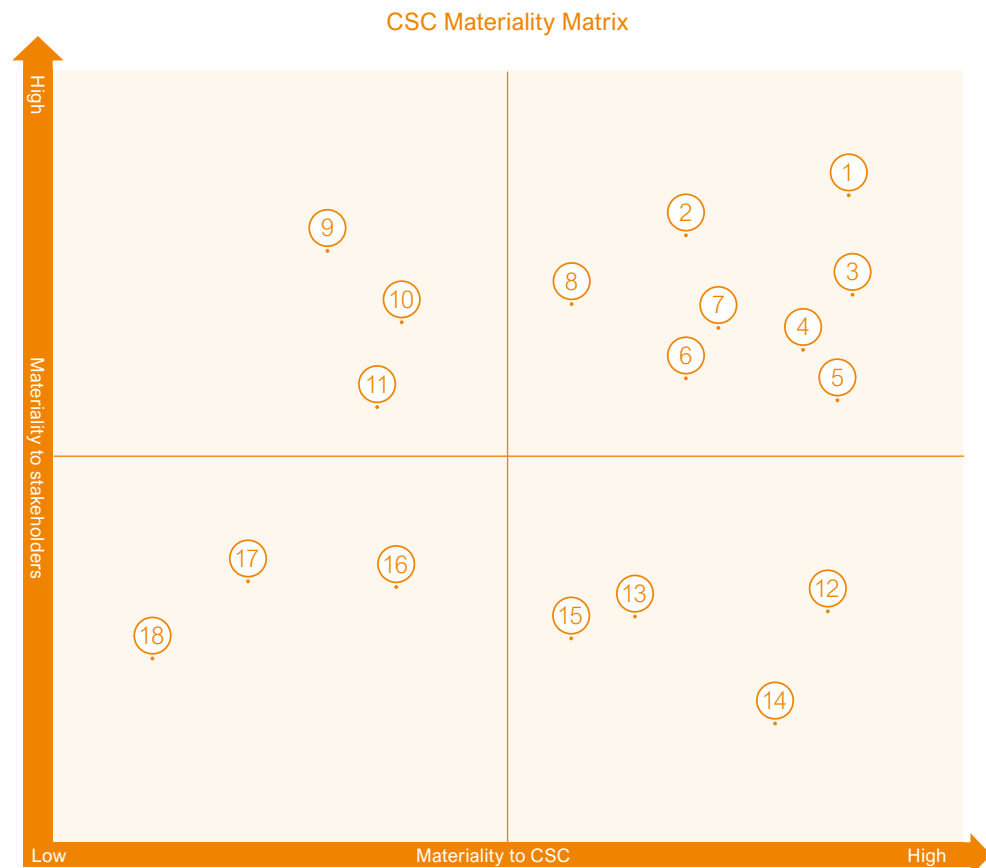
Stakeholder Engagement

CSC actively engages a diverse range of stakeholders as are suited to its industry characteristics, including shareholders and investors, government and regulators, customers, employees, suppliers and partners, the community and the environment. The Company has created a communication mechanism that supports a mix of real-time and fixed-time communication and of planned and unplanned communication. The Company also exploits new media to encourage interaction and dialogue and timely listen to and address stakeholder concerns, thus ensuring regular and smooth communication with the various stakeholders.

Stakeholders	Communication channels	Top concerns
 Shareholders and investors	Shareholders' meetings, periodic reports, exchange meetings, research, and telephone/email inquiry and feedback	<ul style="list-style-type: none"> • Corporate governance • Risk management • Operational compliance • Business ethics and financial crime prevention • Serving national strategies
 Government and regulators	Major conferences, policy inquiry, event reporting, inspections and investigations, official correspondence, and information disclosure	<ul style="list-style-type: none"> • Operational compliance • Serving national strategies • Serving the real economy • Sustainable investing and financing • Promoting inclusive finance • Rural revitalization and charity • Responding to climate change
 Customers	Customers' visits, satisfaction surveys, customer service hotline, and investor education activities	<ul style="list-style-type: none"> • Improving customer service • Promoting inclusive finance • Information security and privacy protection • Responsible marketing • Investor education and protection
 Employees	Recruitment, employee training, and employee activities	<ul style="list-style-type: none"> • Digital transformation • Diversity and inclusion • Human capital development
 Suppliers and partners	Suppliers' inspections, communication meetings, strategic cooperation negotiations, exchanges and interactions	<ul style="list-style-type: none"> • Corporate governance • Operational compliance • Supply chain management
 Community and the environment	Charitable activities, community engagement, recruitment activities, and internship opportunities	<ul style="list-style-type: none"> • Investor education and protection • Rural revitalization and charity • Green operations • Sustainable investing and financing • Responding to climate change

Material Issues

CSC Materiality Assessment Process	
Identification	Identified 18 material issues closely related to the Company's CSR performance and management of ESG risks and opportunities based on its business strategy and industry characteristics by drawing on global and domestic ESG policies, standards, and trends, industry benchmarking, and input from investors, ESG rating agencies, and third parties.
Assessment	Invited internal and external stakeholders to assess the materiality of each identified topic and developed a two-dimensional materiality assessment based on their input.
Validation and reporting	Created the materiality matrix (see the chart below) based on the assessment results and submitted it to the Board for validation; identified issues to be prioritized in this report.



Materiality	No.	Material issues	Relevant aspects of the <i>HKEX ESG Reporting Guide</i>
Very high	1	Serving national strategies	-
	2	Improving customer service	B6 Product Responsibility
	3	Business ethics and financial crime prevention	B7 Anti-corruption
	4	Promoting inclusive finance	-
	5	Risk management	-
	6	Operational compliance	B6 Product Responsibility
	7	Information security and privacy protection	B6 Product Responsibility
	8	Sustainable investing and financing	A3 The Environment and Natural Resources, A4 Climate Change
High	9	Investor education and protection	B6 Product Responsibility
	10	Responsible marketing	B6 Product Responsibility
	11	Rural revitalization and charity	B8 Community Investment
	12	Digital transformation	-
	13	Human capital development	B1 Employment, B2 Health and Safety, B3 Development and Training
	14	Corporate governance	Mandatory Disclosure –Corporate Governance
	15	Responding to climate change	A3 The Environment and Natural Resources, A4 Climate Change
Moderate	16	Diversity and inclusion	B1 Employment
	17	Supply chain management	B5 Supply Chain Management
	18	Green operations	A1 Emissions, A2 Use of Resources, A4 Climate Change

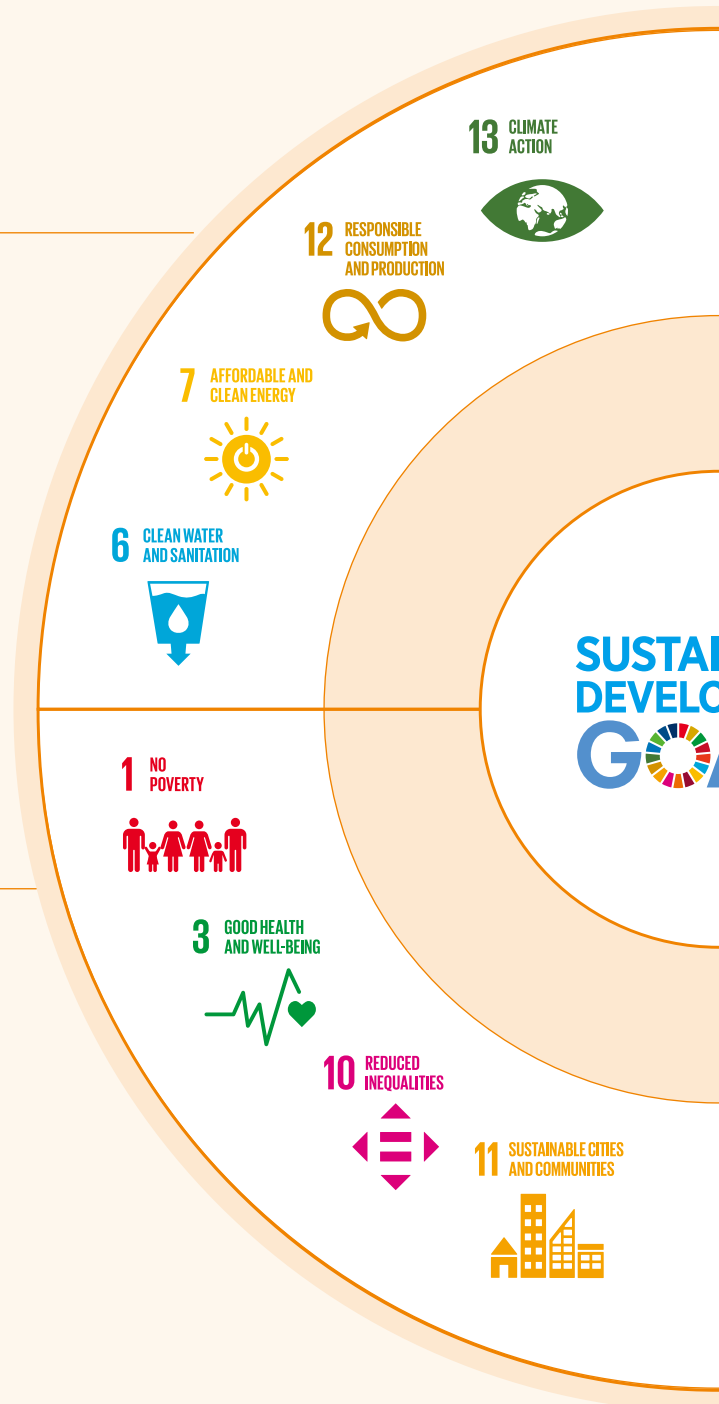
Actions and Targets

Environmental

- Promoted green office to maximize energy and resource efficiency and reduce the environmental impact of the Company's business activities.
- Set up a climate-related risk management framework to identify the financial impact of climate-related risks and opportunities.
- Implemented a sustainable finance model, incorporated environmental factors into risk analysis, due diligence, classified statistics, and communication and engagement, and provided financing support for green and low-carbon industries such as energy conservation and environmental protection, clean production, clean energy, ecological environment, and green infrastructure.

Social

- Increased support for the society and livelihood sphere, for example, municipal services, healthcare, culture and education, agriculture and food, rural revitalization and assistance, to improve social welfare through responsible financing.
- Implemented the national rural revitalization strategy and continued to provide assistance by supporting finance, industry development, and education; put in efforts to consolidate the achievements of the "One Company, One County" poverty eradication initiative and use professional services to drive rural revitalization.
- Actively engaged in charitable giving and volunteering; standardized outbound donations and formalized related management accountability.

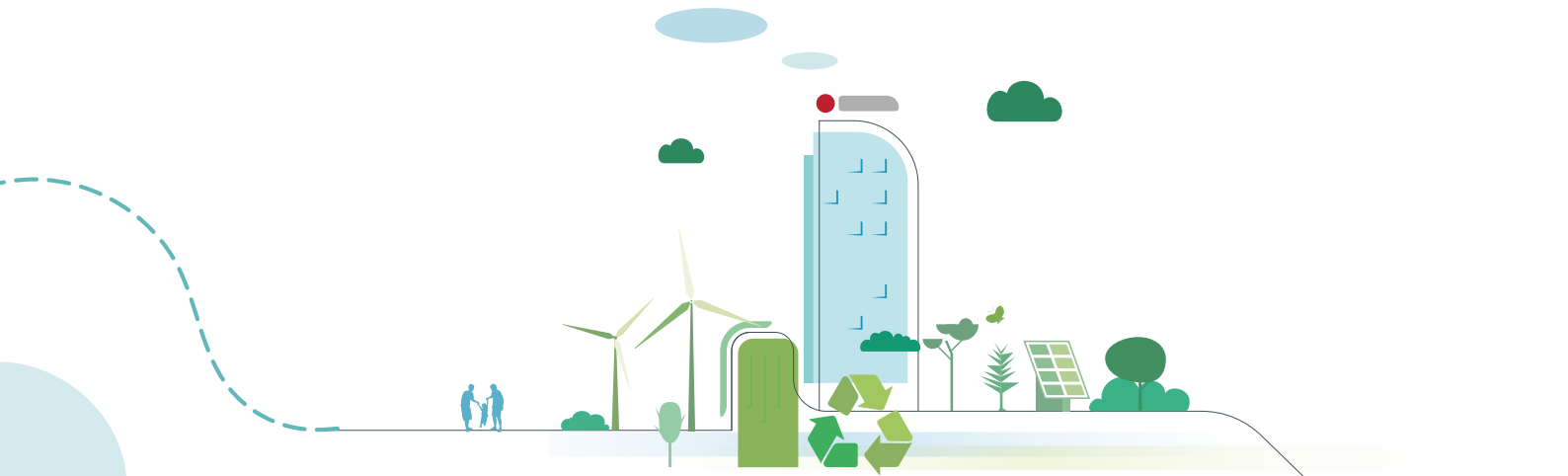




Governance

- Continued to build a digital platform system to provide innovative financial products and high-quality financial services.
- Continued to improve the compliance risk control system, refine the compliance risk control personnel management procedures, and build a strong internal control team.
- Strengthened anti-corruption and business integrity management and education, instructing employees to observe business ethics and undertake standardized operations.





02

Focus Areas

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A nighttime photograph of a cityscape with a prominent highway interchange in the foreground. The highway is filled with light trails from cars, creating a sense of motion. In the background, there are several high-rise buildings, some of which are illuminated with lights. The sky is dark, and the overall scene is lit up by city lights and the light trails from the highway.

Serving National Strategies and Promoting High-Quality Development

2021 was the first year of the 14th Five-Year Plan. CSC remained committed to its founding creed and mission to serve national strategies and continued to reinforce the fundamental role of finance by promoting the high-quality development of the real economy and the building of a “dual circulation” new development pattern. The Company fully leveraged its role in bridging investment and financing to further mobilize finance for serving the real economy and national strategies.

Serving the Real Economy

Leveraging its reservoir of expertise, CSC focused on fast-tracking the reform of the registration-based IPO system and enhancing the proportion of direct financing, among other priorities, with equal importance given to key sectors and emerging sectors. The Company initiated efforts to serve China's key industrial and regional development strategies; expanded presence in Beijing, Tianjin, and Hebei, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area and along the "Belt and Road"; also increased financing for small- and medium-sized enterprises (SMEs) while continuing to direct more capital towards the real economy and optimize resource allocation.



Optimizing and upgrading traditional industries

- Instituted a special review when funding high energy-consuming and high-polluting ("dual-high") companies pursuant to applicable regulations for energy efficiency and environmental protection, and excluded businesses in the eliminated and restricted industry categories and those with backward production capacity.
- Assisted in mergers and acquisitions (M&A) in the manufacturing sector and stimulated the transition of traditional industries to a higher-end, smarter, and greener growth path.
- Regulated the concentration of fixed-income securities investment, including: limiting concentration in the real estate industry; limiting investment in industries of high risk or excess production capacity only to high-certainty, industry-leading, and policy-backed companies that offered good prospects while imposing a concentration limit on investment in those industries.



Fostering the growth of emerging industries

- Guided companies to invest their raised funds in sectors and areas supported by national strategies and intensified efforts to promote transactions in the Sci-Tech Innovation Board (STAR), the Growth Enterprise Market (GEM) board, and the Beijing Stock Exchange (BSE).
- Assisted in the equity financing of companies in new growth driver industries, such as the high-tech industry and strategic emerging industries. For example, entered into strategic partnership with Jiaxing State-Owned Capital Investment Operation Co., Ltd. in April 2021 to invest in strategic emerging industries in Jiaxing such as the digital economy, high-end equipment manufacturing, and big healthcare, thereby improving the efficiency of state-owned capital allocation and operations and supporting the implementation of Jiaxing's innovation-driven strategy.
- Innovated the bond business, providing green bonds, blue bonds, rural revitalization bonds, and rental housing bonds, among other special bonds, and further increasing investment in publicly offered REITs.
- China Securities Capital's project investment spanned biomedicine, semiconductors, unmanned driving, and many other emerging fields.

CSC's performance in serving the real economy in 2021

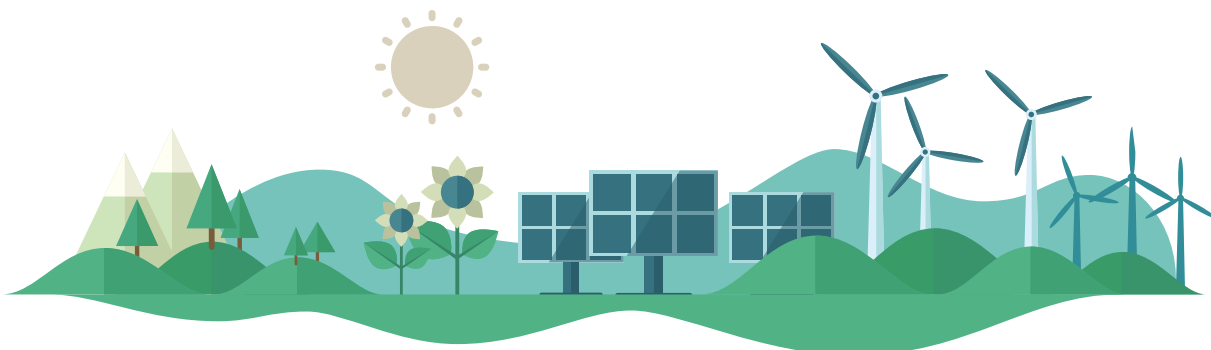
- Ranked **No.1** in the number of underwriting sponsorships for first IPOs on the STAR board, the number of underwriting sponsorships for first IPOs on the GEM board under the new registration system, and the number of underwriting sponsorships for first IPOs in the BSE.
- Conducted **12** private placements on the National Equities Exchange and Quotation (NEEQ), raising **RMB528 million**; provided continued supervision for **32** companies traded on the NEEQ Innovation.
- Ranked **No.1** in the number of sponsorships for first IPOs in the BSE (12/81), taking the first spot in all three of the GEM board, STAR board, BSE in the number of first IPO sponsorships.
- Made **12** strategic co-investment placements totaling **RMB1.364 billion**.
- Represented **5** entrepreneurship and innovation bonds as lead underwriter with an aggregate financing value of **RMB8.4 billion**; represented **6** technological innovation bonds as lead underwriter with an aggregate financing value of **RMB6.6 billion**.
- The issue size of innovation and start-up corporate bonds was **RMB3.421 billion**, ranking third in the industry according to the statistics of the Securities Association of China (SAC).

Assisting in China Telecom's private placement to drive the rapid growth of the communications industry chain Case

China Telecom Corp., Ltd. (China Telecom) is a leading full-service telecommunications operator in China that provides comprehensive communications and information services in connectivity, cloud, applications, and security in the customer, household, and government and corporate markets. As a co-sponsor and co-lead underwriter of China Telecom, CSC helped the company raise RMB47.904 billion. The capital could fund its efforts in building 5G industrial internet and cloud-network converged new information infrastructure and technological innovation and R&D programs, thus fueling the high-quality development of digitally driven industries. This proved how the capital market could be mobilized to boost national strategies and the real economy.

