



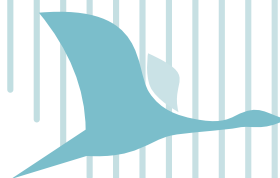
Stock Code : 665.HK



Soaring towards Robustness

Environmental, Social and Governance Report 2022

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About This Report

The Environmental, Social and Governance Report 2022 (the “Report”) discloses various tasks in environmental, social and governance (“ESG”) aspects and accomplishments of Haitong International Securities Group Limited (the “Company”), together with its subsidiaries, (the “Group”, “Haitong International” or “We”) in 2022, in hopes of timely and effective communication with the stakeholders of the Group. This Report is the seventh environmental, social and governance report published on an annual basis to give a detailed picture of the our strategic philosophy, corporate governance and green finance practices in respect of ESG and how the Group identifies and manages various risks and opportunities.

Reporting Period

Unless stated otherwise, the contents, information and data in this Report cover the same period as the audited financial statements of the Group, which is from 1 January 2022 to 31 December 2022. Both this Report and the annual report of the Group are published on the same date.

The information and data in our ESG Report 2021 published on 27 April 2022 covers the period starting from 1 January 2021 to 31 December 2021. The setting process and calculation of data, scope and boundary for use in this Report are mostly the same as in the previous report. There is no material restatement for the previous report.

Scope of Report

Unless stated otherwise, this Report covers major locations where we operate in, including Hong Kong, Singapore, New York, London, Tokyo, Mumbai and Sydney. However, the quantitative environment performance indicators stated herein are applicable only to Hong Kong which is the Group’s principal place of operation.

Guarantee of Obligations

The contents and data used in this Report are sourced from the Group’s official information and statistical data, and have been reviewed and approved by the Board of Directors (“Board”) of the Company before publishing on the websites of Hong Kong Exchange and Clearing Limited (“HKEx”) and the Group.

We have obtained independent assurance from Ernst & Young for certain quantitative data for this Report. The details of scope and criteria of assurance are set out in the section “Assurance Statement” in this Report.

In convenience for analysis and research, the indexes are provided as follows:

- “Environmental, Social and Governance Reporting Guide (ESG)” (the “ESG Reporting Guide”), the Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the The Stock Exchange of Hong Kong Limited (the “HKSE”)
- Global Reporting Initiative (GRI) (the “GRI Standards”)

About This Report

Reporting Guidelines

The Report is compiled on the “Mandatory Disclosure Requirements” and “Comply-or-Explain” Provisions in accordance with the ESG Reporting Guide.

When compiling this Report, the Group based on the 4 ESG core principles following the ESG Reporting Guide, namely, Materiality, Quantitative, Balance and Consistency.

- **Materiality:** Our sustainability consultant had assessed the major ESG issues and their priorities identified through the online surveys and engagement with stakeholders. The major issues were approved and confirmed by the ESG Committee and ESG Executive Office and the Board were also well informed. For details, please see Chapter 4: Grow with Stakeholders.
- **Quantitative:** We have set targets to mitigate the environmental impact of our operations and disclosed various quantitative ESG KPIs. For details, please refer to the Appendix I: KPI Tables.
- **Balance:** This Report objectively reflects the facts of the Group with positive and negative indicators included.
- **Consistency:** The disclosure and statistical methods used in this Report are consistent with previous reports as much as possible allowing for meaningful comparisons of the ESG data in the future. Reasons and additional explanation will be given once there are changes in the calculation of indicators.

Meanwhile, this Report is complied with reference to the followings:

- GRI Standards 2021 – the latest version of GRI Standards
- The recommendation on disclosure of climate-related financial information by the Task Force on Climate-related Financial disclosures (TCFD) (TCFD Disclosure Recommendation)

Reporting Languages and Access to the Report

This Report is compiled in Chinese and English versions on the websites of The Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Group (www.htisec.com). In case of any discrepancies between the Chinese and the English versions, the Chinese version shall prevail.