Assisting in S.C. New Energy Technology's private placement to advance photovoltaic technologies Case

S.C. New Energy Technology Corporation (S.C. New Energy Technology) is a leading photovoltaic (PV) equipment manufacturer in China engaged in the R&D and manufacturing of equipment for producing crystalline silicon solar cells with the largest market share in China. As the sole underwriter and sponsor, CSC helped S.C. New Energy Technology raise RMB2.5 billion. The capital would help S.C. New Energy Technology mass-produce next-generation PV equipment and enable technology upgrades and cost reductions in the PV industry.



Promoting Inclusive Finance

The private sector and micro-, small-, and medium-sized enterprises (MSMEs) are vital contributors to the economic resilience in China. In support of their healthy development, CSC provided them with direct financing, notably stocks and bonds, to help them secure needed capital and liquidity and reduce financing costs, which would in turn contribute to an all-encompassing and multi-level inclusive financial ecosystem.

Financing the private sector and MSMEs

- Represented three micro and small enterprises as lead underwriter in an SME joint bond issue totaling RMB1.78 billion and raising RMB2.1 billion, solving the capital flow problems of small and micro enterprises within the region.
- Assisted high-performance private enterprises and micro and small enterprises in private placement on the NEEQ, representing 12 micro and small enterprises, including Beijing PARATERA Tech, Beijing ZBX Information Technology, and Nanjing Heron Pharmaceutical, in their private placements on the NEEQ raising a total of RMB528 million.
- Assisted micro and small enterprises in financial bond underwriting, representing them in 17 financial bond issues as lead underwriter, raising RMB175.7 billion in total.
- Provided share pledging for 93 private enterprises to increase their access to capital.

Setting up a national SME development fund

- China Securities Capital set up a RMB2 billion national SME development fund, which made a total investment of RMB656 million in 22 projects in 2021, including Leto Laboratories and Galachip Semiconductor Technology.

Strengthening agricultural resilience with “insurance + futures” services

- In 2021, China Securities Futures completed 25 “insurance + futures” deals in areas that had just been lifted out of poverty, providing RMB397.917 million in risk insurance and recovering RMB10.085 million in compensation for customers it represented.

Assisting Nanyang Investment Group in SME joint bond underwriting

Case

Nanyang Investment Group Co., Ltd. engages in urban construction, urban management, industry development, financial services, and other businesses. In 2021, CSC represented the company as the lead underwriter in an SME joint bond issue totaling RMB480 million and raising RMB800 million. The capital was used for financing small and micro enterprises to facilitate their access to lower-cost direct funding.

Indicators (unit)	2021	2020	2019
Number of equity financing deals	100	76	38
Total equity financing lead underwriting amount (RMB100 million)	1,392.84	1,636.47	381.94
Number of equity refinancing deals	53	29	17
Total equity refinancing lead underwriting amount (RMB100 million)	859.32	786.78	217.70
Number of bond issues as lead underwriter	2,467	2,378	1,477
Total bond lead underwriting amount (RMB100 million)	15,293.70	12,111.97	9,415.98

Indicators (unit)	2021	2020	2019
Number of sponsored companies in BSE (listing on NEEQ Select)	5	7	—
Number of IPO submissions to BSE (NEEQ Select)	5	11	—
Number of private placements on NEEQ completed	12	21	25
Total amount of capital raised from private placements on NEEQ completed (RMB100 million)	5.28	10.06	47.01
Number of NEEQ-listed companies supervised	117	188	243
Number of NEEQ Innovation-listed companies supervised	32	47	34
Strategic co-investments on STAR board	12	11	9
Total amount of strategic co-investments on STAR board (RMB100 million)	4.66	5.70	3.28
Number of entrepreneurship and innovation bond issues as lead underwriter	5	7	2
Total entrepreneurship and innovation bond issue size as lead underwriter (RMB100 million)	41.17	79.03	12.00
Total amount of capital raised from innovation and entrepreneurship bond lead underwritings (RMB100 million)	84.00	156.00	12.00

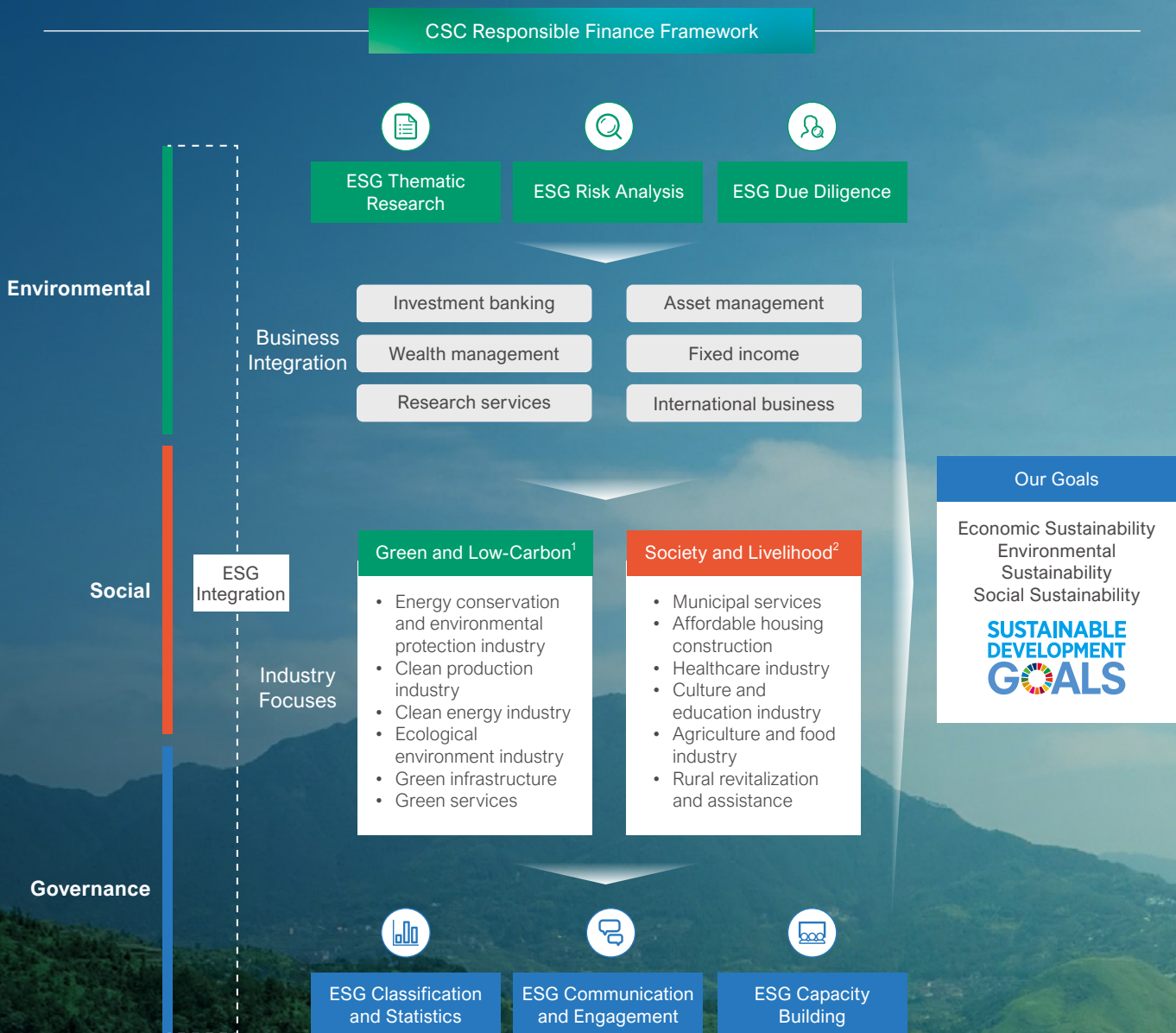
Deepening ESG Integration and Promoting Sustainable Finance

Major global challenges including COVID-19 and climate change are increasingly highlighting the vital role of financial institutions in empowering sustainable development. CSC takes sustainable finance as its duty and mission and integrates ESG considerations into all business processes. The Company adopts a holistic view on the impact of its financial activities on the economy, society, and environment and harnesses its financial expertise to create greater value in the green economy transition, inclusive growth, and other areas.



Sustainable Financial System

Based on its sustainable finance model, the Company shapes ESG factors into actions across all business areas including investment banking, asset management, and wealth management by embedding them into risk analysis, due diligence, classified statistics, communication and engagement and all the other business processes. The Company has also created a customized sustainable industry classification catalogue based on relevant environmental and social standards. Committed to “serving the real economy, promoting green development, and improving people’s livelihoods”, the Company seeks to focus efforts on and increase support for sectors and industries that are environmentally and socially beneficial to drive forward the implementation of national policies and plans and the United Nations Sustainable Development Goals (SDGs).





Note 1: The “Environmental Sustainability” category mainly draws on the *Green Bond Endorsed Projects Catalogue (2021 Edition)* jointly issued by the People’s Bank of China, the National Development and Reform Commission, and the China Securities Regulatory Commission.

Note 2: The “Social Sustainability” category mainly draws on the *Social Bond Principles (2020)* issued by the International Capital Market Association (ICMA) and the *SDG Finance Taxonomy (China)*.

Business Areas	ESG Integration			Investment and Financing Practices			
	ESG Thematic Research	ESG Risk Analysis	ESG Due Diligence	Negative Screening	Positive Screening	Sustainability-Themed Investments	ESG Products/ Services
Investment Banking	✓	✓	✓	—	—	—	✓
Asset Management	✓	✓	✓	✓	✓	✓	✓
Wealth Management	✓	✓	✓	—	✓	✓	✓
Fixed Income	✓	✓	✓	✓	✓	✓	✓
Research Services	✓	✓	—	—	—	—	✓
International Business	✓	✓	✓	—	—	—	✓

ESG Integration

ESG risks are often highly uncertain and complex and likely to impact corporate business and financial performance in multiple ways. As a key player in the financial market, CSC proactively integrated ESG principles into customer review and credit analysis while taking necessary due diligence measures to examine the ESG performance of the investment targets and issuers to fully assess their ESG risk exposure and filter out companies rated poorly on ESG performance.

Ways of integration	Core practices
 <p>ESG Thematic Research</p>	<ul style="list-style-type: none"> Conducted research on ESG, carbon neutrality, and other related themes, which looked at the structural change in domestic economy and the associated investment opportunities in the context of China's "3060" targets as well as the evolution of domestic and overseas ESG investment systems; conducted in-depth research on the pharmaceuticals and healthcare industry, green industries, municipal services, the agriculture and food industry, and rural revitalization, among other areas, and developed and published research reports to further spotlight sustainable finance in the financial market. Conducted comprehensive research on ESG-related investment concepts, regulations and policies, information disclosure, rating systems, etc.; undertook ESG-focused industry research centered on environmentally friendly and sustainability-driven industries such as new energy vehicles, photovoltaics, and wind power; identified the policy risks and CSR issues in industries pertinent to social equity and common prosperity, such as pharmaceuticals and real estate, whereby further integrating ESG considerations into the investment managers' decision-making process.
 <p>ESG Risk Analysis</p>	<ul style="list-style-type: none"> For the fixed income business, checked whether an investment target belonged to industries related to environmental protection, medical education, public utilities, etc.; prioritized information on product safety and quality, environmental protection and accidents, corporate governance and structure, management team stability, legal and regulatory compliance, etc. and incorporated it into issuer evaluation; embedded ESG factors into the relative value analysis, comparing the spread and relative value of the issuers' ESG bonds with that of other bonds in the same industry to determine whether all the risk factors had been taken into account, then calculated the corresponding credit spread, and incorporated it into the investment pricing model. For the asset management business, first, screened the investment targets based on their respective industries to include those from ESG-compliant industries into the prospective ESG investment pool; then conducted a second screening based on their performance in corporate governance, social responsibility, and other areas to exclude those noncompliant with applicable ESG standards. In the future, the Company will develop ESG credit indicators and integrate them into the credit risk assessment system to issue alerts about issuers or investment targets with weak ESG ratings and remove them from the investment pool.

Ways of integration

Core practices

ESG Due
Diligence

- Thoroughly investigated the issuers' use of raised capital and used the possession of project documentation and environmental protection approval documents as the prerequisite for engagement in financing deals. In cases where an issuer invested the raised capital in "dual-high" industries, the Company would investigate whether the projects complied with the industry policies of the countries/ regions of their location to prevent the capital from being spent in areas of backward production capacity prohibited by relevant regulations.
- During project due diligence, thoroughly reviewed the companies' performance in ESG-related areas, including environmental compliance, environmental performance, employment practices, product quality, corporate governance, and business conduct, and made informed decisions as to whether to terminate cooperation with companies that had received administrative penalties for environmental violations, noncompliant employment practices, or workplace safety accidents in the past 36 months.

ESG Capacity
Building

- Set up an ESG research group in the Asset Management Department to thoroughly research domestic and international ESG-related policies with a focus on ESG assessment standards; to follow the developments of ESG concepts in China, participate in ESG investor seminars, and analyze the actions taken by the financial market in implementing policies related to the "3060" targets, green finance, etc.; to further ESG integration into the Company's fixed income investment and equity investment.
- Provided investment managers with comprehensive ESG training to improve their ESG credentials through, for example, sell-side analyst roadshows and internal researcher reports. In 2021, the Company provided 30+ ESG training sessions, recording over 900 participations by investment managers and analysts.

ESG
Communication and
Engagement

- Facilitated the formation of the Green and Sustainable Investment Committee at the Asset Management Association of China. As a member of the ESG Basic Research Working Group, the ESG Investment Standard Working Group, and the ESG Industry Research Working Group under the committee, the Company undertook a multitude of research projects.
- When researching industries and individual stocks, the internal researchers were required to look at the target companies' performance and potential risks in terms of industry attributes, social responsibility, and corporate governance and provide timely risk alerts about companies with ESG deficiencies.

ESG Classification
and Statistics

- Summarized the Company' business undertakings in sustainable investing and financing under the different ESG themes and thoroughly assessed and disclosed ESG progress in the Annual Report and ESG report.

The Company has developed a set of policies, including the *Guidelines for Investment Banking Business Due Diligence* and the *Guidelines for Investment Banking Project Due Diligence Inquiry*, along with various work documents such as the "IPO Manuscript Reference Catalog", the "Refinancing Manuscript Reference Catalog", the "Work Manuscripts and Self-Inspection Forms for Restructuring Projects", and the "Work Manuscripts Catalog for NEEQ Listing Recommendation Business", which set down operational requirements for conducting ESG due diligence covering areas like workplace safety, environmental protection, and social security for employees. The due diligence on the Company's investment banking transactions in 2021 was carried out in accordance with the requirements of the above-mentioned manuscript catalogues.

CSC ESG Due Diligence Guidelines for Investment Banking Business

Environmental protection 

- Interview the issuers' senior management team to understand their current measures, investment, and future plans for environmental protection;
- Examine the operating status of the issuers' environmental protection facilities and their discharge of "three wastes" (solid, water, and gas) on site to determine whether their production processes comply with relevant environmental regulations.
- Scrutinize the issuers' investment in environmental protection during the reporting period and future investment plans.
- Examine the Environmental Impact Assessment (EIA) approval documents issued by environmental protection authorities during the reporting period, on-site environmental protection authority inspection documents, and relevant certification documents issued by environmental protection authorities; search online for negative media coverage about the issuers' environmental practices and determine whether there are major environmental violations.

Product quality 

- Interview the issuers' senior management team and quality control personnel and consult their quality control regulations and relevant national, industry, and corporate standards to learn about their quality control organization, processes, and performance.
- Get hold of the certification documents and quality incident or dispute handling materials issued by quality control authorities and check for major lawsuits or administrative penalties related to product quality.

Labor relations 

- Get hold of the issuers' labor contract sample, employee roster and salary table, detailed employee social security and housing fund payments, etc. to learn about their number of employees, employee education background, implementation of the social security system and housing system reform, etc.
- Require issuers who fail to pay for employees' social security or housing fund to take corrective action or to provide relevant statements in cases where employees voluntarily waive their social security or housing fund plus a statement by its controlling shareholders and actual controlling persons for undertaking risks associated with making insufficient social security or housing fund payments.

Indicators (unit)	2021	2020
Number of research reports published	5,238	5,077
Number of research reports on green topics (e.g., energy conservation and environmental protection, clean production, clean energy, ecological environment, and green services)	239	130
Number of research reports on social topics (e.g., municipal services, healthcare, culture and education, agriculture and food)	1,033	846
Number of research reports on "peak carbon emissions and carbon neutrality"	70	36
Number of research reports on major natural disasters	5	342

Sustainable Financing

CSC followed China's *Guiding Opinions on Promoting Climate Change Financing and Investing* and actively supported the national "peak carbon emissions and carbon neutrality" strategy. In particular, the Company financed green and low-carbon industries such as energy conservation and environmental protection, clean production, clean energy, ecological environment, and green infrastructure through services in initial public offerings (IPOs), refinancing issuances, bond issuances, financial advisory, etc. The goal was for all to seize the green development opportunities and together contribute to an ecological civilization and environment-friendly society. The Company also increased support for society and livelihood undertakings, such as municipal services, healthcare, culture and education, agriculture and food, and rural revitalization and assistance, to create a better society through responsible financing.

Investment Banking

Categories	Equity financing	Bond financing
Green and low-carbon	Helped 11 companies (e.g., China Southern Power Grid, CECEP Techand Ecology, Shenzhen S.C New Energy Technology) raise an aggregate RMB14.979 billion in green and low-carbon equity financing.	Represented 63 green bonds totaling RMB25.42 billion as lead underwriter, including 25 carbon neutral bonds totaling RMB6.532 billion and raising RMB23.8 billion. China Securities International undertook the issuance of eight green bonds and two sustainable bonds raising an aggregate USD3.212 billion.
Society and livelihood	Helped 19 companies (e.g., China Telecom, Tecon Biology, and Jiangsu Chuanzhi Podcast Education) raise an aggregate RMB64.589 billion in social equity financing.	Underwrote four assistance bonds totaling RMB1.269 billion as lead underwriter; underwrote 13 rural revitalization bonds totaling RMB2.033 billion .
Total	Helped raise RMB79.568 billion in ESG-related equity financing as lead underwriter, accounting for 57.13% of the total equity financing amount.	Helped raise RMB90.192 billion in ESG-themed bond issues (including green bonds, rural revitalization bonds, and assistance bonds) as lead underwriter, accounting for 1.35% of the total capital raised from all bond issues as lead underwriter.

By bringing together internal and external resources, the Company also explored the provision of ESG advisory services such as equity incentives and ESG information disclosure. China Securities International, for example, actively grew its overseas green bond business and helped companies build a green financial framework and issue green bonds as a global coordinator and green structure specialist. The company has helped issue eight green bonds including Changxing Urban Construction Investment and the Hong Kong Branch of Industrial Bank.