Management Statement

To take into account its special role as an intermediary in financing, advisory and research activities, Haitong International has always integrated environmental, social and corporate governance (ESG) concepts into all aspects of its business operations, and is committed to promoting ESG and sustainable finance with an aim to become a leading international green investment bank. In 2022, Haitong International was included in the FTSE4Good Index by FTSE Russell, a global indexing arm of the London Stock Exchange, and was reaffirmed by MSCI with an A rating for ESG, placing it at the forefront among the leaders in the industry.

In 2022, Haitong International participated in the issuance of 24 green and sustainable bond projects with a total financing amount exceeding US\$8 billion. Many of these green bond projects were highly regarded and recognized by the market for their innovations in green financing framework design and mode of issuance, which helped issuers develop in a green and sustainable manner. Haitong International's equity research team has also consolidated a number of globally accepted ESG rating systems to score the ESG performance of all covered listed companies and included the results in the first page of the research report, providing investors with ESG investment reference guidelines.

During the reporting period, Haitong International actively supported the HKSAR Government in the fight against the epidemic by donating supplies to help frontline healthcare workers, the grassroots community and the general public through various charity organizations and community groups. Haitong International has been supporting local sports and youth development in Hong Kong for many years. This year, Haitong International joined hands with the Hong Kong Windsurfing Association to organize a high-profile international event – Haitong International iQFOiL Asian Windsurfing Championships and Hong Kong Open Windsurfing Championships, and top players from the United States, South Korea, Japan, Singapore, Thailand and other regions were invited to join the event in Hong Kong. The finals welcomed over 1,000 Hong Kong residents. In 2022, it has continued to support the “Well Dunk!” Basketball league and training scheme run by InspiringHK Sports Foundation, to enhance community cohesion in Hong Kong through sports activities and exchanges with youth.

In 2022, Haitong International launched a global ESG campaign named “Green Thinking, Sustainable Living” for its offices across the world. It comprises a series of activities such as low-carbon commute challenge, environmental workshops, plogging day and tree care day, to closely integrate ESG concepts with the practices of employees.

Looking into 2023, Haitong International will continue to follow the “One Haitong” philosophy, bolster business collaboration with its parent company, grasp the market opportunities of connectivity, enhance the strengths of investment banking business and drive the development of global market, asset management and private wealth management business. Haitong International will continue to strengthen its risk management and optimize asset structure, enhance efficiency and cost control, and implement ESG strategy.

1. Businesses of Haitong International

1.1 Overview of Organisation

Haitong International Securities Group Limited (Stock Code: 665.HK) is an international financial institution with established presence in Hong Kong and a rapidly expanding network across the globe. It strives to serve as a bridge linking up the Chinese and overseas capital markets. The parent company of Haitong International is Haitong Securities Co., Ltd. (Stock Code: 600837.SH; 6837.HK).

The Group, based in Hong Kong, is listed on the HKSE and is an important overseas platform of its parent company with financial service network covering major capital markets in the world including Hong Kong, Singapore, New York, London, Tokyo, Mumbai and Sydney.

Haitong International provides global and local enterprises, institutions and high net worth individuals with the following core businesses:

Wealth Management	Corporate Finance	Asset Management	Global Markets	Investment
Provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a broad range of products and services including securities, futures and options contracts, over the counter products, funds, discretionary account management services, securities custodian services, and securities margin financing.	Engages in provision of sponsoring and underwriting services to corporate clients for their fund raising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment also provides financing solutions to the corporate clients and distributes these assets in secondary market.	Engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds, and mandatory provident funds to individual, corporate and institutional clients.	Provides a vast range of financial services to a diverse group of institutional clients, such as investment funds, sovereign funds, insurance companies and financial institutions, globally. This segment offers sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory. This segment is supported by the award-winning equity research team that specialises in listed equities in Asian financial markets.	Invests in various instruments and holds majority of investment securities (measured at amortised cost and at fair value) of the Group. Investments held by this segment include primarily investment funds, listed and unlisted debt and equities, alternative investments (such as real estate investments through investment funds and subsidiaries) and private equities. This segment aims at acquiring investments that generates a reasonable yield while maintaining a robust risk management mechanism.