Fixed Income

<p>Interest rate products</p>	<p>Underwrote 30 ESG bonds with a total issue size of RMB42.081 billion</p>	<ul style="list-style-type: none"> • 10 green bond issues totaling RMB12.433 billion • 8 municipal service bond issues totaling RMB9.567 billion • 5 healthcare bond issues totaling RMB4.031 billion • 6 culture and education bond issues totaling RMB3.18 billion • 1 rural revitalization and assistance bond issue totaling RMB12.87 billion
<p>Credit products</p>	<p>Underwrote 48 ESG bonds with a total issue size of RMB70.205 billion</p>	<ul style="list-style-type: none"> • 35 green bond issues totaling RMB55.755 billion • 7 carbon neutral bond issues totaling RMB11.05 billion • 3 rural revitalization bond issues totaling RMB1.8 billion • 2 revolutionary base area bond issues totaling RMB600 million • 1 blue bond issue totaling RMB1 billion
<p>Syndicated sales</p>	<p>Sold 266 NAFMII (National Association of Financial Market Institutional Investors) ESG bonds via syndication totaling RMB255.387 billion</p>	<ul style="list-style-type: none"> • 34 green bonds totaling RMB31.71 billion • 71 carbon neutral bonds totaling RMB71.557 billion • 22 sustainable bonds totaling RMB32.15 billion • 4 blue bonds totaling RMB2.3 billion • 98 rural revitalization bonds totaling RMB82.52 billion • 19 revolutionary base area bonds totaling RMB20.6 billion • 18 high-growth bonds totaling RMB14.55 billion

Equity Financing – Customer Stories



Green industries

Guangxi Bossco Environmental Protection Technology Co., Ltd. (Guangxi Bossco Envirn, 300422.SZ) is renowned provider of comprehensive environmental solutions in China. CSC sponsored Guangxi Bossco Envirn in a private placement in October 2021, helping the company raise RMB757 million.

NYOCOR Co., Ltd. (NYOCOR, 600821.SS) is mainly engaged in the investment, construction, and operation of new energy power plants such as PV power and wind power. CSC represented NYOCOR in a private placement in July 2021 as the sponsor and lead underwriter, helping the company raise RMB1.335 billion.



Social industries

Sichuan Huiyu Pharmaceutical Co., Ltd. (Sichuan Huiyu, 688553.SH) is a R&D-driven comprehensive pharmaceutical company mainly engaged in the R&D, production, and sale of anti-tumor and injectable drugs, with R&D personnel accounting for over 40% of the total workforce. CSC represented Sichuan Huiyu in its IPO on the SSE STAR board in October 2021 as the sponsor and lead underwriter, helping the company raise RMB2.472 billion.

Ligao Foods Co., Ltd. (Ligao Foods, 300973.SZ) is a leading brand in the bakery industry mainly engaged in the R&D, production, and sale of bakery ingredients and frozen bakery products. CSC represented Ligao Foods in its IPO on the SZSE GEM board in April 2021 as the sponsor and lead underwriter, helping the company raise RMB1.197 billion.

Bond Financing – Customer Stories



Carbon neutral
bond

Represented China Energy Investment Corporation Limited as a co-lead underwriter in the first tranche of corporate green bond issues (for carbon neutrality) in 2021 totaling RMB5 billion. The raised capital was to be mainly spent on the construction, operation, and acquisition of green projects with certified emission reduction benefits and on the repayment of loans for carbon neutral projects.

Represented China Huadian Corporation Ltd. as a co-lead underwriter in the first tranche of corporate green bond issues (for carbon neutrality) in 2021 totaling RMB1.5 billion, of which no less than 70% was to be used in green industries to deliver carbon reductions and carbon savings.



Rural
revitalization
and assistance
bond

Represented Yuexiu Group as a co-lead underwriter in issuing RMB500 million poverty alleviation corporate bonds in January 2021, of which no less than RMB250 million would be spent on its food industry projects located in Bijie City, Guizhou province.

Helped Jinko Power Technology Co., Ltd. (registered in Hengfeng County, Jiangxi Province, a former national poverty-stricken county) issue RMB200 million corporate bonds and RMB3 billion convertible corporate bonds in March and April 2021. The raised capital was to be mainly used for a number of PV power projects, such as agri-solar complementary and fishing-solar complementary projects, and for refilling the working capital.



Green and low-carbon equity financing amount

Indicators (unit)	2021
Equity financing amount in the energy conservation and environmental protection industry (RMB million)	2,997.48
Equity financing amount in the clean production industry (RMB million)	1,247.58
Equity financing amount in the clean energy industry (RMB million)	8,289.99
Equity financing amount in the ecological environment industry (RMB million)	1,407.00
Equity financing amount in green infrastructure (RMB million)	1,036.73
Total	14,978.78

Society and livelihood equity financing amount

Indicators (unit)	2021
Equity financing amount in municipal services (RMB million)	52,667.58
Equity financing amount in the healthcare industry (RMB million)	6,187.05
Equity financing amount in the agriculture and food industry (RMB million)	1,002.40
Equity financing amount in the culture and education industry (RMB million)	4,731.88
Total	64,588.91

ESG-themed bond underwriting amount

Indicators (unit)	2021	2020
Number of green bond issues as lead underwriter	63	31
Total green bond issue size as lead underwriter (RMB100 million)	254.20	168.51
Total capital raised from green bond issues as underwriter (RMB100 million)	775.49	469.80
Number of carbon neutral bond issues as lead underwriter	25	—
Total carbon neutral bond issue size as lead underwriter (RMB100 million)	65.21	—
Number of rural revitalization and assistance bond issues as lead underwriter	17	7
Total rural revitalization and assistance bond issue size as lead underwriter (RMB100 million)	33.02	25.37

Responsible Investing

With time-tested expertise in investment management, CSC draws on its strengths in investment research, experience in investment management, and a stringent risk management process to provide investors with diversified financial solutions and professional asset management services while managing its own assets. In 2021, the Company implemented responsible investment strategies, incorporating ESG considerations into research and analysis and the investment decision-making process to find and match investment opportunities that could produce positive impacts on the environment and society.

Asset Management

The Company's Asset Management Department set up an ESG research group in 2021 to study ESG-related policies at home and abroad, keep track of the developments of domestic ESG investing, and participate in ESG investor seminars. Built on those efforts, the Company also developed an ESG bond investment strategy and an ESG credit evaluation procedure to conduct ESG analysis on held bonds.

ESG Integration into Screening

ESG thematic screening

- Selected ESG-compliant industry categories, notably industries that aligned with national strategies, such as new energy, electronic equipment, information technology, and manufacturing, and industries that corresponded with ESG themes such as environmental governance, water conservancy, public facility management, and healthcare.

Credit analysis and screening

- Performed negative screening on and continuously tracked the bonds from a credit perspective; conducted a comprehensive assessment, drawing on factors like internal credit ratings and market response to rule out issuers with weak credentials and improve the margin of safety for the invested bonds.
- Continuously tracked bond issuers and lowered the internal credit rating for issuers involved in major credit risk events or negative ESG events.
- The Company has sifted out a number of ESG-compliant issuers and will continue to update the screening procedure.

ESG Bond Investment Strategy

Preferred ESG investment targets

Adopted a phased approach to ESG bond investment. When selecting bond issuers, the industries should include, but not limited to, energy conservation, technology upgrades for energy efficiency and emissions reduction, environmental protection, green urbanization, pollution prevention and mitigation, clean and efficient utilization of energy, resource conservation and recycling, circular economy, water conservation and unconventional water resources development and utilization, clean transportation, clean energy, new energy development and utilization, ecological protection and climate change adaptation, ecological agriculture and forestry, low-carbon industries, and green-cycle and low-carbon projects such as ecological civilization and low-carbon pilots and demonstrations. Minimized bond investments in “dual-high” industries, industries with excess production capacity, and “controversial industries”.

CSC also kept a close eye on ESG-related industries in equity investment. The Company seized the development opportunities in industries related to major national strategies in China, such as the “peak carbon emissions and carbon neutrality”, “rural revitalization”, and “Healthy China”, and prioritized investment targets that were environmentally friendly and socially responsible with an effective governance structure. The Company endeavored to create long-term returns for investors by combining ESG with value investment.

Proprietary Investment

CSC was committed to ensuring security, liquidity, and returns in the management of its own capital and actively embraced ESG considerations when investing with its own capital.

Fixed-income proprietary investment

- During credit evaluation, CSC prioritized comprehensive ESG rating and the scoring factors of each module as important factors for investment decision-making to determine whether the relevant targets were eligible to enter its investment target pool.
- CSC cut investment in bond issuers belonging to the “dual-high” industries, industries with excess production capacity, or “controversial industries”.

Proprietary equity investment

- In response to macro policies in the environmental and social spheres and social needs, China Securities Investment increased investment in sustainable new energy and the “3060” economy, new consumption, pan-TMT, and biomedical and healthcare and avoided industries with excess production capacity or heavy pollution, or related to tutoring of school curriculum subjects. New investments in sustainable new energy and the “3060” economy in 2021, for example, included companies like Leapmotor and T3Go.

ESG-Themed Products

CSC actively developed asset management products and wealth management products that corresponded with different ESG themes. The Company used ESG criteria to select investment targets with a strong credit performance, effective management, and a good ESG performance. In doing so, it afforded investors plenty of opportunities and options of ESG investing while using investment to drive sustainable socio-economic growth.

Asset management products	<ul style="list-style-type: none"> Created an ESG-themed “fixed income+” product plan, with all the investment targets selected in accordance with the ESG bond pool and ESG-related indexes.
Wealth management products	<ul style="list-style-type: none"> Based on existing ESG-themed funds, such as the CSC Healthcare Reform Fund and the CSC Healthcare Fund, China Securities Funds set up the “CSC Low-Carbon Growth Hybrid Securities Investment Fund” in December 2021, raising RMB698 million. The capital was mainly invested in companies that had achieved low-carbon growth by means of technological innovation, industrial transformation and upgrading, industrial structure adjustment, etc. Sold 35 newly-issued ESG funds (including themes like new energy, low-carbon, carbon neutral, and environmental protection) in 2021 with a total amount of RMB1.4 billion.

ESG-themed investment under the asset management business

Indicators (unit)	2021
Total green and low-carbon equity investment (RMB100 million)	27.33
Total green and low-carbon bond investment (RMB100 million)	565.15
Total society and livelihood equity investment (RMB100 million)	32.01
Total society and livelihood bond investment (RMB100 million)	546.09
Total ESG product investment (RMB100 million)	0.4
ESG-themed investment as a percentage of total AUM (%)	27.41

Harnessing Technology and Promoting Digital Transformation

Digital transformation is the driving force for the continued progress and development of financial institutions. The People's Bank of China has issued the *Fintech Development Plan (2022 – 2025)*, calling on financial institutions to work towards deepening the financial supply-side structural reform, embed digital thinking throughout business operations, and leverage technology and data as an important catalyst of financial innovation to fully tap into the transformative powers of fintech.

CSC continued to invest in fintech in 2021 to build a digitally ready modern financial system and use financial means to speed up creating a new development dynamic and achieving common prosperity. Rooted in its expertise and services, the Company adopts a digital-first approach and an unyielding commitment to safety, stability, and compliance. By developing and bringing in advanced management systems and fintech tools, the Company continues to build a first-class fintech platform that is autonomous and controllable and offers strong service capabilities.

Building a Digital Platform System

CSC advanced digital transformation as a key development strategy back in 2020. The Company has since intensified digitization efforts from the three major dimensions of customers, products, and employees with a view to achieving sound business operations.

In 2021, CSC expanded partnerships to continuously explore ways that technologies such as cloud computing, big data, AI, and blockchain could be applied to its business. Based on a strategic collaboration, CSC and Tencent fully integrated the Company's internal customer relationship management (CRM) system with WeChat and built an online business development system middle platform; the Company participated in CSRC's capital market fintech innovation pilot program and set up a leading group and working group for fintech innovation pilots, continuing to advance the construction of a digital platform system.

Six digital transformation measures at CSC

- Further prioritized digital transformation as a strategic focus and included "strengthening data governance and accelerating digital transformation" in the Company's "14th Five-Year" Development Plan.
- Streamlined the organizational structure and management process and set up SI (Specialist of Informatization) positions and a SIM (Specialists of Informatization Management) group in each department to continuously advance and track the implementation progress of the digitization targets.
- Promoted the application of next-generation technologies such as cloud-based facilities, big data, AI, and blockchain to fully digitize all the business areas.
- Developed digital transformation performance indicators and actualized digital transformation by breaking down and tracking the fulfillment of key work tasks and associated requirements.
- Established a standardized digital middle platform, data governance regulations, and standardized data source management specifications to steadily unify data management and control and improve digital governance.
- Strengthened the integration between "business and technology" and organized sharing sessions of industry best practices and experience on a regular basis.



CSC Digital Transformation System

Promoting data governance and consolidating the foundation of digital transformation

- Formulated and evolved regulations for data quality, data management, etc. to continuously improve data quality and promote the development of data standards.
- Worked with the digital transformation teams of each business department to provide education and training on data governance.
- Built a business indicator analysis system that allowed for the calculation, display, and multi-dimensional analysis of the business indicators of different lines of business.

Advancing data system construction to support digital operations

- Built and upgraded middle platform operations and management systems for user management, role management, authority management, and project management and applied the Robotic Process Automation technology to improve management efficiency and reduce labor costs.
- Upgraded and evolved the compliance management digital architecture to further standardize the compliance management system.

Using data mining to further digitize business

- Further applied AI in securities business, including launching smart processing modules in centralized operations and building AI-enhanced quantitative strategy research platform that supported smart image selection for text content, industry chain labeling, etc.
- Further digitized compliance management, strengthening control over all stages of the investment banking business, including contracting, project initiation, tutoring, due diligence, reporting, issuance and underwriting, and continuous supervision, by updating systems and processes and enabling coordinated and interconnected information systems, among other measures.
- Promoted the RTGS (real-time gross settlement) automated settlement system to realize automatic data matching, verification, and correction between systems, automated settlement confirmation in the settlement system, etc., notably enhancing the processing capacity for real-time settlement during the day.



Empowering Business Growth Through Technology

In 2021, CSC continued to advance the transformation of cloud computing and cloud-native technology services to provide the needed computing power for AI scenarios; continued to optimize and enhance big data processing to provide visual data collection tools and enable more powerful real-time data processing; built an AI-enhanced quantitative strategy research platform and core fintech algorithms to support business growth.

Using technology to empower data middle platforms (DMPs)

- Advanced the construction and governance of DMPs and further streamlined the business models and processes to allow for more coordinated data management, governance, and mining and build a Company-level centralized data management and control platform.
- Comprehensively reviewed the indicator labeling of the brokerage business, risk control and compliance, and proprietary business to build a Company-level data label warehouse to improve the efficiency of marketing analysis and customer information management.
- Provided company management with digital means of KYE (Know Your Employee) based the four dimensions of comprehensive evaluation, personal information, customers, and performance and incorporated employee process management into the performance management system.

Using technological innovation to empower business

- Built a smart customer service system, a customer return visit system, a double-end calling platform, etc., realizing digitized "customer service + marketing" by connecting the customers, experts, and products; continued to explore the potential of smart recommendation and precise services.
- Used AI algorithms for automated factor mining, developed AI-enhanced quantitative strategies, and built intelligence into institutional services, asset management business, derivatives trading, and fund subsidiary business.
- Developed the innovative bond business big data smart platform, further digitizing the entire bond business management process.
- Systematized the electronic manuscript data with a focus on the digitization of investment banking project management and operations management and the application of smart documents to improve the efficiency of review and the accuracy of information disclosure.
- Set up a fully data-driven business development model in the WeChat ecosystem that supported the three core business scenarios of employees, customers, and products, improving the resource allocation efficiency of online operating activities.





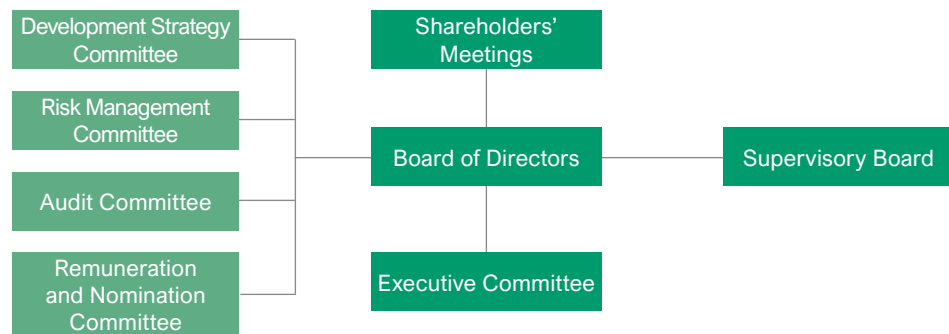
Optimizing Corporate Governance and Enhancing Overall Competitiveness

Sound corporate governance is the foundation for steady and sustainable business development. Underpinned by a commitment to high-quality development, thoughtful layout, integrated operations, and refined management, CSC continues to build stronger competencies and more scientific, standardized, and professional governance to usher into a new era of balanced and all-round development.

Corporate Governance

Following the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Securities Companies*, the *Code of Corporate Governance for Listed Companies* and applicable rule and policies of the SSE and SEHK, CSC has formulated the *Articles of Association* and the *Rules of Procedure of the Board of Directors*, along with other governance policies. The Company publishes an annual work report of the Board of Directors and the Supervisory Board to continuously improve corporate governance and corporate governance information disclosure.

Corporate Governance Structure



- In 2021, the Board of Directors held 10 meetings and deliberated on 63 proposals, with an average attendance of 100%.
- Held 5 shareholders' meetings, deliberated on/reviewed 24 proposals and reports.
- In 2021, the Supervisory Board held 7 meetings and deliberated on 26 proposals, with an average attendance of 100%; sat in on all shareholders' meetings and board meetings in 2021 and reviewed proposals.

Responsibilities and Operations of the Board of Directors

The Company's directors strictly abide by relevant laws and regulations, the listing rules of the localities where the Company's shares are listed, and the requirements laid down in the Company's Articles of Association and perform their duties with diligence and dedication. They attend the Board meetings and meetings of the special committees as required and implement the resolutions passed at the shareholders' meetings and board meetings to facilitate effective board decision-making and functioning and help build a sustainable and robust business.

In 2021, the Board of Directors continued to improve its competencies and effectiveness through intensified training and research. They kept up to date with new laws, rules, and regulatory requirements by taking advantage of the training platforms provided by regulators, self-regulatory organizations, and the various exchanges. The training included interpretation of laws, regulations, and policies, directors' rights, obligations, and responsibilities, analysis of the Board operations experience of outstanding listed companies, analysis of legal violations of listed companies, etc. They also received training on compliance regulations related to H-share listed companies, including directors' responsibilities and obligations, notifiable transactions, etc. The Company provided 16 training sessions for board members in 2021, and the directors and supervisors collectively completed over 347 hours of training.

- **Board diversity:** Adopting a board diversity policy, the Company takes into account the candidates' diversity in gender, age, culture, educational background, professional experience, etc. when selecting board candidates, appoints candidates on merit, and fully considers the benefits of board diversity based on the objective conditions.
- **Board independence:** The Company stipulates the qualifications and obligations of independent directors in its *Articles of Association*, requiring them not to hold any other positions within the Company or involved in any relationship with the Company or its major shareholders that may prevent them from making independent and objective judgments.
- **Board effectiveness:** The directors are elected or replaced at the shareholders' meetings and may be dismissed by the shareholders' meetings before their terms expire. Each director serves a term of three years and may be reelected to successive terms. The Company thoroughly examines the positions that the independent director candidates hold in other organizations to ensure that the nominated independent directors hold office in no more than five (the Company included) listed companies.
- **Board expertise:** The Company's directors have diversified and complementary expertise and professional experience, which is essential to better-informed decision-making. All the directors have strong morals, professional qualifications, academic competencies, extensive knowledge of securities laws, administrative regulations, rules, and other normative documents, and the necessary business management capabilities to perform their duties.