For details of the Group's business and financial performances, please refer to the Group's annual report for 2022.

1.2 Core Values and External Ratings

The Group has always been adhering to its core values of being “courageous, sincere and innovative”. Based in Hong Kong with a global vision, the Group sees ESG as one of its fundamental requirements for business operations as well as a basic responsibility and commitment to its customers, shareholders, employees, the community and natural environment. In 2022, the Group continued to apply its ESG philosophy to every part of its business operations. Taking on a unique role of being an information and capital intermediary in investment, finance, consultancy and research, it strives to practice sustainable finance and become one of the world-class leading green investment banks in the sustainable finance sphere.

With a robust risk management regime in line with international standards, Haitong International has continued to obtain a BBB long term credit rating from S&P.



This year, Haitong International has been included in the FTSE4Good Index by FTSE Russell under the London Stock Exchange, manifesting its outstanding ESG performance and high acclaims from the international financial market and investment community.



Since 2021, Haitong International has been granted an ESG rating at A level by the internationally recognised index agency, MSCI, for two consecutive years, marking the worldwide recognition for our ESG performance and the leading position among global investment banks and securities companies.



Haitong International was awarded the “ESG Achievements Award” by the Institute of ESG & Benchmark (IESGB) for the second consecutive year. In 2022, recognising its efforts in five key aspects, namely sustainability strategy, corporate governance, overall disclosure and communications, environment and social, Haitong International was given “Special ESG Awards – Outstanding ESG Performer of the Year (Listed Company) Platinum Award” for its outstanding performance.

1. Businesses of Haitong International

1.3 Entities included in the Consolidated Financial Statements

The scope of the Report is the same as the Group's audited financial statements, covering the Group and the following subsidiaries:

Name	Place of incorporation/ registration and operations	Principal businesses
Haitong International (UK) Limited	England and Wales	Brokerage, equity research, and research sales
Haitong International Asset Management (HK) Limited	Hong Kong	Provision of assets management services
Haitong International Asset Management Limited	Hong Kong	Provision of assets management services
Haitong International Capital (HK) Limited	Hong Kong	Corporate finance
Haitong International Capital Limited	Hong Kong	Provision of corporate financial advisory services
Haitong International Futures Limited	Hong Kong	Futures and options brokerage and trading
Haitong International Financial Products Limited	Hong Kong	Market-making in financial instruments
HTI Financial Solutions Limited	Hong Kong	Provision of financial solutions
Haitong International Investment Managers Limited	Hong Kong	Provision of assets management services
Haitong International (Japan) K.K.	Japan	Asian equity research and corporate finance
Haitong International Research Limited	Hong Kong	Provision of research services
Haitong International Securities (Australia) Pty Ltd	Australia	Brokerage services
Haitong International Securities (USA) Inc.	United States	Equity research, sales and trading and investment banking
Haitong International Securities (UK) Limited	England and Wales	Provision of corporate financial advisory services
Haitong International Securities Company Limited	Hong Kong	Securities brokerage and margin financing
Haitong International Securities Group (Singapore) Pte. Ltd.	Singapore	Investment holding
Haitong International Securities Nominees Limited	Hong Kong	Provision of custodian services
Haitong Securities India Private Limited	India	Institutional securities broking and investment banking
演天資訊科技(深圳)有限公司 (Note)	People's Republic of China	Provision of software development services

Note:

Entity registered as wholly-foreign-owned enterprise under the law in the PRC.

For details of entities included in the consolidated financial statements, please refer to the annual report for 2022.

The data in the Report was collected by the Group and is applicable to the above subsidiaries. Changes of any basis and methodology are indicated specifically and explained separately in the Report. For details, please refer to the section headed "About this Report".

1.4 Organisation Coverage

Based in Hong Kong with a global vision, Haitong International strives to serve as a bridge between the Chinese and overseas capital markets. At present, Haitong International operates to provide diversified investment banking offerings and services with a global financial service network centering on New York, London, Singapore and Hong Kong and spanning to major Asia-Pacific capital markets like Tokyo, Sydney and Mumbai. We are determined to becoming a modern and versatile financial institution that holds a leading position in the Greater China region, and we acknowledge that the support of our employees is indispensable to our success. As at 31 December 2022, we have 996 full-time employees.

The Group's network covers:

China – Hong Kong	Provision of comprehensive financial services including wealth management, corporate finance, asset management, global markets and investment services
U.S. – New York	Mainly engaged in corporate finance, equity sales and trading
UK – London	Mainly engaged in equity sales and trading, fixed income sales and trading, corporate finance
India – Mumbai	Mainly engaged in corporate finance, equity research, cash equities
Singapore	Mainly engaged in corporate finance, private wealth management, fixed income sales and trading, and equity sales and trading
Japan – Tokyo	Mainly engaged in equity research and corporate finance
Australia – Sydney	Mainly engaged in equity sales and trading

Haitong International is a licensee and registered institution with licenses granted by the Securities and Futures Commission. In 2021, the Group's subsidiary in Singapore was admitted as a securities and derivatives clearing member of the Singapore Exchange ("SGX") and a depository agent of The Central Depository (Pte) Limited. Therefore, it has obtained a full suite of memberships on the SGX. In 2020, the Group's subsidiary in Australia was granted the Australian Financial Services Licence by ASIC, becoming the first Chinese financial institution with this licence. So far, our Hong Kong and overseas offices are one of the few Chinese financial institutions with multiple licenses, which enables the Group to provide clients with comprehensive investment banking services in the markets of Hong Kong, Singapore, the United States, India, etc., helping the Group to move a step closer to become a leading global Chinese financial institution with international competitiveness and brand influence.

1. Businesses of Haitong International

1.5 Business Overview

The convergence of multiple crises in 2022 continued to weigh on global economic growth. The geopolitical tensions brought by the ongoing Russia–Ukraine conflict, the soaring inflation in the wake of the epidemic, coupled with interest rate hikes by major central banks to push inflation down, have led to highly volatile global markets, and Hong Kong was no exception. The Hang Seng Index closed at 19,781 points in 2022 and dropped by 15% or 3,616 points throughout the year, turning in its worst performance since 2011. The Hang Seng China Enterprises Index declined for the third consecutive year with a drop of 19% over the year. The Hang Seng Technology Index plunged by 27%, while the iBoxx USD Asia ex-Japan China Index fell by 14% over the year. The momentum of Hong Kong’s IPO market also slowed down significantly, with only 90 IPO deals completed throughout the year, a significant decline of 68% in total fundraising amount compared with the previous year.

Against the backdrop of the complex global market landscape, Haitong International’s business faced substantial challenges and thus its financial performance was inevitably affected during the year. In 2022, Haitong International recorded core income (the aggregated fee and interest income) of HK\$3,330 million, down 33% year-on-year; total cost of HK\$3,505 million, declined by 7% compared with same period last year. Meanwhile, Haitong International enhanced its cost control and efficiency improvements to offset the rising finance cost in the interest hike environment. The significant loss in 2022 was primarily attributable to (i) drop in commission and fee income, by 53% to HK\$1,543 million in 2022, which was in turn due to the drop in both IPO fundraising amount and spot market daily turnover in Hong Kong market; (ii) investment loss, comprising (a) loss of HK\$3,443 million in relation to investment in equity and debt securities traded in the secondary markets, while Haitong International has been compressing the size of its relevant investments, and (b) fair value loss of HK\$1,654 million in relation to private debt and equity investment as well as alternative investments, as valuation of the relevant investment dropped in response to changes in market capitalization of comparable companies and condition of underlying assets, and (iii) impairment of HK\$1,588 million, as market price or valuation of collateral decreased, resulting in increase in expected credit loss.