Special Committees of the Board of Directors

Under the Company's Board of Directors are the Development Strategy Committee, Risk Management Committee, Audit Committee, and Remuneration and Nomination Committee, which are all composed of the directors. Each dedicated committee has responsibilities towards the Board and may put forward proposals to the Board on matters related to its duties. Before deciding on such matters, the Board shall hear the opinions of the committees.

Committees	Roles and responsibilities	Operations
Development Strategy Committee	Researching, forecasting, and formulating the Company's long-term business strategies and development plans.	The committee is composed of six directors. In 2021, the committee convened five meetings, with an attendance of 100%.
Risk Management Committee	Overseeing and managing the Company's overall risks and keeping them within acceptable levels to ensure effective implementation of risk management plans for the various risks associated with the Company's operating activities.	The committee is composed of seven directors. In 2021, the committee convened three meetings, with an attendance of 100%.
Audit Committee	Ensuring compliance of the Company's operations and investment business and reviewing and overseeing internal audits.	The committee is composed of five directors. In 2021, the committee convened five meetings, with an attendance of 100%.
Remuneration and Nomination Committee	Developing evaluation criteria for the Company's directors and senior managers and conducting evaluations; formulating and reviewing director and senior manager remuneration policies and plans; studying director and senior manager selection criteria and making recommendations of candidates.	The committee is composed of seven directors. In 2021, the committee convened three meetings, with an attendance of 100%.

Executive Remuneration Management

Consistent with the resolutions and requirements of the Board, the Company's senior management continues to facilitate synergies across different businesses, enhance business planning, and put forward improvement suggestions on major issues relevant to the Company's development to help the Company maintain robust growth. The Company has incorporated a deferral and recovery mechanism in the remuneration management system, tying remuneration more closely to the business performance. As such, the senior managers are subject to a minimum deferral period of three years and a recovery agreement that gives the Company the right to withdraw relevant incentives in case of resignation or involvement in risk events, malpractice, legal or regulatory violations, etc. within the deferral period.

Information Disclosure and Investor Relations

In 2021, the Company conducted investor relations management in a legal, compliant, transparent, and impartial manner and fulfilled the obligation of information disclosure in strict accordance with the requirements of applicable laws and regulations and the listing rules of the localities where the Company's shares were listed.

Fulfilling the obligation of information disclosure and strengthening investor relations

Strengthening information disclosure

- Disclosed eight sets of regular reports and 300+ other public disclosure documents to the A-share and H-share markets in 2021, disclosing information in a truthful, accurate, complete, timely, and fair manner.
- Received the highest rating of "A" in the SSE 2020-2021 Information Disclosure Assessment of Listed Companies.
- Further strengthened the registration management of people in possession of insider information and related/connected transaction management to further regulate work related to information disclosure.

Promoting investor communication

- Regularly presented performance reviews and responded to shareholders' questions by holding shareholders' meetings and performance briefings.
- Provided investors with access to Company information through the investor hotline, investor email, and the SSE Info online platform, among other channels.
- In 2021, held three investor meetings, conducted three surveys given by analysts and 110 investor relations hotline inquiries, and responded to 100+ interactive questions on the SSE Info.
- Distributed 2020 dividends to shareholders at RMB3.75 (tax inclusive) per 10 shares in 2021 for a total of RMB2.909 billion (tax inclusive).



Indicators (unit)	2021	2020
Number of directors	14	12
Number of executive directors	2	2
Number of non-executive directors (independent directors included)	12	10
Number of independent non-executive directors	5	5
Number of male directors	10	9
Number of female directors	4	2
Number of directors aged between 30 and 40	2	1
Number of directors aged between 41 and 50	2	4
Number of directors aged over 50	10	7
Number of supervisors	5	4
Number of male supervisors	2	1
Number of female supervisors	3	3
Number of supervisors aged between 30 and 40	0	0
Number of supervisors aged between 41 and 50	3	3
Number of supervisors aged over 50	2	1
Number of shareholders' meetings	5	7
Number of Board of Directors meetings	10	12
Number of Supervisory Board meetings	7	5
Number of meetings of special committees under the Board	16	13
Average board meeting attendance (%)	100	100

ESG Governance

ESG governance is a significant corporate priority at CSC. The Company has built an ESG governance structure with clearly defined responsibilities, effective collaborations, and a checks and balances system among the decision-making body, the supervisory body, and the management body. The Company also set up an ESG Committee under the Executive Committee in November 2021 to review, manage, and oversee the Company's ESG-related work and its implementation. The ESG Committee works to integrate ESG factors across the corporate governance and business strategies to further improve ESG governance.



Organizational structure of the ESG Committee

- The Company's chairman and general manager serve as the chairman and vice-chairman of the ESG Committee respectively; permanent members of the ESG Committee include the leader or executive head of the Executive Office, Human Resources Department, Risk Management Department, Legal and Compliance Department, etc.; other members include the administrative head or authorized representatives of the Investment Banking Committee, the Economic Management Committee, the Trading Department, the Derivatives Trading Department, the Fixed Income Department, the Asset Management Department, and the General Management Department.



Responsibilities of the ESG Committee

- Formulating and reviewing ESG-related work plans, policies, disclosure documents, etc. and supervising ESG implementation.
- Identifying ESG risks and opportunities that have a significant impact on the Company's development and assisting company management to take appropriate response measures.
- Researching issues related to the Company's ESG management and development and issuing special reports on an irregular basis.



Work mechanism of the ESG Committee

- The committee convenes regular meetings at least once a year, and ad hoc meetings are first proposed by the Executive Office and then approved by the committee chairman according to work needs.
- Matters voted on by the ESG Committee are only passed when they are approved by a two-thirds vote of all the members present at the meeting, and the chairman has the right to veto any of the proposals.





Responding to Climate Risks and Striving Towards “3060” Targets

Climate change is a global challenge facing all humanity. China pledged in September 2020 to achieve peak carbon emissions before 2030 and carbon neutrality by 2060. To meet the targets, China amplified efforts to respond to climate change and drive the transition to green socioeconomic growth. Following national strategies and the global sustainable development agenda, CSC actively conducted climate research to identify the impact of climate-related risks and opportunities on finance and promote the implementation of climate actions.

Climate Change Response Management System

As financial institutions paid increasing attention to climate risks, CSC dedicated itself to empowering the low-carbon transformation of the global economy. The Company engaged in research and learning on the governance, strategies, risk management, indicators, and goals in keeping with the disclosure frameworks and recommendations provided by the Task Force on Climate-Related Financial Disclosures (TCFD) so as to set up a Company-level climate-related risk management framework.

Governance

- The Company's Board of Directors formulates climate strategies and supervises the management of climate-related issues, reviews the CSR/ESG Report every year, and implements ESG-related board resolutions including those related to "climate change".
- The Company has set up an ESG Committee under the Executive Committee chaired by the chairman of the Company to shoulder ESG responsibilities, including formulating a climate-related work plan, reviewing climate risk-related policies and disclosure documents, and identifying climate-related risks and opportunities that have a significant impact on the Company's development, and take appropriate coping measures.

Strategies

- The Company places a heightened focus on climate-related risks and their impact on its financial business, strategies, and finances. The Company has identified major climate-related risks and opportunities based on the developments of the financial industry and takes measures to prevent and respond to the transformation and entity risks brought by climate change.

Risk management

- Under the TCFD framework, CSC progressively incorporates climate-related risks and opportunities into the risk management system. The Company embeds ESG factors into the risk management process of different businesses and integrates climate and environmental considerations across all stages of business management including approval, due diligence, investment decision-making, credit extension, and concentration management.

Performance and targets

- The Company discloses the performance of its sustainable finance-related businesses and discloses and analyzes relevant indicators such as water resources, energy, and GHG emissions in the annual CSR/ESG Report.

Climate-Related Risks and Opportunities

Climate Risk Identification

Drawing on relevant laws, regulations, policies and systems, and physical climate parameters, CSC identifies and prioritizes climate-related risks and opportunities in terms of hazard, exposure, and sensitivity and undertakes an alignment assessment by benchmarking against international standards and industry best practices. The Company will continue to carry out in-depth research in this regard and steadily advance climate-related scenario analysis.

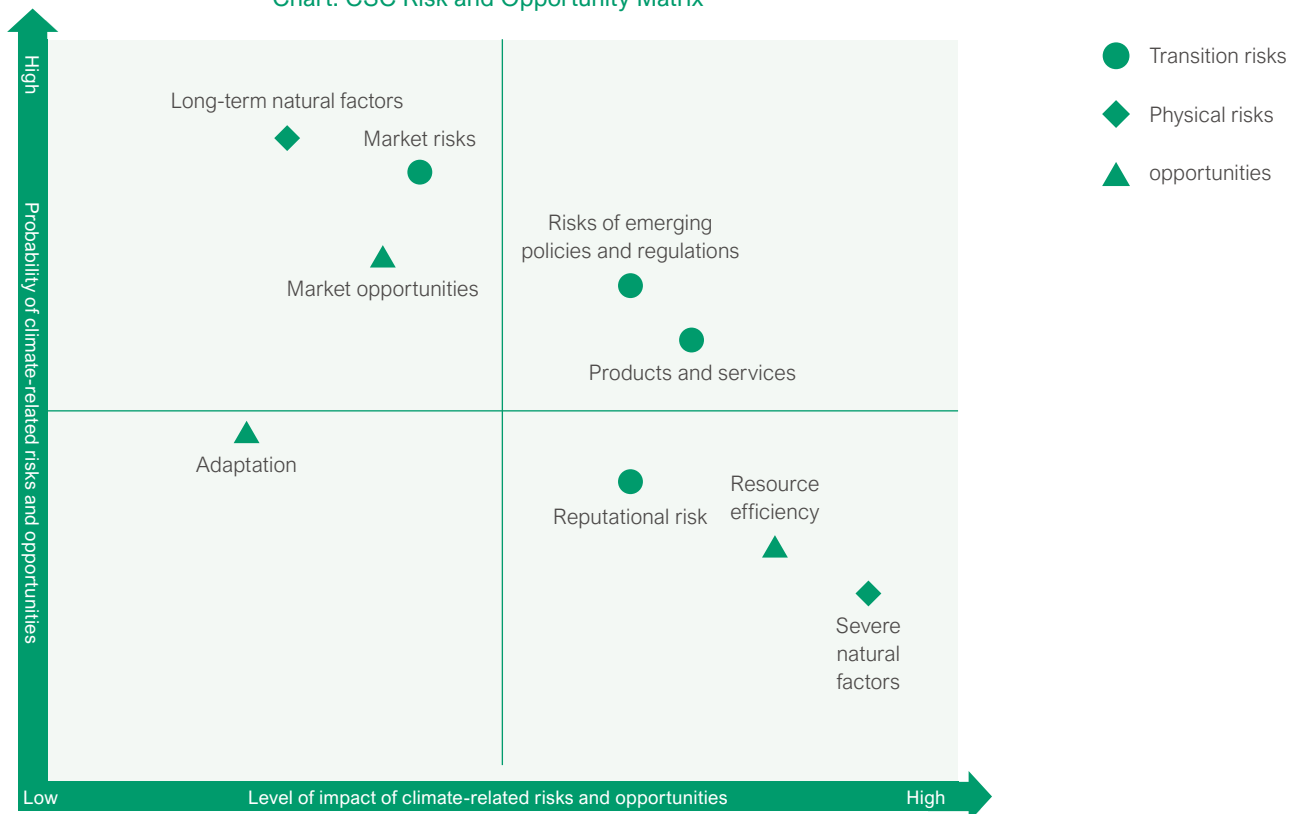
Climate Risk Strategy

CSC integrates climate risk management into the overall risk management. The Company regularly identifies short-, medium- and long-term risks and opportunities, defines the sources and scale of climate-related risks, and analyzes and addresses the risks and opportunities brought by climate change.

Types of risks	Risk description	Time frame
Transition risks	Risks of emerging policies and regulations The Hong Kong Green and Sustainable Finance Cross-Agency Steering Group has announced that climate-related disclosures aligned with the TCFD will become mandatory in 2025. Failure to put in such efforts as soon as possible may subject the Company to regulatory risks.	Medium-term
	Market risks National policies for low-carbon transition such as carbon neutrality and green finance may lead to a shift in market preferences, with more funds flowing into low-carbon sectors and out of high-emissions sectors. Failure to align with such business directions as low-carbon and green may lead to market setbacks.	Short-term
	Reputational risk As public awareness about climate change and green and low-carbon development continues to grow, failure to meet stakeholder expectations may subject the Company to reputational risk.	Medium-term
Physical risks	Severe natural factors Climate change is expected to increase the probability and severity of climate disasters (such as floods, heat waves, and droughts), resulting in loss of life and property and disruptions to economic activities.	Short-term
	Long-term natural factors The increase in global average temperature will raise the average temperature of the Company's data centers. As such, more energy will be consumed by the air conditioning units to ensure the stable operation of the data center equipment and systems, which will necessitate extensive data center upgrades.	Long-term

Type of opportunities	Opportunity description	Time frame
Market opportunities	China has set the goal to develop green finance and is building a green finance system and a national carbon trading market. Green finance is therefore making promising advances in China, and this will bring the Company new development opportunities.	Short-term
Products and services	The green development trend creates market opportunities that can be capitalized on. The Company can develop innovative green financial products based on an in-depth market trend research to match investors' growing interest in green finance.	Medium-term
Resource efficiency	The Company can revamp and upgrade its data centers by streamlining and optimizing the computer rooms and using more clean energy to promote energy conservation and carbon reduction efforts, improve resource efficiency, and reduce energy consumption.	Long-term
Adaptation	Keeping up with the global policies and progress in climate action, the Company can promote cross-sectoral dialogue on climate-related risks and opportunities; by analyzing the alignment between the market and policies on carbon neutrality, carbon peak, green finance, etc., the Company can provide investors with well-conceived products and services.	Short-term

Chart: CSC Risk and Opportunity Matrix



Climate Change Response Measures

Keenly aware of the instrumental role of green finance in mitigating climate change, CSC used the national peak carbon emissions and carbon neutrality strategies to guide relevant efforts and actively responded to the national *Guiding Opinions on Promoting Climate Change Financing and Investing*.



Strengthening environmental audits and reviews

- Strengthened environmental reviews on corporate financing deals to determine whether they complied with relevant regulations on energy conservation and environmental protection and exclude those within the eliminated and restricted categories or with backward production capacity.
- Carefully reviewed EIA approval documents issued by environmental protection authorities and on-site environmental protection authority inspection documents and checked for negative media coverage related to the issuers' environmental practices during due diligence to ensure there were no major environmental violations.



Supporting the development of green industries

- In bond investment, reduced investment in “dual-high” industries, industries with excess production capacity, and “controversial industries”, thoroughly studied different varieties of urban investment bonds with environmental and social benefits, and planned to intensify investment and research in “3060” related bonds.
- Directed capital flows towards industries related to resource development, resource efficiency, and ecological protection through a mix of green equity financing and green bond underwriting and issuance to drive the green and low-carbon transformation of “dual-high” industries.







03

Sustainable Business Practices

Integrity and Compliance	51	Information Security	76
Risk Management	59	Green Operations	80
Customer Services	63	Social Good	83
Talent Development	68	Partnerships	86



Integrity and Compliance

Operational compliance is the cornerstone of stable and sustainable business growth. Committed to the industry tenets of “compliance, integrity, professionalism, and stability”, CSC continues to improve the compliance management system and endorses compliant development and an evolving culture of compliance to enhance the Company’s legal and regulatory compliance on all fronts.

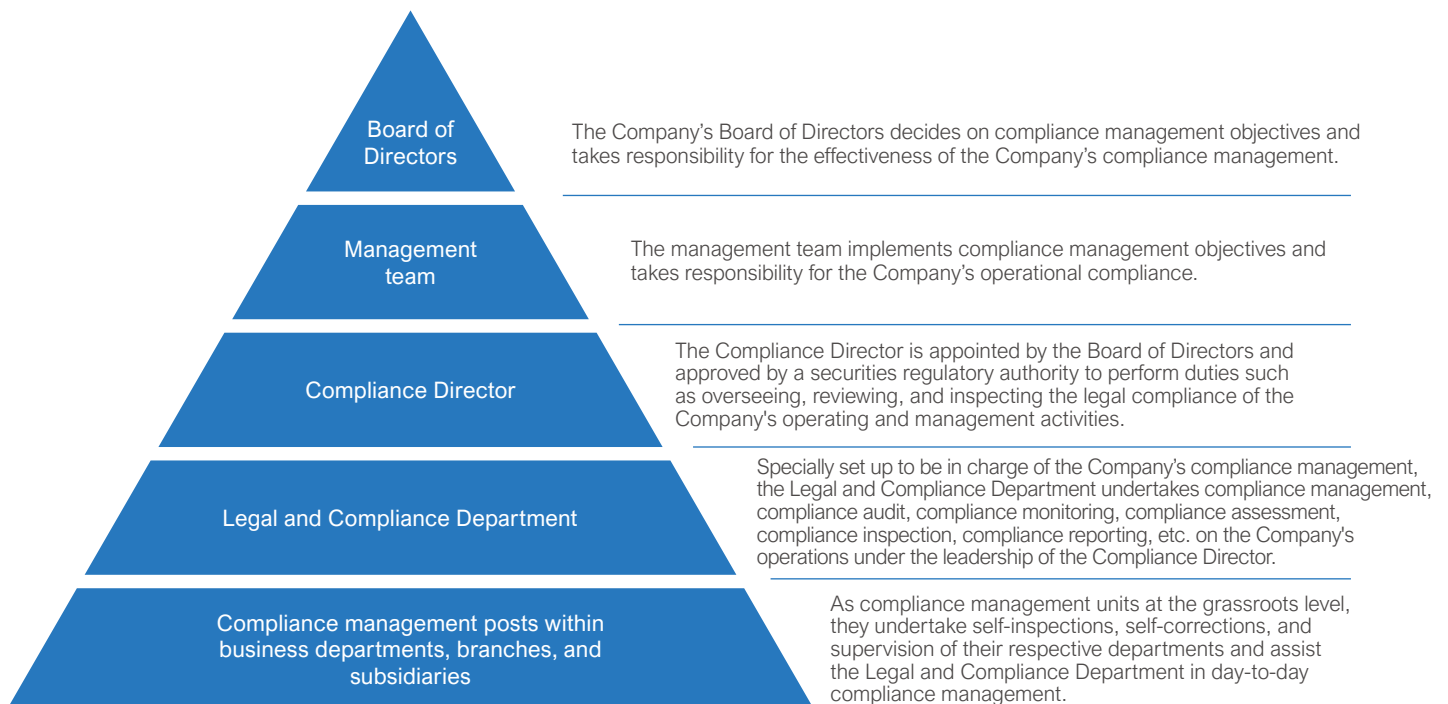
Improving Compliance Management System

CSC continues to improve the compliance management system and compliance personnel management mechanism and train a competent quality control team. The Company holds a redline against major compliance risks to provide the compliance groundwork for high-quality business development.

In 2021, the Company reviewed, updated, and supervised the implementation of various policies, formulating/revising 215 internal regulations including the *Conflicts of Interest Management Measures*, the *Compliance Manager Management Measures*, the *Employee Compliance and Integrity File Management Measures*, the *Compliance and Integrity File Management Measures*, the *Compliance and Accountability System*, the *Trade Secret Protection Measures*, the *Intellectual Property Management Measures*, the *Law Enforcement Assistance Management Measures*, etc.