Nevertheless, Haitong International has a strong foundation in its core business and maintains a stable long-term development strategy. In line with the “One Haitong” philosophy, Haitong International further strengthened the synergies with its parent company and made progress in enriching the investment banking ecosystem which includes asset management, private wealth management and global market businesses around its core investment banking business. In 2022, Haitong International continued to optimize its asset structure, as of 31 December 2022, its total assets were HK\$89.1 billion, with net assets of HK\$20.7 billion. The leverage ratio was 3.83 times as of December 2022, at a moderate level of the industry.

2. Governance Structure

2.1 Corporate Governance Practices

As the highest governance body of the Group, the board of directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance practices within the Group. Throughout the year ended 31 December 2022, the Company has fully complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules of the HKSE.

2.2 Corporate Governance and Committee Structure

The Board believes that a well-balanced corporate governance structure will enable the Group to better manage its business risks and thereby ensure the Group is run in the best interests of its shareholders and other stakeholders.

The Board currently comprises a total of 12 directors, with 5 executive directors, 3 non-executive directors and 4 independent non-executive directors. The role of chairman is performed by one of the non-executive directors. The Board includes a balanced composition of executive and non-executive directors so that independent judgment can be effectively exercised and the views of the non-executive directors can carry weight.

The following chart depicts the overall corporate governance structure of the Group. The Group's highest governance body of all committees is the Board of Directors, which is responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. At the same time, it is also charged with the duty to enhance the effectiveness of the corporate governance practices of the Group. In order to strengthen corporate governance, there are currently 6 committees set up under the Board, namely Audit Committee, Executive Committee, Nomination Committee, Remuneration Committee, Risk Committee and Strategic Development Committee (each a "Board Committee"). All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.



* BCP: Business Continuity Plan

2. Governance Structure

The duties of each committee under the Board of Directors are as follows:

Audit Committee: It reviews all business affairs managed by the executive directors, in particular those related to connected transactions and continuing connected transactions, if any, and to review the quarterly, interim and annual financial statements of the Group before their submission to the Board for approval. It will also review the effectiveness of the internal control system of the Group. The terms of reference of the Audit Committee are aligned with the requirements of the Listing Rules and the recommendations set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and any updates thereof.

Nomination Committee: It is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (including but not limited to the Chairman and the CEO); to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors as set out in Rule 3.13 of the Listing Rules; and reviewing the Board Diversity Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives.

Remuneration Committee: The responsibilities include setting remuneration policy of the Group and fixing remuneration packages of the directors in accordance with the Listing Rules and the new by-laws of the Company (the "New Bye-laws"), while such remuneration packages are determined with reference to the remuneration benchmark in the industry and the prevailing market conditions. No directors can determine their own remuneration packages. The Remuneration Committee is provided with sufficient resources to discharge its duties. The chairman of the Remuneration Committee will report their findings and recommendations to the Board for consideration and approval.

Risk Committee: It is responsible for advising the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues; considering major investigation findings on risk management matters as delegated by the Board or on its own initiative and management response to these findings; approving the Group's risk policies and risk tolerances; considering emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively; reviewing risk reports and breaches of risk tolerances and policies; reviewing and accessing regularly the adequacy and effectiveness of the Group's risk management framework, internal control system and risk management policies and procedures in identifying, measuring, monitoring and controlling risk, and overseeing their effective operation, implementation and maintenance; reviewing and accessing the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans; reviewing the Group's capital adequacy and solvency level and overseeing the Company's risk management system on an ongoing basis and review of the effectiveness of the Group's risk management system.

Strategic Development Committee: The main responsibility is to assist the Board in formulating medium to long term business development strategies and directions for the Group.

Executive Committee: The Executive Committee is duly authorised by the Board to manage the day-to-day business of the Group.

Haitong International has been putting efforts to promote ESG in the Group. In 2020, the Group set up an ESG Committee and ESG Executive Office under the Executive Committee to handle ESG-related matters and apply its ESG philosophy to every part of its operations. In harness with the Chief Economist Office, it communicates with the Board in different channels and follows up with the latest development of ESG-related topics. Therefore, the Board can effectively oversee ESG development of the Group.

2.3 Nomination and Election of the Highest Governance Body

All directors are appointed for a specific term of maximum 3 years subject to the retirement and re-election provisions in the New Bye-laws. One-third of the directors are required to retire from office by rotation and, being eligible, may offer themselves for re-election at each annual general meeting in accordance with the New Bye-laws. The names of directors who are eligible for re-election at general meetings will be disclosed in the notice of the relevant general meetings and their biographical details will be provided in the accompanying circulars. The election of each director will be subject to the votes of shareholders by way of separate resolutions.

The shareholders of the Company can propose candidates for election as a director according to the "The Procedures for a Shareholder to Propose a Person for Election as a Director" on the Company's website. The Board has adopted a Board Diversity Policy, with the recommendation from the Nomination Committee, in November 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The policy aims to set out the approach to achieve diversity on the Board. To generate a strong independent element on the Board, the selection criteria include independence of candidate in the case of appointment of an independent non-executive director. The Nomination Committee will review this policy annually to ensure it is effective.

For the full picture of the Group's corporate governance, please refer to the Group's annual report for 2022.

2.4 Internal Audit

The Group's sound internal control framework is embodied by the three lines of defense with various risks managed at an activity-based model, including ESG-related risks. Each line of defense is held accountable and responsible for risk management and control, environment monitoring with clear delineation of duties. All employees serve as a part of the model under which their roles are determined based on their position.

Three lines of defense	Functions
The first line of defense All business units and supporting functions	Own and manage their respective business and operational risks.
The second line of defense Risk management and compliance functions	For ongoing risk control and compliance oversight of the Group.
The third line of defense Internal audit function	Provide independent review and assurance of the Group's internal control effectiveness.

2. Governance Structure

The Group's Internal Audit Department develops its annual audit plan based on risk levels, which covers the Group's major business activities and supporting functions of the Group in all regions, including operations, information technology, etc.. After the annual audit plan is submitted to and approved by the Audit Committee, the Group's Internal Audit Department schedules and carries out internal audit activities on different business functions and the relevant operations, with resources focusing on areas of higher risks. In particular, the Internal Audit Department has incorporated and implemented the ESG-related internal controls during the audit of the work of various business functions for the verification of their systems and procedures. The head of the Group's Internal Audit directly reports audit results and matters to the Audit Committee and senior management.

In addition to the internal audit activities, Group-wide internal control self-assessment exercise is conducted annually across all business, functions and locations of the Group, aiming to enhance a long-term mechanism for evaluation, feedback, and continuous improvement of its internal control system. Moreover, ad hoc reviews shall be conducted according to Group's development strategy and specific areas of concern, with continuous efforts to improve risk management, internal control and corporate governance standards using a holistic approach.

2.5 Conflict of Interest and Remuneration Policy

The company secretary of the Company (the "Company Secretary") assists the Chairman and the respective Board Committees in setting agenda for meetings, and each director is given an opportunity to include any matters to be transacted in the agenda. To avoid conflict of interests, where any director is considered to be having a conflict of interest or potential conflict of interest in any transactions, the director concerned will not be counted in the quorum of the relevant meeting and abstains from voting in the businesses to be transacted.