Compliance Management System

The Company has set up a five-level compliance management system comprising the Board of Directors, the management team, the Compliance Director, and the Legal and Compliance Department.



Building a Compliance Culture

In 2021, CSC drew up the *CSC Compliance Culture Construction Plan*, specifying the overall planning and main tasks for building a compliance culture. The plan is intended to further consolidate the approach of effective compliance management and control and ensure that the Company conducts business on the basis of “systems, quality control, and training”.

Institutionalizing management



- Discovered and rectified systemic problems by summarizing, sorting, and classifying the business types and management priorities.
- Deepened the compliance personnel’s work on system review and management to ensure compliant content, well-structured management processes, and clearly defined roles and responsibilities, thus adequately informing business practices.
- Refined the compliance assessment and evaluation designed for the departments and employees to build a long-standing compliance culture.

Increasing compliance awareness and training



- Set up a compliance culture construction team, spread the compliance culture via the bulletin boards, digital screens, posters, banners, etc., and built Company-wide compliance awareness through new media channels such as company website, WeChat subscription account, and micro videos.
- In 2021, the Company hosted 146 compliance training sessions, recording over 80,000 participations.

Bolstering the compliance and quality control team



- Further attracted and retained talent for compliance and quality control positions and ensured that compliance personnel at all levels could fulfill their management roles in full.
- Promoted the process management of compliance management personnel and tightened supervision of their work performance.

Strengthening compliance inspection and accountability



- Carried out inspections on compliance risks in key businesses, areas, and stages in line with the Company’s business performance and continuously optimized the inspection approach to promptly identify and address potential problems and continuously improve corporate management.
- Optimized the compliance accountability system and process, further linking accountability measures with the performance appraisal and bonus assignment of responsible departments and employees while applying appropriate penalties that suited the severity of offences and scope of duties.

Kick-Off Meeting of 2021 Compliance Culture Training Year

Case

CSC formulated the *CSC Compliance Culture Construction Plan* in line with national deployments and requirements on finance and the call of regulators to build a compliance culture, working to achieve the “cultivation, implanting, and permeation” of a compliance culture in three years.

The Company held the Kick-Off Meeting of 2021 CSC Compliance Culture Training Year on October 27, 2021. The executive heads and compliance managers from all the departments attended the meeting, and the rest of the employees from all the departments, branches, and subsidiaries participated virtually through live streaming. Wang Changqing, chairman of the Company, addressed the whole workforce with five expectations, namely “leading by example and with vision, instituting Company-wide and proactive compliance, emphasizing ethics and awareness-building, leveraging systems and technological empowerment, highlighting reach and effectiveness.” Mr. Wang also called on the Company to approach the building of a compliance culture as a long-standing effort to be advanced in a systematic way and strengthen bottom-line thinking and risk awareness to ensure high-quality development on all fronts. The Company also officially released the promotional video for the *Compliance Initiative*, which Mr. Wang signed on the spot.



The signing of the *Compliance Initiative* at the Kick-Off Meeting of 2021 Compliance Culture Training Year

Business Ethics and Code of Conduct

CSC firmly believes that fairness, integrity, honesty, and credibility are important values of the Company and requires the employees to conduct themselves in compliance with laws, regulations, and company policies, uphold business ethics, and implement compliant operations.

In 2021, all of CSC employees signed the *Employee Compliance Pledge*, pledging to abide by national laws and regulations and company policies and avoid all improper conduct including corruption, commercial bribery, discrimination, insider trading, money laundering, and privacy disclosure. The Company also organized training on business ethics, employee code of conduct, and other topics. In 2021, the Company offered 146 training sessions on compliance and employee code of conduct, with an employee training coverage rate of 100%, which included the new recruits, interns, and employees of relevant business departments, functional departments, branches, etc.

CSC Employee Business Ethics and Code of Conduct Management

<p>Conflict of interest management</p>	<ul style="list-style-type: none"> When conflicts of interest are inevitable, we always give priority to the customers' interests and treat our customers in an impartial way. When the interest of the Company, employees, and clients are in conflict, the principle is to prioritize the customers' interest over the interest of the Company and employees and prioritize the Company's interest over the interest of the employees.
<p>Anti-commercial bribery management</p>	<ul style="list-style-type: none"> The Company requires the employees to carefully study and implement national laws, regulations, and guidelines on anti-commercial bribery such as the <i>Anti-Unfair Competition Law</i> and to fully understand that the giving and receiving of gifts or hospitality in business activities may constitute commercial bribery or unfair trade and risk legal violations. All the employees are prohibited from accepting any bribes, kickbacks, or improper rewards.
<p>Information isolation management</p>	<ul style="list-style-type: none"> The Company prohibits employees from insider trading. Any individual in possession of insider information shall not buy or sell the securities of relevant companies, intentionally disclose the insider information, or advise others to buy or sell the securities of relevant companies. The Company sets up information walls to restrict insider information from flowing between the non-public business and the public business or being improperly disclosed or abused to prevent insider trading and ensure the smooth functioning of business activities.
<p>Information confidentiality management</p>	<ul style="list-style-type: none"> The Company's business strategy, customer business, transaction types, research results, management systems, and business operation procedures are all internal information, which cannot be randomly revealed to third parties. All the employees are obliged to keep the internal information confidential.

Anti-Corruption and Business Integrity

CSC has formulated the *CSC Administrative Measures for Business Integrity* following a set of applicable laws and regulations including the *Securities Law*, the *Securities Investment Fund Law*, and the *Regulations for the Oversight of Securities Companies*, regulatory provisions, and industry self-regulatory rules. The Company requires all the employees to abide by social norms, business ethics, professional ethics, and code of conduct and to not directly or indirectly offer or seek illicit favors when conducting business activities. The Company's Disciplinary Committee Office, as the governing body of business integrity, organizes and implements integrity management and coordinates relevant departments to provide appropriate resource and technical support.

Strengthening the identification and management of integrity risks

- Put in place a pre-event risk prevention, in-process risk control, and post-event accountability mechanism and an integrity risk management mechanism to effectively identify and control integrity risks.
- Incorporated business integrity inspections into daily work, combining regular and irregular inspections with a mix of patrols, compliance inspections, audits, financial inspections, etc.
- Carried out a scientific and systematic integrity risk assessment on different business types and stages and related work to identify the integrity risk points in business practices, and strengthened the checks and balances between different roles and the internal supervision mechanism to ensure effective operation.

Reinforcing the culture of integrity

- Set down specific norms and requirements of business integrity and reinforced training and education for the practitioners to foster a stronger culture of business integrity. The Company-wide business integrity training and education sessions in 2021 recorded 10,207 participations; 136 discipline inspection cadres completed the discipline inspection training and anti-corruption education, which strengthened their awareness of legal compliance and business integrity.

Taking active corrective measures

- Timely discovered, handled, and reported conduct that violated business integrity regulations and cooperated with relevant investigations.
- Faithfully implemented the rectification requirements and accountability measures for business integrity violations.

Reporting and Accountability Mechanism

CSC has formulated the *Administrative Measures for Reporting Violations*, encouraging employees to report violations or suspected violations of relevant laws and regulations, company rules and policies, professional ethics, etc. The Company protects the personal information of whistleblowers and strictly forbids the unpermitted disclosure of whistleblower information such as name, unit, or address. The Legal and Compliance Department handles the reports and complaints. Employees can report to the department heads or the Company's supervisors or directly to the executive head of the Legal and Compliance Department orally, in writing, or by e-mail. The Company prohibits any departments, institutions, or individuals from attacking or retaliating against the whistleblowers in any case, and the offenders shall be given heavy punishment in accordance with relevant regulations.

CSC has issued the *Compliance Accountability Regulations*, holding to account behaviors and personnel that cause or may cause the Company to receive sanctions or penalties, suffer major financial losses or reputational losses, among other serious consequences, or face compliance risks. The policy specifies the types, forms, and processes of accountability and the penalties in proportion to the gravity of the situation. Accountability takes a variety of forms: compliance warnings, public criticism, salary reduction, demotions, termination of labor contracts, compensation for economic losses, etc. Serious offences may lead to civil or even criminal penalties.

Indicators (unit)	2021	2020
Proportion of employees signing the compliance pledge (%)	100	100
Employee compliance training coverage (%)	100	100
Number of employee compliance and code of conduct training activities	146	105
Participations in employee compliance and code of conduct training activities (10,000)	8.85	3.77
Incidents of non-compliance concerning product and service marketing and labelling and customer privacy	0	0
Number of corruption charges brought against the Company or its employees and concluded	0	0

Preventing Financial Crime

Following the *Anti-Money Laundering Law of the People's Republic of China, the Measures for the Supervision and Administration of Anti-Money Laundering by Financial Institutions (Provisional)*, and other rules and regulations related to anti-money laundering (AML), CSC has formulated a set of policies including the *Internal Control Measures for Anti-Money Laundering and Anti-Terrorist Financing*, the *Administrative Measures for Large Transactions and Reporting of Suspicious Transactions*, and the *Money Laundering Emergency Response Plan*. The Company continued to build a sound AML internal control system to thoroughly identify, evaluate, and monitor potential AML risks while increasingly building digitization and intelligence into the AML efforts to maintain the Company's operating safety and reputation.

The Company took measures to monitor and report money laundering and terrorist financing behavior and prevent financial crime. They included, for example, customer identification, customer money laundering risk assessment and classified management, reporting of high-volume and suspicious transactions, storage and archiving of customer identity information and transactions, and internal AML inspections and performance appraisal.

Customer identification and due diligence

- In line with "Know Your Customer" (KYC) principles, strengthened the management and control of customer identification workflow, carried out routine data governance of customer identity information, and expanded the scope of governance.
- With respect to enhanced customer due diligence, optimized the work process, reviewed the business scenarios, launched system functions, and updated the business processes.
- Promoted graded and classified customer management and optimized the customer money laundering risk classification mechanism.

Reporting and management of high-volume and suspicious transactions

- Undertook high-volume and suspicious transaction reporting using a combination of AML system screening and manual screening.
- Updated the anti-money laundering and counter-terrorist financing (AML/CTF) monitoring list database, monitored and analyzed their transaction behavior, set special suspicious transaction monitoring standards, and submitted timely suspicious transaction reports.
- Optimized the centralized suspicious transaction analysis mechanism and established a regular meeting mechanism for suspicious transaction clues to further improve the quality of suspicious transaction reporting.
- Used the weight method and the grading and classification method in the money laundering risk self-assessment index system and used both qualitative and quantitative methods in risk assessments.

AML training and awareness

- With a heightened focus on honing the professional skills of AML employees, invited AML experts to offer Group-wide training on the basics of money laundering risk prevention and control.
- Took advantage of the Company's nationwide branches and business outlets to increase the reach of AML education through, for example, special awareness programs, educational videos, and the distribution of educational materials.
- Managed the Company's AML WeChat subscription account, innovatively using novel educational videos to raise the employees' AML awareness.

Meanwhile, the Company also conducted investigations and screenings when selecting providers of wealth management products to work with, with a focus on evaluating their internal compliance mechanism in relation to financial crime. The priority was given to suppliers who complied with applicable financial regulations and had a good reputation.

CSC AML performance in 2021

- Organized over **1,400** AML internal training sessions and entered employees in close to 300 external training sessions, collectively totaling more than **30,000** employee participations in AML training.
- Published **66** AML articles on the WeChat subscription account and filmed **22** AML promotional videos.
- Completed **12** AML system upgrades.

Indicators (unit)	2021	2020
Number of AML-related courses in the online training system	47	18
Number of business ethics-related courses in the online training system	33	—

Intellectual Property Rights Protection

CSC acts in strict compliance with the *Copyright Law*, the *Trademark Law*, the *Patent Law*, and other applicable laws and regulations. The Company has enforced the *Intellectual Property Administrative Measures* and the *New Media Administrative Measures*, among other policies, to continuously strengthen and standardize intellectual property rights (IPR) management. The Company also puts in place detailed administrative measures for copyrights, trademarks, patents, etc. related to the Company itself and third parties and conducts business in compliance with the regulatory requirements of each line of business to prevent legal risks of IPR infringements. In 2021, the Company owned 69 copyrights (research reports excluded) and 64 trademarks.

CSC used compliance reminders and training to strengthen the employees' awareness of IPR protection. The Company made it clear that any employee who infringed upon the IP rights of the Company or others in the business process shall be held accountable and subjected to disciplinary action in accordance with the Company's *Compliance Accountability Regulations and Employee Reward and Punishment Rules*.

Protecting third-party trademarks	Protecting third-party copyrights	Protecting third-party patents
<p>Employees shall be careful and diligent when preparing business materials and check for any misuse of third-party trademarks in the materials.</p>	<p>Employees shall not plagiarize, distort, or tamper with copyrighted works of third parties when preparing research reports and other business documents and shall indicate the sources when third-party copyrights or database information purchased by the Company are cited.</p>	<p>Employees need to conduct detailed and effective novelty searches before planning to invent or create systems, data management methods, etc. to avoid infringing upon third-party patents.</p>





Risk Management

CSC adopts the risk management approach of “risk control first and risk control by all”. Following the *Measures for Risk Control Indicators of Securities Companies*, the *Comprehensive Risk Management Specification for Securities Companies*, and other regulatory requirements and self-regulatory rules, the Company has drawn up a series of policies, including the *Administrative Measures for Risk Management* and the *Risk Control Indicator Monitoring Measures*, to contribute to building comprehensive risk management system and processes, an evaluation mechanism, and reporting and response methods aligned with the Company's development strategies.

A Comprehensive Risk Management System

CSC has established a risk organizational structure system with clearly defined responsibilities, an effective checks and balances system, and effective collaborations, forming three lines of defense composed of the business departments, the Business-PaaS (platform as a service), and compliance risk control. The architecture and functions are independent of the closed business loop, and each line of defense assumes clearly defined roles and responsibilities. This leads to well-coordinated risk prevention efforts and sufficiently safeguards the risk bottom line.

Board of Directors	<ul style="list-style-type: none"> The Company's highest decision-making body, which decides on matters related to the Company's risk management strategies, policies, systems, internal control arrangements, and response to major risks.
Supervisory Board	<ul style="list-style-type: none"> Undertakes oversight responsibility for comprehensive risk management, supervising and inspecting the performance of the Board of Directors and Executive Committee in risk management and urging rectifications.
Executive Committee	<ul style="list-style-type: none"> Assumes primary responsibility for comprehensive risk management and makes general decisions on the avoidance, control, mitigation, and acceptance of operational and management risks and on ways to improve the internal control systems and measures, etc. according to the risk management policies approved by the Board of Directors. The Company has set up a Risk Management Committee under the Executive Committee, which reviews and develops the Company's risk appetite and tolerance and major risk limits and guides the frontline risk control efforts of all the departments (including the branches); a Chief Risk Officer is appointed as the chairman of the Risk Management Committee responsible for overall risk management.
Risk Management Department	<ul style="list-style-type: none"> A dedicated risk management department which heads the implementation of the Company's risk management policies and assists, directs, and inspects departmental risks management; conducts pre-event risk control and in-process risk monitoring, assessment, and reporting for all the business and management activities and builds a risk management information technology system.
Department heads and executive heads	<ul style="list-style-type: none"> Implement the Company's decisions, rules, policies, and risk management regulations and adopt risk control measures in the work process to engage in frontline risk control

In 2021, the Company continued to evolve the comprehensive risk management system and policies and the emergency response mechanism to build a long-term risk management mechanism that enables more efficient and effective risk management.

<p>Improving risk control system</p>	<p>Continuously improved risk management policies and regulations, risk monitoring and evaluation mechanisms, and the risk indicator system and used stress testing and other methods to measure risks, assess tolerance, and guide resource allocation.</p>
<p>Emergency management</p>	<p>Established an emergency response mechanism, where the departments formulated emergency response plans and organized regular emergency drills in response to major risks and emergencies such as liquidity crises and trading system incidents; graded emergencies, defined response triggers and the organizational system, measures, methods, and procedures of risk mitigation, and made continuous improvements through stress testing, emergency drills, etc.</p>
<p>Risk performance appraisal</p>	<p>Established a performance appraisal and accountability mechanism tied to the effectiveness of risk management to promote effective comprehensive risk management; evaluates each department and branch on their risk control processes and results at the end of every year using the annual performance appraisal system based on the results of the annual risk control evaluation and risk performance evaluation.</p>
<p>Product risk management</p>	<p>Conducted multi-dimensional risk identification of the new businesses and products of the various lines of business and subsidiaries and designed risk control measures accordingly; conducted reviews in an independent, objective, reasonable, and timely manner to effectively control the various types of risks. In 2021, the Company reviewed 38 new businesses and products.</p>



Identifying and Responding to Emerging Risks

CSC is actively engaged in risk identification and the development of mitigation plans. While continuing to strengthen the risk management system, the Company has set up a comprehensive risk prevention system that addresses emerging risks, operational risks, credit risks, and business risks, among other types of risks.

Category of emerging risks	Risk description	Major impact	Mitigation measures
Digital transformation risks	The ongoing COVID-19 pandemic has catalyzed the digital transformation of the financial services industry. Regulators have set out stricter compliance requirements in this regard in order to maintain an orderly market.	<ul style="list-style-type: none"> Failure to successfully digitize the business may undermine customer experience and the Company's operating efficiency, thus reducing its competitiveness. Failure to meet regulatory requirements may cause additional compliance costs. 	<ul style="list-style-type: none"> Making digital transformation a corporate strategy and development plan by combining the short-term and long-term goals. Setting up positions for IT experts in all the units to systematically review the business processes and identify the needs of information system development.
Information system security risks	The continuous business growth creates higher demands for the information system.	<ul style="list-style-type: none"> Information system capacity that fails to accommodate the growing business demands may lead to system breakdowns. Frequent change of developers may result in information security incidents and interruptions in the business system, thus causing major goodwill risks and property losses. 	<ul style="list-style-type: none"> Carrying out Security Development Life Cycle (SDLC) management, performing security reviews based on project initiation process control, and evaluating the risk points of each project according to the business needs and security baseline requirements. Continuing to build the DevOps tool chain platform and deploying and optimizing security testing tools such as white box and gray box. Conducting objective evaluation of system functions and performance before product launch and promoting technical and business acceptance.

Establish emergency offices in response to the normalized pandemic

Case

In response to the new normal created by the COVID-19 pandemic, CSC improved and devised COVID-19 emergency response plans in 2021, building emergency office spaces and putting in place a daily emergency preparedness mechanism in terms of remote office, employee backup, key equipment backup, etc. The Company organized two emergency drills in 2021 to fully back up the workstations, systems, personnel, and other resources on the second site and ensure efficient response to emergencies such as public health crises that may lead to office closures.

Strengthening the Risk Culture

CSC highly values the creation of a risk culture. The Company actively builds risk compliance awareness, professional judgment, and risk control suggestions into daily communication and reporting to consolidate the business personnel' awareness of frontline risk control responsibility and management and control capabilities. The Company has long been educating employees about the risk culture and compliance awareness through training, examinations, risk control skills competitions, compliance reminders, risk education briefings, etc.

CSC provided employees in key roles of key departments with risk management training on regulatory and business priorities and market trends. In 2021, the Company held seven risk management training sessions, recording 1,257 participations by employees from the headquarters departments, branches, and subsidiaries. The training focused on topics such as ethical risks, business integrity, reputational risk, credit risk, and counterparty risk.



CSC entered Risk Management Department employees in external leaning programs with a focus on professional training in "data governance and smart risk control" to make the risk management more digital, intelligent, and systematic.

CSC released eight articles of risk reminders on the Company's compliance and risk control WeChat subscription account to educate the public about risk points such as busines integrity, insufficient due diligence, and illegal outside part-time employment to raise the risk awareness of relevant risk management personnel in the system.





Customer Services

CSC adopts a customer-centric approach and works to offer a global, full-range, and premium portfolio of services based on a deep understanding of the market and industry. In 2021, the Company further digitized the wealth management business by employing emerging technologies such as AI, big data, and blockchain, which further boosted the business efficiency and customer experience.

Protecting Customers' Rights and Interests

CSC adequately protected the legitimate rights and interests of customers, ensuring service compliance through strengthened risk control and protecting customers' capital and privacy through risk disclosure and educational activities.

Ensuring service compliance

- Strengthened compliance risk control in key stages and scenarios of the centralized operations such as customer account opening, customer return visits, and transaction behavior monitoring.
- Ensured the compliance and accuracy of customer service by applying smart tools in the customer inquiry service platform such as smart screening of potential problems, real-time risk control, and automatic Q&A.
- Provided employees with online and offline training in customer marketing, risk management, service priorities, etc.
- Promoted the reviewed marketing and tracked management of financial products and used Company-reviewed promotional materials to unify the marketing messages of the salespeople during sales and business development to consolidate the groundwork for compliant business development.
- Further refined the messages for audio and video recording and return visits, making sure to fully inform investors of all the important product information that could affect their decision-making and interest during audio and video recording, for example the basic information, returns and risks, and charging standards.

Protecting customer privacy

- Updated the Company's legal documents for its APPs such as the *Privacy Policy* and *Customer Contract*, optimizing customer information protection terms and internal mechanisms to strengthen customer information protection.
- Formulated a minimum access control strategy for employees to fully protect customers' information security and prevent leakages.
- Further standardized the collection and use of customers' personal information, giving customers the right to access, correct, and delete personal data; for the deleted data, the Company destroys it after the mandatory data retention period ends.

Strengthening suitability management

- Thoroughly revised relevant legal texts on investor suitability management, such as the *Notice of Risk Tolerance Assessment Results* and the *Suitability Matching Opinions and Investor Confirmation*, improving the risk disclosure content and highlighting important risk disclosure clauses to remind investors of associated risks.
- Applied the continuous suitability management feature built on multiple systems in the business system to evaluate customers' risk tolerance and risk identification capability; reissued continuous suitability suggestions and continuous risk disclosure for customers whose risk tolerance had changed to guide them to choose products carefully and protect investors' legitimate rights and interests.
- Enabled risk assessment mutual exclusion in the business system to remind investors to note and amend the contradictions between the basic information and risk assessment information they had filled in, thus improving the authenticity of investor information and better safeguarding investors' legitimate rights and interests.

Improving Customer Experience

CSC dives deep into customer needs to continuously optimize the customer service system and offer increasingly personalized and professional customer service powered by fintech. In 2021, the Company built a precise operations system to provide customers with smart, differentiated, and high-experience services.

Continuously optimizing the customer service system

- **Improved the reward mechanism of the customer inquiry service platform:** Integrated the resources of the advisory team and set up a Q&A mechanism along with flexible rewards to reduce the service response time and improve the efficiency of resource allocation.
- **Improved the whole lifecycle of wealth management service system:** Strengthened pre-sale product analysis and process tracking; improved in-process sales atmosphere with real-time data broadcasting and experience sharing; produced rich service toolkits and investor education materials after sales to improve the overall service quality.
- **Improved the fund investment advisory service system:** Provided customers with detailed strategy analysis down to the weeks along with training and business development toolkits before service contracting; conducted on-site research and real-time data broadcasting during service contracting to ensure the timeliness and authenticity of information; provided value-added services after service contracting such as strategy implementation review, major event analysis, and abnormal fluctuation analysis.
- **Built a comprehensive account management system:** Facilitated cross-business capital allocation and asset management for customers by enabling multiple accounts under one user, thereby improving their capital flow efficiency.

Providing personalized and smart services

- Developed a variety of smart service plug-ins such as investment advisory assistant and intelligent sales assistant using big data analysis and smart recommendation algorithms to assist the advisors to provide customers with accurate replies and business recommendations, thereby improving the service efficiency and quality.
- Established a human-machine collaborated customer inquiry platform service model, enabling smart robots to not only provide services in place of employees but also analyze customer intentions and push standard answers to employees in real time, thus improving the customer service efficiency and quality.
- Improved the customer tiering and grading system and provided targeted, smart, and tiered services by activating a variety of features in the business process, including target customer management analysis dashboard, business development tracking and analysis, etc.

Enhancing offline service efficiency

- Further centralized counter business handling at the business branches to take advantage of intensive operations, simplify the business handling procedures, and save customers the trouble of frequenting the counter, thereby boosting the efficiency of business handling.
- Enhanced the operating capabilities of institution-focused counters and continuously optimized the PAD product account opening process based on a thorough consideration of the business needs, thus shortening the product account opening time and enhancing the processing efficiency of batch businesses.

CSC's customer service performance highlights in 2021

- Youwen is the CSC's online securities advisory service platform that provides users with professional investment advisory services. As of the end of 2021, Youwen had totaled a service volume **4.36 million** times, including 2.12 million in 2021, which represented a year-on-year increase of 65%; the average daily service volume in 2021 stood at 9,292 times, a year-on-year increase of 74%, and the peak daily service volume reached 15,253 times, a year-on-year increase of 14%.
- The Qingting Dianjin APP is CSC's comprehensive financial mobile terminal that provides customers with one-stop financial services covering account opening, market trends, transactions, wealth management, investment advisory, news and information, business handling, etc. The monthly active users (MAU) of the Qingting Dianjin APP in 2021 surpassed **5 million**, ranking seventh among all securities APPs.
- The Qianlong Dianjin APP is CSC's integrated and comprehensive financial service platform specially built for institutional users, providing them with research services, FICC product services, custody outsourcing, OTC derivatives, stock pledging, and other services. In 2021, over **400** institutions and close to 1,000 customers registered on the APP.

Indicators (unit)	2021	2020
Cumulative total Qingting Dianjin APP downloads (10,000)	983	889
Qingting Dianjin APP MAU	7	8

Providing accessible services for disadvantaged groups

Case

In 2021, China Securities Futures included the provision of accessible services in the overall service management of the business outlets, introducing a package of services and measures catered to the real needs of disadvantaged groups such as the elderly and the disabled.

To facilitate on-site business handling for elderly people, the company made further renovations to the service facilities at the business outlets to give them greater convenience, reassurance, and comfort. For example, the company placed a convenience box and a first-aid kit at the front desk, which contained reading glasses, magnifying glasses, umbrellas, and other everyday items, and equipped the outlets with tools and facilities like blood pressure monitors, special seats, and wheelchairs. The company also issued the *Proposal for Caring for the Elderly* to employees, calling on employees to respect and care for elderly people, pay attention to their needs, and give them priority in business handling and consulting. The company also further optimized the management rules and standardized the terminology for customer return visits to highlight the transactions of elderly customers and strengthen return visits to elderly customers associated with frequent transactions or large losses.

Listening to Customers

In line with applicable laws, regulations, and policies such as the *Civil Code*, the *Securities Law*, and the *Work Rules on the Protection of Investors' Rights and Interests for Securities Companies*, CSC has formulated the *Administrative Measures for Customer Complaints and the Implementation Rules for Handling Customer Complaints in Brokerage Business* to further standardize the handling of customer complaints and improve customer service.

Channels for handling complaints

CSC set up a complaint handling system with a complete set of functions including complaint acceptance, distribution, circulation, processing, tracking, supervision and urging, return visit, evaluation, and archiving following the principle of "timely acceptance, proper handling, efficient response, and effective improvement"; put in place clear complaint channels and prominently displayed the telephone numbers, faxes, emails, and other contact information for making complaints on the website, business premises, and service clients, allowing customers to file complaints by telephone, in writing, on site, by petition, etc.

Complaint handling process

CSC instituted a detailed complaint handling process, requiring all the departments and branches to upload information about the complaints to the system on the same day that they received them and requiring the business branches to set up a working group immediately after receiving a complaint and have it thoroughly investigated within three days. After a complaint was resolved, the call center would conduct a satisfaction return visit to the customer as appropriate.

Satisfaction survey return visits

CSC used a satisfaction survey system to collect timely customer service feedback and make improvements. In 2021, the call center conducted a return visit to all the customers who had made inbound calls with a digital questionnaire that measured customer satisfaction with problem resolution, overall service experience, and representative attitude, among other dimensions. A total of 19,300 customers participated in the survey in 2021. The overall degree of service recommendation averaged 9.34 points (out of 10 points).

Indicators (unit)	2021 年	2020 年	2019 年
Number of product/service-related complaints	83	203	390
Complaint resolution rate (%)	100	100	100

Investor Education

Investors are the foundation and driver of sustained capital market growth. With a long-standing commitment to accommodating investor needs, CSC provides all-encompassing investor education and services to help investors engage further in market development. In 2021, the Company's investor education base Jingxin Academy was rated "Outstanding" by the CSRC for the third consecutive year.

Improving the online investor education platform

- In 2021, the CSC Investment Education Base website launched a Professional version and Fun version to serve the diversified learning needs of investors. The Fun version provided investors with interesting investment education and insurance services, while the Professional version offered educational content on different businesses, investment ideas, etc.
- The Company published 939 articles in 2021 on the CSC Investment Education Base WeChat subscription account, gaining 158,000 new followers.

Promoting the inclusion of investor education into the national education system

- As an explorative move to promote the inclusion of investor education into the higher education credit system, CSC and Renmin Business School jointly offered the *Corporate Financing and Wealth Management* MBA course, making investor education a more general and simultaneously more professional subject.
- The CSC Investment Education Base conducted the "National Education for Teachers at Beijing University of Technology" university-enterprise event to engage in a dialogue on the digital transformation of companies, proposing new directions of national education.

Innovating the forms of investment education activities

- Jiangxi Branch and Nanchang Public Security Anti-Fraud Center jointly launched a live streaming securities anti-fraud seminar, sharing cases about securities fraud prevention and answering questions online. The live event gained around 180,000 views and provided a good example of investor education.
- China Securities Funds hosted a total of 312 live streaming investment education sessions on the Ant Fund and Tiantian Fund platforms.
- China Securities International actively engaged institutional investors in Hong Kong in its ESG-themed lectures.
- China Securities Futures produced and published 20 investment education materials on financial fraud prevention.

CSC investor education achievements in 2021

- The investor education base Jingxin Academy received **32,062** visits.
- **10,000+** charitable investment education activities held in 2021, recording over **170 million** participations.
- Hold **380** investor education activities in the community, recording **22,679** participations.
- Hold **83** investor education activities in schools, recording **9,992** participations.
- Launched **1,224** original investment education products.
- **100+** awards received for work in investor education and protection in 2021.



Talent Development

CSC is committed to a people-oriented approach and regards talent as its core asset. The Company makes a point of safeguarding employees' legitimate rights and interests and works to create a work environment where employees can "work hard and live happily" so as to build a thriving business with happy employees.

Protecting Employees' Rights and Interests

Employment and Recruiting

In compliance with the Labor Law of the People's Republic of China, the *Universal Declaration of Human Rights*, the *United Nations Global Compact*, the *United Nations Guiding Principles on Business and Human Rights*, and the International Labor Organization's *Equal Remuneration Convention*, *Minimum Age Convention*, *Worst Forms of Child Labor Convention*, and the *Discrimination (Employment and Occupation) Convention*, among other applicable rules, regulations, and international guidelines, CSC has formulated a set of rules and policies including the *CSC Recruitment Management Measures*. They stipulate requirements regarding employee recruitment, employment, remuneration, benefits, promotion, dismissal, working hour management, equal opportunity, diversity, anti-discrimination, and other aspects, to help the employees thrive together with the Company.

Protecting human rights

CSC instituted strict recruitment processes and regulations, explicitly prohibiting child labor and forced labor; prohibited employees from paying deposits or depositing their ID cards during employment; strengthened working hour management to prevent illegal labor practices.

Committed to equal employment

CSC upheld mutual respect, fairness, and justice in hiring and treated all candidates equally; carefully reviewed the information of recruits and implemented the recruitment procedures in accordance with relevant regulations, eliminating discrimination based on gender, race, religion, or any other factors; sought out outstanding talents who shared the Company's values and met the needs of future development.

Broadening recruitment channels

CSC continued to enhance the availability of employment information and expand the recruitment channels, hiring through campus recruitment, social recruitment, labor outsourcing, and other channels; held a total of 16 online recruitment lectures in spring and autumn 2021, engaging colleges and universities in 40+ online and offline employment activities like exchanges, discussions, and visits.

Strengthening intern and trainee cultivation

In addition to the ongoing winter and summer vacation internship programs, CSC also responded to the 2021 "Sailing Plan – Internship for College Students in Securities Industry" initiated by the SAC and some other organizations. The Company signed a talent cooperation agreement with a number of domestic universities and financial and economic colleges to provide students with a rich selection of resources such as company tours, career advisory, guest lectures on professional skills, and internship platforms.

Anti-Discrimination and Anti-Harassment

CSC is committed to creating a harmonious workplace and has a zero-tolerance policy for workplace discrimination and harassment. With reference to the *Guide on Prevention of Sexual Harassment in the Workplace* issued by All-China Women's Federation, the Company designed and released the *Say No to Workplace Violence* in 2021, a mandatory online course for all employees. The content included the common forms of workplace violence, ways to avoid risks and conflicts in the workplace, legal protection against workplace violence, etc.

Protecting Employees' Legitimate Rights and Interests

CSC places a heightened focus on protecting employees' legitimate rights and interests. The Company continued to improve the employee congress system and set up an evolving daily feedback and online communication mechanism that facilitated the communication between employees and the Company, respecting and safeguarding employee' legitimate rights and interests such as the right to expression and oversight. In 2021, the Company held two plenary employee congress sessions. The Company regularly conducted employee satisfaction surveys. The results demonstrated consistently high employee recognition for the Company's daily management and culture. The Company has drawn up the *CSC Administrative Measures for Reporting Violations*, which stipulates the employee reporting channels (e.g., telephone, letters, face-to-face communication), acceptance procedures, whistleblower protection, etc. in detail.

Indicators (unit)	2021	2020
Percentage of employees covered by union representation or collective agreements (%)	100	100
Average employee tenure (years)	6.69	6.95
Average male employee tenure (years)	6.35	6.66
Average female employee tenure (years)	7.71	7.35
Number of discrimination and harassment cases	0	0
Total number of employees ¹	11,778	9,994
Number of male employees	6,807	5,757
Number of female employees	4,971	4,237
Number of employees aged under 30	4,369	3,528
Number of employees aged between 30 and 50	6,839	5,966
Number of employees aged over 50	570	500
Number of employees in the mainland of China ²	11,572	9,821
Number of employees in Hong Kong, Macau, Taiwan, and overseas	206	173
Number of ethnic minority employees ³	527	447
Number of new employees ¹	2,544	1,478
Number of new male employees	1,590	975
Number of new female employees	954	503
Number of new employees hired through campus recruitments	807	631

Indicators (unit)	2021	2020
Number of new employees hired through social recruitments	2,021	847
Number of new employees aged under 30	1,651	962
Number of new employees aged between 30 and 50	821	509
Number of new employees aged over 50	35	7
Number of newly hired senior managers	1	1
Number of newly hired middle managers	1	1
Number of newly hired non-management employees	2,542	1,477
Employee turnover ⁵ (%)	9.49	9.78
Male employee turnover (%)	10.06	10.87
Female employee turnover (%)	8.69	8.31
Turnover of employees aged under 30 (%)	12.51	13.9
Turnover of employees aged between 30 and 50 (%)	7.25	7.62
Turnover of employees aged over 50 (%)	13.50	-
Turnover of employees in the mainland of China (%)	9.13	9.34
Turnover of employees in Hong Kong, Macau, Taiwan, and overseas (%)	25.36	27.91
Voluntary employee turnover (%) ⁴	8.76	7.98
Voluntary male employee turnover (%)	9.40	8.58
Voluntary female employee turnover (%)	7.83	7.16
Voluntary turnover of employees aged under 30 (%)	12.45	11.80
Voluntary turnover of employees aged between 30 and 50 (%)	7.00	6.06
Voluntary turnover of employees aged over 50 (%)	0.25	1.96
Voluntary turnover of senior managers (%)	0	0
Voluntary turnover of middle managers (%)	0	0
Voluntary turnover of non-management employees (%)	8.76	7.98
Number of work-related fatalities	0	0
Percentage of work-related fatalities (%)	0	0
Working days lost due to injury ⁵	125	0
Employee absence rate (%) ⁶	0.41	-

Notes:

1. In 2021, the Company included outsourcing personnel into the statistical scope of employer-related indicators and adjusted the statistical caliber of indicators including the total number of employees and the total workforce composition, the number of new employees in 2021 and their composition, etc.
2. The indicator refers to the Company's directly employed employees in the mainland of China.
3. The statistical scope of this indicator covers employees in the mainland of China.
4. The statistical scope of this indicator covers the Company's directly employed employees.
5. The statistical scope of this indicator covers headquarters employees.
6. The statistical scope of this indicator covers the Company's headquarters and branches and is calculated as follows: total employee sick leave and personal leave/total working days of the year×end-of-period number of employees.

Supporting Employee Development

CSC is committed to building a positive and enterprising work environment. The Company continued to optimize the multi-level talent development system that centered on the “employee growth training ladder” to provide employees with a rich repertoire of learning resources and support their well-rounded development through course-based training, themed training, temporary-position exchanges, etc..

Improving the Talent Development System



General capabilities

- **Orientation training for new employees:** Hosted the “Headquarters Orientation Program for New Employees Recruited through Campus Recruitments and Social Recruitments”, the “Branch Trilogy of Growth Training Program for New Employees in Brokerage Business”, and 65 hours of pre-job online classes to develop the professional capabilities of new employees and enhance their sense of identity with the corporate and departmental culture. In 2021, 624 new employees at the headquarters and branches hired through campus recruitments participated in the training.
- **Daily ongoing training:** Continued to host the Business Workshop daily training to train all employees in general workplace skills including business knowledge, marketing skills, office skills, communication and expression skills, and report writing. In 2021, a total of 724 employees at the headquarters and branches participated in the Business Workshop training.