The Group's "Conflicts of Interest Policy" is applicable to all staff of the Group including each member of the highest governance body and senior management. This policy defines conflict of interest and gives advice and guidance on how to deal with conflict of interest. It also sets out effective control measures, while prescribing the requirements where employees shall receive training in respect of promoting internal awareness, guidelines, reporting, and management of conflicts of interest at least every year to ensure the Group is acting in compliance with relevant regulations and laws regarding conflict of interest.

As further elaborated in the policy, any violations or misconduct, if identified, shall be immediately reported to the Responsible Officers or Managers in Charge of the business line and the Compliance Department. Where the said violation of the relevant policies, applicable rules and regulations is confirmed, the corresponding compliance office will take all relevant circumstances into consideration. For example, the extent of the impact of the conflicts arose between relevant parties, in terms of financial materiality, possibility of reputation impairment, integrity of licensee etc., for investigation and/or escalation to the Compliance Committee and/or Risk Management Committee for further action to be taken, including disciplinary penalties.

During the year, the Group also crafted a Conflict Clearance Policy, clarifying that each business unit is required to identify potential conflicts by means of name screening before entering into cooperation or transactions with potential customers, so as to properly identify and resolve conflicts prior to project commitment.

At the same time, Haitong Securities Co., Ltd. (“Haitong Securities”) is a holding company of Haitong International Holdings Limited (“HTIH”), which is a controlling shareholder of the Group. Therefore, Haitong Securities is a connected person of the Group, and such transactions will constitute continuing connected transactions. An overview of the related party transactions conducted by the Group in 2022 is disclosed in the Group’s annual report for 2022 to disclose any conflicts of interest to the shareholders.

The Group’s remuneration policy applied to the senior management and all staff of the Group.

The remuneration packages of members of the senior management comprise fixed and variable components benchmarked against other financial institutions. The variable component refers to bonus, which is paid in the form of cash or awarded shares according to the Company’s bonus arrangement. To attract and retain talents, the Company has also put in place a share option scheme. Meanwhile, sign-on bonuses or recruitment incentive payments are also offered as a form of variable emolument to attract talents. Termination payments are calculated in accordance with relevant regulations to protect the legitimate rights and interests of all employees. Retirement benefits are the same as those provided to all other employees.

Our employees’ remuneration packages also comprise fixed and variable components (including discretionary year-end bonus, sales incentive payments and share incentive scheme). The employees’ remuneration to be determined by the Group is based on various factors, including job position, job nature, labour market trends and practices, external economic environment, as well as employee’s experiences, qualifications, and capabilities. The Group’s remuneration framework has a strong linkage between pay and performance. Base salaries, discretionary incentives and bonuses are reviewed on an annual basis by making references to the prevailing practices of the labour market, business strategic focus, financial results of business segments and the Group as a whole, and employees’ performances and their fulfillment of compliance requirements. Such reviews are conducted to reward employees for their contributions over the year, and to offer competitive remuneration packages in the international market to retain and inspire talents and professionals to continue in creating values for the Group. The proposal on salary adjustment shall be reviewed by the Human Resources Department and submitted to the CEO for final approval. Share options and share awards are also granted to some employees in recognising their contributions to the Group. Other benefits offered by the Group include employer’s voluntary contributions to the mandatory provident fund scheme, various Group insurance schemes, and medical check-up plans.

3. ESG Governance Structure

Haitong International has been improving its ESG management system by formulating ESG policies and guidelines applicable to the Group, building ESG organisation system, assigning dedicated staff responsible for ESG issues, and implementing ESG annual plan with annual evaluation in good order. All these lay a solid foundation for the sustainable growth of the Group.

An ESG Committee and an ESG Executive Office were set up under the Executive Committee under the Board in 2020. The ESG Committee and ESG Executive Office have been charged with ESG-related tasks for the Group, and have applied the ESG philosophy to all areas across the business operations of the Group.