Professional capabilities

- **Acquisition of professional qualifications:** Encouraged and supported employees in obtaining the Securities Investment Advisor (Investment Consultant) Qualification, the Fund Manager Qualification, and the Hong Kong Securities and Futures Practitioner Qualification; assisted them to obtain relevant qualifications by providing multiple courses and mocks on the securities investment advisor (investment consultant) qualifying exam and the fund manager qualifying exam on the E-learning platform. As of the end of 2021, the Company had 3,216 registered securities investment advisers and 138 HK-licensed practitioners.
- **Follow-up vocational training:** Organized all employees to complete the follow-up vocational training hours for the securities qualification in 2021 as required by the SAC; offered relevant follow-up training to employees who held the investment advisor qualification, sponsor representative qualification, fund manager qualification, futures manager qualification, or Hong Kong business license for the purpose of their jobs, recording 5,842 participations in total.
- **Professional training in fintech:** Carried out a series of systematic training sessions on 17 topics for fintech personnel, with 418 employees participating.
- **Professional training in securities research business:** Launched the first “Getting Better with CSC” training camp in July 2021, providing new employees in securities research with targeted training, with 100+ new employees at the headquarters and branches participating.



Management capabilities

- **Management trainee plan:** Designed a job rotation exercise plan with a concentrated training period of six years for high-achieving young people, selecting 18 management trainees in 2021.
- **Outstanding young leaders plan:** Held the “Torch Class” and “Flame Class” under the “Torch Program” for training outstanding young leaders to ensure progressive, continuous, and systematic talent selection and supply at the branches. In 2021, the “Torch Class” and “Flame Class” trained 59 and 18 young leaders respectively, of which 76.2% could be appointed within a year and nine have been hired as business branch managers.
- **Training plan for middle and grassroots managers:** Hosted business management abilities and leadership training for branch managers through the “Voyage Program”; hosted management training for middle and grassroots managers at the headquarters with a focus on developing their project execution abilities and innovative thinking, training a total of 165 middle and grassroots managers in 2021.
- **Training plan for middle and senior managers:** Arranged special training for middle and senior managers to help them develop leadership and professional capabilities and maintain innovative thinking and an international perspective, training a total of 44 middle and senior managers in 2021.

Continuing to improve the E-learning online training system

By combing through the catalogue of the E-learning system, CSC continues to build a seamless vocational training system and a curriculum system that matches the Professional roles. The E-learning platform allows employees to freely access a wealth of knowledge including general knowledge, compliance risk control, professional know-how, professional skills, marketing skills, professional ethics, etc.

Based on a mix of self-made courses and purchased courses, the Company set up **334** new online courses in 2021. As of the end of 2021, courses on the E-learning platform covered **11** major categories and **47** sub-categories, including **953** self-made courses. The monthly number of logins to the platform averaged **9,387**, the monthly number of learners averaged **6,605**, the monthly online learning time averaged **141** minutes, and the annual online courses studied by per employee averaged **38**.

Opening Up Career Channels

Built on career channel planning and professional training, CSC has set up an impartial, open, and fair assessment mechanism centered on the “achievements leading to status” values. The Company has formulated the *Headquarters Title Ranking Management Measures* to create a clear and complete employee promotion system and ensure fair and just competition among employees; policies like the *Headquarters Compensation Management Measures* and the *Performance Management Measures* serve as an ongoing guarantee that outstanding employees are given matching careers development opportunities. The Company is committed to equal pay for equal work and divides performance into the four levels of company performance, departmental (branch) performance, team performance, and employee performance while regularly reviewing the reasonableness of the salary policy to drive the continuous growth of employees and the Company.

Indicators (unit)	2021	2020
Number of training programs conducted	537	172
Total training investment (RMB10,000)	1,131	729.8
Percentage of employees trained (%)	90	86.5
Percentage of male employees trained (%)	90.2	87
Percentage of female employees trained (%)	89.7	85
Percentage of senior managers trained (%)	100	100
Percentage of middle managers trained (%)	86.5	80
Percentage of non-management employees trained (%)	93.5	87.1
Average training hours completed per employee	45.2	47
Average training hours completed per male employee	44.8	46.9
Average training hours completed per female employee	46.6	47.3
Average training hours completed per senior manager	40	42
Average training hours completed per middle manager	40.6	41.4
Average training hours completed per non-management employee	49.2	48.5

Taking Care of Employees

CSC attaches great importance to the physical and mental health and occupational safety of the employees. The Company worked to create a safe work environment and provide reliable medical benefits to support the employees' physical and mental wellbeing while minimizing occupational risks.

Protecting employee health

- Provided all employees with supplemental health insurance and a free annual physical check-up besides paying the social security as required by law and offered female employees aged 35 and above an extra special semiyearly physical check-up.
- Implemented flexible working hours, plus an appropriate day-shifting mechanism for employees who were on duty beyond their normal working hours, to protect employees' physical and mental health.
- Regularly organized health seminars for employees, covering content like traditional Chinese medicine, female health, infant health, disease prevention for the middle-aged and elderly, mental wellbeing, and self-rescue during emergencies.
- Invited experts from the Institute of Psychology of CAS (Chinese Academy of Sciences) to give employees a mental health lecture, one-on-one psychological counseling sessions, online psychological tests, etc.
- Regularly handed out masks and disinfection supplies to protect employees against COVID-19.

Keeping employees safe

- Carried out safety management under the guidance of the *Labor Law of the People's Republic of China*, the *Regulations on Work-Related Injury Insurance*, the *Fire Protection Law of the People's Republic of China*, the *Regulations Regarding the Public Security of Enterprises and Institutions*, and other applicable laws and regulations, and the guideline of "safety first, prevention as key, and integrated administration".
- Conducted routine fire prevention and electricity safety inspections in all of the office and business areas and cleaned clutter out of the fire exits; organized property management and fire station security personnel to conduct fire drills.



The Company undertakes to create a positive corporate culture by endorsing work-life balance and enriches employees' spare time with daily care, conveniences in the workplace, colorful activities, etc.



Caring for employees

- Sent employees greetings and perks on statutory festivals and high temperature subsidies in summer.
- Sent greetings on employees' birthdays, weddings, and childbirths and sent care for retirement, critical illnesses, and hospitalization and condolences for employee passing.
- Provided needy employees with subsidies for their children's education; offered them assistance on New Year's Day and Spring Festival.



Enriching employees' life

- Hosted employee knowledge quizzes and other activities to enhance employee cohesion and engagement; organized a large-scale walking event to endorse a healthy lifestyle.
- Increased support for sports clubs, with 19 sports clubs newly formed in 2021, bringing the total number to 34, greatly enriching employees' personal lives.
- Set up online and offline reading rooms, regularly organized staff reading sessions to foster a culture of reading.



Special care for women

- Set up Mothers' Rooms to serve the special needs of female employees and facilitate the communication between expecting mothers and new mothers.
- Organized the International Women's Day "Women's Power" online activities, with a total of 756 female employees participating.
- Organized female employees to participate in the "Meigui Shuxiang" national thematic reading event for female employees.



CSC's Mothers' Rooms

Hosting psychology lectures to care for employees' physical and mental wellbeing

Case

The CSC labor union invited experts from the CAS Institute of Psychology to give psychology lectures, psychological tests, and on-site counseling at the Company. After the lectures, the consulting psychologists also conducted psychological tests and one-to-one counseling and consultation for the employees to instruct them in correctly dealing with stress and anxiety and staying relaxed.



CSC psychological counseling series events

Promoting national fitness and enriching employees' lives

Case

To celebrate the centennial of the Communist Party of China and encourage employee workout, CSC organized the "Celebrating Centennial of the Communist Party of China and Wishing the Company a Better Future" large-scale walking event on June 6, 2021. A total of 800 employees participated in the main venue in Beijing, along with another 9,000 employees from over 300 business outlets across the country. The event stimulated the employees' sense of mission, responsibility, and honor and built stronger cohesion.



Large-scale walking event in 2021



Information Security

CSC continued to improve the information security system and ensured information security through efforts in the three areas of information security risk prevention, information security emergency response, and information security culture building. In 2021, there were zero major information security incidents.

Optimizing the Information Security System

CSC's overall information security goal is to ensure the effectiveness, compliance, and operability of its information security management system. To this end, the Company continued to improve the system construction and create a sustainable and effective mechanism. In 2021, the Company obtained the ISO 27001 Information Security Management system certification and made 16 additions/revisions to its management system accordingly.

Information Security Regulations and Systems

- As the Company's overall information security strategy, the *CSC Securities Information Security Management Manual* addresses a wide range of issues from organizational structure and information security strategy to system documents to ensure that the Company's IT-related businesses are conducted in a safe and standardized manner.
- The *CSC Information System Monitoring and Management Rules* regulates the measurement and monitoring of the daily operational status and usage of the information system and analyzes potentially impactful abnormalities while providing the information basis for IT capacity planning, daily inspections, monthly reports, etc.
- The *CSC Guidelines for Accountability Management of Violations of the IT Department* sets down the regulations for information security accountability and penalties to build stronger employee awareness of information security, effectively guard against hazards and incidents, and maintain orderly business and management activities.
- The *CSC Information System Emergency Management Plan* stipulates information security emergency response measures, emergency administrators, and the reporting process for employees when they discover actual or suspected cybersecurity incidents.

Information Security Organizational Structure

The IT Governance Committee under the Company's Executive Committee is the highest governing body of information security and works to ensure that information technologies evolve with the Company's management and business developments. The committee meets at least once a quarter to report and review major IT-related matters and holds ad hoc meetings as needed. The committee is chaired by the Company's general manager, and its standing members comprise the executive heads of the business departments and a number of backbone IT employees.

IT Department

IT Governance Committee

Multi-Level Cybersecurity Protection Team

As a department dedicated to information technology, the IT Department assumes main responsibility for building and managing the Company's information security management system. The Company's Chief Information Officer and Executive Committee members collectively take charge of the day-to-day management of the IT line of business and the implementation of IT work arrangements.

With the Chief Information Officer as the team leader and the security management team leader of the IT Department as the deputy team leader, the team coordinates, implements, and advances efforts in building a multi-level cybersecurity protection system.



Data Security and Privacy Protection

CSC developed a set of regulations including the *Regulations for Personal Information Protection Management*, the *Data Control Regulations*, and the *Administrative Measures for Operational Authority of Business Systems* to regulate policies for data protection, personal information protection, and information security and cybersecurity.

CSC managed the full lifecycle of data and divided it into six stages: collection, use, transmission, storage, archiving, and destruction. The Company prevented data leakage and damage and ensured data security by implementing a set of measures at different stages ranging from regional isolation, access control, user authentication, and log audit to the development of data security protection systems and data security management regulations and specifications.

Life stages of data	Management strategies
Data generation and usage	<ul style="list-style-type: none"> • Permanent data storage: Data that is saved in the production system since generation does not need to be cleaned up. • Data cleaned up after being stored for a certain period of time: Data that is marked as invalid or expired in the system is cleaned up after being kept for a certain period of time.
Data backup and storage	<ul style="list-style-type: none"> • Online archiving: Data frequently queried is saved in a database and thus archived online so that it can still be accessed by users in the system. • Offline archiving: Data less frequently queried is saved by such media such as optical discs or tapes and thus archived offline and cannot be accessed by users online.
Data destruction	<ul style="list-style-type: none"> • Data on defective products and tapes are physically deleted and optical media are destroyed. • The data destruction management process includes data destruction application, destruction implementation plan, authorization approval, supervision and implementation, result recording, etc.

Building an Information Security Culture

 <p data-bbox="177 1468 363 1517">Information security reporting</p>	<ul style="list-style-type: none"> • Allowed employees to immediately report any actual or suspected cybersecurity incidents to the IT Department in the corporate WeChat group or by phone to ensure that security hazards in the information system were resolved as soon as possible.
 <p data-bbox="188 1770 354 1849">Information security training and awareness</p>	<ul style="list-style-type: none"> • Carried out information security awareness training for all employees, requiring them to learn about office security, email security, password security, and personal information protection through video courses and to take an exam. A total of 9,990 employees participated in 2021. • Regularly conducted internal “phishing email” drills to build stronger security awareness and organized offensive & defensive drills to detect loopholes and vulnerabilities in the information system.

Preventing and Responding to Security Incidents

CSC takes both proactive and responsive measures against the various information security incidents. The Company regularly conducts cybersecurity vulnerability assessments and emergency drills and continues to optimize cybersecurity emergency plans to build greater preparedness for information security incidents.



Information system maintenance

- Carried out security control and monitoring at every stage of the information system life cycle and discovered system vulnerabilities in advance through security testing before project launch.
- Strengthened the configuration management of the production environment, backup environment, and disaster response environment in the daily operation and maintenance process to ensure while regularly checking that the key parameters of each environment remained consistent.



Trading system maintenance

- Deployed employee shifts to maintain 24/7 real-time monitoring of the trading system to ensure it remained safe, reliable, and efficient; set up a local real-time backup of the centralized trading system and a remote real-time disaster response system.
- Inspected the trading system using manual inspections plus automated inspections, conducting no less than two daily inspections during the trading period and truthfully recording the events and logs that occurred during system inspections.



Cybersecurity management

- Used high-performance enterprise network firewalls to strictly isolate the data center networks from the headquarters and branch network areas.
- Implemented strict access control policies, where the opening of any network access must go through the approved process before being deployed.
- Prevented data leakage by requiring the use of a virtual desktop for logging in to test environments containing sensitive data and using a two-factor authentication for logging in to the network devices in the data centers.
- Monitored and guarded against attacks in the production networks and hosts through a full-traffic advanced threat intrusion detection system, a full-traffic security analysis and tracing system, a host intrusion detection system, a domain control attack monitoring system, an antivirus system, a honeypot system, a threat intelligence system, the security operations center, etc.



Computer room environment monitoring

- Implemented division-based computer room management and set up transition areas such as delivery areas or installation areas before the important areas (functional areas such as the primary computer room, the auxiliary area, and the support area).
- Protected computer room buildings with devices and measures for lightning protection and set up an automatic fire-fighting system. Designated an administrator for each self-built physical computer room to regularly maintain and manage the facilities inside such as power supply and distribution facilities, air conditioning units, temperature and humidity control units, and fire protection facilities.



Information emergency management

- Carried out investigation and analysis of emergency plan system construction, reviewed the Company's emergency plan system, completed the emergency plan system construction report and related questionnaires, and regularly participated in emergency management related meetings.
- Prepared an emergency response plan for each information system, mandating a Company-wide information security drill at least every six months to ensure that the emergency drills could cover all the important information systems in two years and that the emergency response plans were both available and practical so as to minimize the impact of related security incidents on the Company's businesses.

Organizing disaster emergency drills and building information security safeguards

Case

In compliance with the *Technical Guidelines for Security Management of Centralized Trading of Securities Companies*, CSC regularly conducts network and information security drills every year to test the practicability and operability of its cybersecurity emergency response mechanism and plan and embeds the emergency management system into day-to-day management to improve response and preparedness in real world scenarios.

CSC participated in a joint industry-wide cybersecurity drill in February 2021 organized by the CSRC. Depending on the particular business, the departments collaboratively simulated customer service emergency response, public opinion monitoring, public relations crisis handling, customer awareness building, legal support and assistance, etc. under three major scenarios: internet attack, main computer room catching fire, and abnormalities in the mobile securities system. An on-site summary meeting was held after the drill was successfully executed. The drill further improved the practicality of the Company's emergency response plan and ensured the highest degree of protection for investors' rights and interests.

In July and November 2021, CSC conducted two centralized trading system comprehensive emergency drills with a view to developing a higher level of preparedness. The drills basically covered all the brokerage businesses, including relevant departments and most of the business branches. The emergency response plans for different lines of business were executed to ensure that relevant business branches fully grasped how to switch to emergency response mode in the centralized trading system. The Company also assessed and analyzed the performance indicators of the disaster response system and summarized the improvement areas to continuously optimize the switch process and emergency plans and drive better emergency management. There were zero risks during the drills which affected customers.



The CSC cybersecurity emergency drill

Indicators (unit)	2021	2020
IT investment (RMB10,000) ¹	109,275.24	77,789.81
Fintech investment (RMB10,000) ²	8,537.50	6,311
Number of newly obtained computer software copyrights	20	3
Number of information security and cybersecurity training sessions	7	—
Percentage of employees taking information security and cybersecurity training (%)	100	—
Number of cybersecurity tests	2	—
Number of newly obtained information security management system certifications	1	—
Number of information data leakages and cybersecurity incidents	0	—

Notes:

1.The indicator includes the amortized capital expenditures, daily IT operations and maintenance costs, and compensation for IT personnel as consistent with the dedicated indicator report for investment in information system construction and the independent assurance report.

2.The indicator refers to the amount invested in new technologies such as cloud, big data, AI quantification, intelligent voice recognition, natural language processing, blockchain, and RPA and does not include IT-related labor costs.



Green Operations

Following the *Resource Conservation Law of the People's Republic of China*, the *Environmental Protection Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Solid Waste Pollution Prevention and Control Law of the People's Republic of China*, and other applicable laws and regulations, CSC actively pursued greener development with enhanced energy and resource efficiency and reduced environmental impact and built a long-term mechanism for environmental protection.

Embracing Green Office

In line with relevant national regulations on energy conservation and emission reduction, CSC continuously drove energy savings and consumption reductions in daily resource use such as water, electricity, and consumables, built awareness of saving electricity and water, and implemented a strict waste recycling and disposal process. In consideration of its actual operations, the Company continued to strive for resource-efficient and clean development and reduce adverse impact of its activities on the environment.

 <p>Energy savings and consumption reductions</p>	<p>Required some of the lights to be turned off during lunch breaks or overtime and office computers to be turned off or set to power-saving mode when out of use; put up signs at the entrance and exit of meeting rooms as a reminder to turn off the lights and air conditioners when meetings were over; kept the air-conditioning temperature at around 26°C; implemented green procurement principles, taking into account the energy efficiency indicators of electrical appliances when making a purchase.</p>
 <p>Water resource management</p>	<p>Regularly measured and monitored office water usage and made timely rectifications in cases of abnormal water consumption; managed to avoid waste of drinking water due to expiration by limiting the amount of bottled drinking water in a single purchase; installed automatic sensor faucets to reduce the consumption of tap water.</p>
 <p>Business vehicle management</p>	<p>Used business vehicles mainly for daily business activities, supplemented by internal affair purposes, and prohibited personal use; kept a vehicle file that recorded the mileage, repairs, use of fuel, etc. to track vehicle energy efficiency in time and had energy-intensive parts replaced.</p>
 <p>Digital office</p>	<p>Launched 56 approval processes in the Company's OA system in 2021 to further digitize content approval; promoted the All-in-One Counter system for paperless review and electronic signature of the business branches' OTC businesses and off-site witness business; instituted the All-in-One Counter system in all the business branches nationwide, which covered 99% of the account services, achieving centralized paperless review; advocated paperless office and encouraged employees to use email or circulate documents to reduce printing.</p>
 <p>Waste management</p>	<p>The hazardous waste generated by the Company's daily office activities mainly included waste toner cartridges, ink cartridges, waste lead-acid batteries, etc., which were recycled and disposed of by recyclers; the non-hazardous waste mainly included office waste and waste electronic devices. The office waste was handled by the office building property management company, and the waste electronic devices were recycled and disposed of by the recyclers after being scrapped upon approval.</p>

**Garbage sorting management**

Put together a waste sorting management team composed of the property manager, the cleaning manager, and the canteen manager; required relevant service units to sign a pledge to garbage sorting; urged employees to sort garbage by putting up posters and reminders.

**Data center energy savings**

The Company's own data room in Shanghai used a closed cooling channel design, which increased the cooling efficiency of air conditioning. The two rented data centers in Beijing, by "combining energy-efficient renovations with energy-efficient operations", adopted energy-saving technologies such as centralized cooling with high-pressure chillers, variable-frequency centrifugal water-cooled chillers, optimized airflow in cold channels, single-stand high-power, hot-back-plate air conditioning, and ground-source heat pump heating. In 2021, the average PUE of the data centers was 1.5, saving nearly 10 million kWh of electricity throughout the year, equivalent to 10,000 tons of CO2 emissions reduced.

Energy Consumption¹

Indicators (unit)	2021	2020
Direct energy consumption		
Gasoline consumption (liters)	118,026.64	135,358.22
Natural gas consumption (m ³)	24,372	25,372
Indirect energy consumption		
Consumption of purchased electricity (kWh)	7,277,157.61	7,286,198.66

Emissions¹

Indicators (unit)	2021
Total GHG emissions (tCO ₂ e) ²	4,620.23
Total direct (Scope 1) GHG emissions (tCO ₂ e)	371.10
Direct (Scope 1) GHG emissions intensity (tCO ₂ e/m ²)	0.004
Total indirect (Scope 2) GHG emissions (tCO ₂ e)	4,249.13
Indirect (Scope 2) GHG emissions intensity (tCO ₂ e/m ²)	0.05
Total waste (tonnes)	331.26
Total non-hazardous waste (tonnes)	233.20
Total hazardous waste (tonnes)	98.06
NOx emissions (tonnes) ⁴	0.04
CO emissions (tonnes) ⁴	0.77
HC emissions (tonnes) ⁴	0.09
Particulate matter (tonnes) ⁴	0.01

Water Consumption¹

Indicators (unit)	2021	2020
Total water consumption (tonnes) ⁵	23,041.80	31,768.75
Water consumption intensity (tonnes/m ²)	0.27	0.37

Packaging Consumption¹

Indicators (unit)	2021	2020	2019
Volume of packaging materials used (tonnes) (company headquarters) ³	1.7	1.8	0.36

Notes:

1. Unless otherwise specified, the scope of the 2021 environmental data related to the Company's operations in this report includes CSC headquarters and 30 branches, China Securities Funds, China Securities Futures, China Securities Capital, China Securities International, and China Securities Investment.
2. Given its business characteristics, the Company's main sources of GHG emissions are purchased electricity and natural gas, as well as fuel consumption from self-owned business vehicles. The GHG emissions are reported in tonnes of CO₂ equivalents (tCO₂e). The emissions factor used, namely 0.5839 t CO₂/MWh, is based on the national grid average emission factor provided in the Guidelines on Enterprises GHG Emissions Accounting and Reporting for Power Generation Facilities (2021 Revision) issued by the Ministry of Ecology and Environment.
3. The volume of packaging materials used refers to the weight of envelopes, paper bags, and other items used. The statistical scope of packaging usage is the company headquarters.
4. The main sources of the Company's air pollutants are the exhaust emissions from its business vehicles. The emissions of four major air pollutants, namely nitrogen oxides (NO_x), carbon monoxide (CO), hydrocarbons (HC), and particulate matter (including PM_{2.5} and PM₁₀), are disclosed in this report. Since sulfur dioxide (SO₂) emission was less than 0.01 tonnes in 2021, it is not disclosed in this report. The calculation of air pollutants has been mainly based on the *Technical Guidelines for the Compilation of Atmospheric Pollutant Emission Inventory of Road Motor Vehicles* issued by the Ministry of Environmental Protection of the People's Republic of China.
5. The Company calculates its water use in three areas, namely municipal water supply (tap water), 5-gallon bottled water (drinking water), and single-serve bottled water (drinking water). The Company actively implements water-saving practices, and its daily water use has not caused significant environmental impact on the communities where it operates.

Endorsing Green Procurement

CSC fulfilled its social responsibility for green procurement by setting green procurement priorities and working with green suppliers. During the procurement process, the Company required all the suppliers to sign the *Qualified Supplier Pledge* and pledge to comply with international and domestic environmental protection laws and regulations and carry out production activities on the premise of zero or minimized environmental damage, prodding them to pay greater attention to energy conservation and carbon reduction and the use of renewable energy. The Company also required suppliers to adopt responsible practices and environmentally friendly technologies to reduce air, water, sound, and light pollution, etc. caused by their production and operating activities while proactively curbing the spread of pollution that already happened and to disclose information to the public in a timely manner and receive public oversight.

In the review of furniture procurement, CSC requires suppliers to provide certifications to ISO environmental management systems, China Environmental Labelling, GREENGUARD, and other green and environmental protection systems during bidding and negotiation. The Company then assigns them different weights before including them in the bid evaluation to ensure that the procured furniture is up to standard while having an array of environmental advantages such as low toxicity and harm and resource efficiency.



Social Good

As a responsible corporate citizen, CSC continues to implement a variety of social good and charitable programs, push forward rural revitalization, and contribute to building an ecological civilization. In 2021, the Company donated close to RMB25 million to society, including RMB7.714 million in consumption-based assistance efforts.

Advancing Rural Revitalization

In 2021, the Company continued to align efforts with national strategies, including the rural revitalization strategy, leveraging expertise to move rural revitalization forward while consolidating the achievements of the “One Company, One County” poverty eradication initiative.

Optimizing the assistance mechanism

- Continued to build an effective leadership structure and working mechanism in keeping with the “all-round, multi-form, and multi-level” assistance guidelines.
- Set up an assistance leading group headed by the chairman of the Board and composed of all management members, which conducted multiple field investigations in assisted counties to understand their real needs and formulated targeted assistance measures to ensure the smooth implementation of the assistance projects.

Alleviating financing difficulties through financial assistance

- Provided equity and bond financing services for enterprises in assisted areas to facilitate their financing efforts, which included IPO, equity refinancing, NEEQ listing and private placement, issuance of corporate bonds and asset-backed securities, etc.
- Underwrote four assistance bonds totaling RMB1.269 billion and 13 rural revitalization bonds from 5 issuers totaling RMB2.033 billion.

Assisting in industry development in designated areas

- China Securities Futures undertook 29 “insurance + futures” and OTC option projects in areas that had been lifted out of poverty, providing local farmers with hedging tools and strong support in achieving healthy and stable agricultural development.
- Donated a total of RMB12 million to key assisted counties in Yunnan, Chongqing, Shanxi, Jiangxi, and Hunan provinces to improve local livelihoods and infrastructure construction.

Knowledge-based assistance through education on capital market development

- Provided financial training in paired counties and cities to help local people better understand the laws of the capital market and the financing tools that suited different stages of business development. In 2021, the Company held six capital market training lectures in paired counties and cities, training close to 300 people.
- China Securities Futures held 38 professional training sessions to leverage its expertise in futures to advance rural revitalization.

Broadening financing access and boosting rural revitalization through financial means

Case

- The Company represented Nankang District Urban Construction Development Group of Ganzhou City, Jiangxi province as an independent lead underwriter in issuing privately placed corporate bonds with a total issue size of RMB600 million and interest rate of 5.78%. The bond was to be used for helping low- and middle-income households and improving farmers' life and living conditions, using financial means to contribute to the building of a new socialist countryside and ensure social harmony and stability.
- Represented Yuexiu Group as a co-lead underwriter in issuing RMB500 million corporate bonds with an interest rate of 3.87%, which was the first poverty alleviation corporate bond issued in Guangdong province and expanded the financing access for designated assistance projects in Guangzhou.
- Represented Jiangxi Communications Investment Group in issuing the 2021 Rural Revitalization Corporate Bonds (first tranche) raising RMB500 million, which was to be mainly used for expressway construction and engineering construction projects. This could facilitate the coordination of resources inside and outside the province and alleviate the difficulties of agricultural and sideline product transportation caused by unfavorable road conditions, thereby leveraging the development of more advanced areas to drive the economic growth of less developed areas.
- Assisted in the issuance of the Sichuan Provincial Government Special Bond / 2021 Sichuan Rural Revitalization Bond as lead underwriter with an issue size of RMB8.453 billion. The raised capital was to be mainly used for rural revitalization projects such as shantytown renovation, resettlement housing projects, sewage treatment along with matching pipeline network construction, and public health infrastructure construction. The project gave a strong financial boost to rural revitalization and the overall upgrading of the agricultural industry across the province.

Providing risk management services throughout the live pig industry chain to foster the economic growth of rural industries

Case

Industrial revitalization is a top priority of rural revitalization. In 2021, China Securities Futures launched the "insurance + futures" project that covered the entire industry chain of the pig breeding industry in Nujiang Lisu Autonomous Prefecture, Yunnan province. Against a backdrop of great commodity price volatility, the project afforded policyholders adequate risk protection. Through overall underwriting of the feed costs and live pig prices, China Securities Futures provided farmers with a well-conceived market price risk management plan. The total compensation amounted to RMB54.23 million among 1,303 farmers, with an overall compensation rate of 70.61% and a live pig price insurance compensation rate of 156.94%. This helped the farmers secure a generally stable income from pig breeding and promoted the development of local pig breeding industry, a backbone industry of local economy.

Indicators (unit)	2021	2020
Number of rural revitalization and assistance bond underwritings	17	7
Rural revitalization and assistance bond lead underwriting amount (RMB100 million)	33.02	25.37
Number of enterprises in assisted areas for which CSC provided financial services	6	8
Fundraising (including investment) amount of enterprises in assisted areas for which CSC provided financial services (RMB100 million)	23.90	73.08

Promoting Social Harmony

CSC is actively involved in making charitable donations and volunteering and continues to regulate donating practices to safeguard shareholders' rights and interests.



Charitable donations

- Made a total donation of close to RMB25 million in 2021, including RMB10 million donated to aid in the flood relief and post-disaster recovery efforts in Henan province.
- Set up the joint CSC Charitable Fund with China Foundation for Poverty Alleviation, with a start-up capital of RMB2 million and donated RMB500,000 to the Shibadong Rural Development Foundation of Huayuan County, Hunan province in 2021.



Charitable initiatives

- Hosted a winter clothing donation event, donating 524 pieces of winter clothing to impoverished families to help those in need.
- The international volunteer team at China Securities International actively gave back to communities, organizing three charitable initiatives in 2021 such as "Services in Communities" and "Warming Up Communities", where the volunteers visited elderly people who lived alone and grassroots poverty-stricken households. The employee volunteers collectively contributed 121 hours of volunteer services in 2021.
- China Securities Futures undertook a variety of community initiatives, where employee volunteers acquainted elderly people with new things and new technologies. For example, they taught elderly people to identify and stay away from telecom fraud, illegal fundraising, etc., bringing them the benefits of the smart society.

Indicators (unit)	2021	2020	2019
Total charitable giving (RMB10,000)	2,499.94	2,996.57	682.59
To assistance efforts (RMB10,000)	1,199.94	1,944.08	675.31
To donations (RMB10,000)	1,200	1,052.49	4.28
To education (RMB10,000)	100	—	3
Social contribution value per share (RMB) ¹	3.51	3.15	2.15

Notes:

1. Social contribution value per share = earnings per share + value-added per share. Value-added per share = (taxes generated for the country during the year + wages paid to employees + loan interests paid to creditors + outbound donations and other value created for other stakeholders - other social costs caused by environmental pollution, etc.) ÷ number of shares; earnings per share are basic and diluted earnings per share; taxes payable include income tax, taxes and surcharges calculated on an accrual basis, and value-added taxes paid in the current year; wages paid to employees include wages, bonuses, benefits, housing funds and other employee costs; loan interests paid to creditors includes interest payments on clients' fund deposits, inter-bank borrowings, issued bonds, etc.; as the Company had zero major environmental pollution incidents in 2021, "other social costs caused by environmental pollution, etc." equaled zero.



Partnerships

Upholding the business approach of “winning and thriving together by benefiting others”, CSC works to build stable and mutually beneficial partnerships with suppliers, business partners, industry associations, etc. to harness optimal resource allocation and complementary strengths into shared prosperity and win-win development in different professional fields in the long term.

Supplier Management

CSC has set down the general principles of supplier management along with the work requirements for supplier approval, classification, selection, annual evaluation, exit, etc. in a set of policies including the *Procurement Management Measures*, the *Guidelines for Headquarters Procurement Implementation Process (IT)*, the *Guidelines for Headquarters Procurement Implementation Process (Non-IT)*, and the *Headquarters Supplier Management Measures (Provisional)*. The Company embeds ESG factors throughout the procurement process to prompt improvements in suppliers' environmental and social performance while strictly implementing the various procurement regulations to ensure compliance, fairness, and transparency in the procurement process.

Responsible Sourcing

Stages	Supplier approval assessment	Supplier pledge
Methods	Looked into the background of suppliers through authoritative public information systems and third-party credit inquiry systems with a focus on recent negative events to assess possible cooperation risks and social risks.	Required all new suppliers to sign the <i>Qualified Supplier Pledge</i> and make commitments in illegal employment prohibition, environmental protection, etc.; excluded suppliers that did not conform from the Company's qualified suppliers list.
Content	Focal points of supplier evaluation included: shell companies; judicial information on criminal cases such as breaches, bribery, tax evasion, tax evasion, and execution information for large unsettled funds; major negative events; labor rights protection information such as work-related injury treatment records, wage defaults etc.; records of administrative punishment by industry supervisory units, etc. Also reviewed certified supplier qualifications in environmental protection, energy efficiency performance, green products, etc.	The <i>Qualified Supplier Pledge</i> required suppliers to prohibit all forms of forced or compulsory labor as consistent with national labor laws and regulations including the <i>Labor Contract Law</i> , to observe environmental laws and regulations including the <i>Global Pact for the Environment</i> and the <i>Environmental Protection Law of the People's Republic of China</i> , and to not engage in commercial bribery or association relationships with the Company, while providing a reporting and grievance hotline.

CSC uses the Total Cost of Ownership (TCO) approach to cost estimation, which includes not only the direct costs of procurements but also the associated explicit and implicit costs in terms of power consumption, maintenance, operations, scrap and disposal, etc. Comprehensively measuring and continuously controlling the TCO that occurs throughout the product lifecycle can fundamentally reduce the overall impact of business operations on the environment. The Company has also included clauses related to environmental protection and safe and disciplined construction work in the supplier assessment to achieve green and sustainable development together with the suppliers.

Transparent Procurement

System construction

- The Company has formulated the Procurement Management Measures, mandating transparent, fair, and impartial procurement practices and requiring the procurement review panel members to come from different departments, with a maximum of two members coming from the same department.

Implementation management

- For some large-scale procurement projects, the Company organizes the panel members to conduct cross-review and deliberate on the requirements to avoid discriminatory content.
- The Company gives full consideration and assurance to the competitiveness among suppliers and avoids the use of designated brands or models of products.
- Avoids the use of such information as suppliers' registered capital, number of personnel covered by social security, total assets, and net assets as the evaluation criteria, and instead uses indicators like asset-liability ratio, liquidity ratio, and the profile of the team assigned on the project.

The Qualified Supplier Pledge stipulates that the suppliers should immediately report any non-compliance in the cooperation process, including direct rebates, to the Company's Disciplinary Committee. It also provides the phone number and email for supplier reporting and grievance. In 2021, the Company received zero complaints from suppliers.

Indicators (unit)	2021	2020
Coverage of supplier audit (%)	100	100
Number of suppliers	465	515
Number of suppliers from the mainland of China	460	510
Number of suppliers from Hong Kong, Macau, Taiwan, and overseas	5	5
Percentage of new suppliers signing the Qualified Supplier Pledge (%)	100	100

Participating in Exchanges and Cooperation

As a member of the Securities Association of China and the Asset Management Association of China, among other industry self-regulatory associations, CSC actively initiates industry exchange, promotes industry innovation, and strengthens the self-regulation of association members to continuously contribute to the sustainable development of the securities industry. The Company also continuously builds new partnerships with financial institutions, technology companies, etc. to improve its all-round competencies such as fintech, customer service, and market competitiveness.

Entering into a strategic partnership with Tencent to promote in-depth collaboration and innovation in fintech

Case

CSC signed a strategic cooperation agreement with Tencent in June 2021 to join efforts in a broad range of areas including platform construction, technological innovation, channel operations, capital operations, and branding. Bringing together their respective expertise and strengths, the two companies were to jointly build an investment and capital operations ecosystem in relevant technological fields with a view to building a pioneering cloud-native digital transformation benchmark for full-business scenarios. The joint effort was intended to advance the in-depth application of cloud-native and big data technologies in the securities industry within the framework of industry compliance. Together, they would seize the opportunities brought by the digital transformation of finance and provide individual, corporate, and institutional customers with faster, better, and a more complete portfolio of products and more professional services.



HKEX Environmental, Social and Governance Reporting Guide

Subject Areas and Aspects		General Disclosures and KPIs	Page(s)
A.Environmental			
Aspect A1: Emissions	General Disclosure: Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		80
	A1.1 The types of emissions and respective emissions data.		81-82
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		81
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		81
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		81
	A1.5 Description of emissions target(s) set and steps taken to achieve them.		The Company has not set quantitative emissions targets and plans to do this in the future.
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.		The Company has not set quantitative waste reduction targets and plans to do this in the future.
	General Disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.		80
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)		81
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).		82
Aspect A2: Use of Resources	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.		The Company has not set quantitative energy use efficiency targets and plans to do this in the future.
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.		The Company has not set quantitative water efficiency targets and plans to do this in the future.
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		82

Subject Areas and Aspects General Disclosures and KPIs		Page(s)
Aspect A3: The Environment and Natural Resources	General Disclosure: Policies on minimizing the issuer's significant impacts on the environment and natural resources.	80
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	80
Aspect A4: Climate Change	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	45
	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	46-48
B.Social		
Employment and Labor Practices		
Aspect B1: Employment	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	68
	B1.1 Total workforce by gender, employment type (for example, full- or part time), age group and geographical region.	69
	B1.2 Employee turnover rate by gender, age group and geographical region.	70
Aspect B2: Health and Safety	General Disclosure: Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe work environment and protecting employees from occupational hazards.	73
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	70
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About This Report

This report is the sixth Corporate Social Responsibility (CSR) & Environmental, Social and Governance (ESG) Report issued by CSC Financial Co., Ltd. (referred to as “CSC” or “the Company” in this report) since 2017. The report details the specific measures, important practices, highlight cases, and key performance of CSC in actively assuming social responsibility and effectively managing ESG risks and opportunities in 2021.

Reporting Scope

Reporting entities: CSC Financial Co., Ltd. and its subsidiaries.

Reporting period: The time span of this report is from January 1, 2021 to December 31, 2021 unless otherwise specified.

Reporting cycle: This is an annual report, and the last report was first issued in March 2021.

Reporting Guidelines

This report has been prepared in accordance with the *Guidelines for the Application of Self-Regulatory Rules for Listed Companies (1-12)* issued by the SSE and the *Environmental, Social and Governance (ESG) Reporting Guide* issued by the HKEX.

Content and Data

The content and data disclosed in this report are mainly obtained from the following sources:

- Publicly disclosed information of the Company
- Internal qualitative and quantitative information collection forms based on the reporting framework

Financial figures mentioned in this report are in RMB, unless otherwise specified.

Versions and Access

Versions: This report is published in Simplified Chinese, Traditional Chinese, and English. The Simplified Chinese version shall prevail in all events.

Access: The report is downloadable from the following websites as a PDF.

- SSE website: www.sse.com.cn
- HKEX news website: www.hkexnews.hk
- CSC official website: www.csc108.com

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