The ESG Committee is chaired by one of the Group’s executive director on behalf of the Board, who is responsible for overseeing the ESG-related goals and progress. The ESG Committee is comprised of the chief economist, chief risk officer, head of Global Capital Markets, head of Asset Management, Company Secretary, head of Investor Relations, head of Human Resources and head of Internal Audit. The ESG Committee meets quarterly to review ESG-related targets and progress and reports to the Group’s Executive Committee.

Since the establishment of the ESG Committee, Haitong International has continued to reinforce its ESG implementation from strategic level to operational level, setting a good example in its Chinese peers. As of the end of 2020, we announced our first ESG Statement, setting its ESG scheduled milestone to be completed by 2025 and being the first Chinese investment bank doing so in Hong Kong.

The ESG Executive Office is comprised of various departments including the Chief Economist Office, Global Markets, Company Secretariat, Investor Relations, Risk Management, Administration and Internal Audit. Under the helm of the ESG Committee, it carries out tasks in line with the ESG strategies and incorporates ESG into the Group’s business and operations. For example, the ESG Executive Office welcomes any employees to partake and give advice on its ESG strategy implementation and related daily tasks.



3.1 Main functions of the Board, ESG Committee and ESG Executive Office

To delineate the governance and supervisory duties of the Board and senior management in terms of ESG, Haitong International keeps improving its ESG governance structure to enable the effective promotion and implementation of ESG strategic goals within the Group. To reinforce management's knowledge of sustainability, we arrange ESG-related training or workshop for them on a regular basis to ensure that leaders and managers of ESG work take the best approaches in ESG management.

- | | |
|--------------|---|
| Board | <ul style="list-style-type: none">• An executive director of the Group takes the role of chairman of the ESG Committee on behalf of the Board;• Closely monitoring ESG-related goals and progress as well as opportunities and risks and other matters including approving the outcome of the evaluation on material topics and the annual ESG report;• Obtaining ESG-related updates twice a year. |
|--------------|---|

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- | | |
|----------------------|---|
| ESG Committee | <ul style="list-style-type: none">• Devising group-level and general ESG strategic goals; and reviewing and making decision for ESG material issues;• Providing ESG risk advice or guidance on material transactions or projects related to financial advisory, financing and direct investment of the Group;• Providing guidance to departments on analysing the ESG risk and opportunities; reviewing, approving, organizing and managing ESG strategies for each of the Group's business;• Reviewing the annual ESG report;• Reviewing the ESG performance for each department of the Group each year;• Holding quarterly meetings to discuss the matters and updates of the Group, and ensuring that sufficient ESG resources are allocated. |
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| ESG Executive Office | <ul style="list-style-type: none">• Under the helm of the ESG Committee, it is in-charged with execution tasks or daily management tasks related to the ESG strategy;• Liaising with each business department of the Group; organising and coordinating implementation of the Group's ESG strategy (including data) and reporting to the ESG Committee;• Regularly reviewing ESG-related laws and regulations to update training materials or other information; organising or initiating ESG activities; promoting good ESG practices and providing ESG-related training;• Giving directives regarding the Group's ESG management policies or measures;• Compiling the ESG report. |
|-----------------------------|---|

3. ESG Governance Structure

3.2 ESG Strategy

Haitong International actively devotes to put sustainable and green finance into practice by incorporating sustainability elements into its business activities and providing professional ESG financial services to customers. We also advocate to take part in external ESG initiatives. In 2020, we became the first Chinese financial institution to join the China-U.K. Climate and Environmental Information Disclosure Pilot Working Group, and jointly published the “Chinese Financial Institutions’ Route to Achieving Carbon Neutrality” Report, which was then the first report as guideline reference for Chinese financial institutions to pursue carbon emissions reduction.

To better cope with the risks arising from the trend towards sustainability and deliver long-term capital growth, we closely monitor and manage such risks. Capitalising on its unique role of being an investment, financing, advisory and research intermediary, the Group actively provides green investment banking services to create long-term and sustainable values for shareholders, customers, employees and the community, and promote the sustainability of investees.

Sustainable Finance

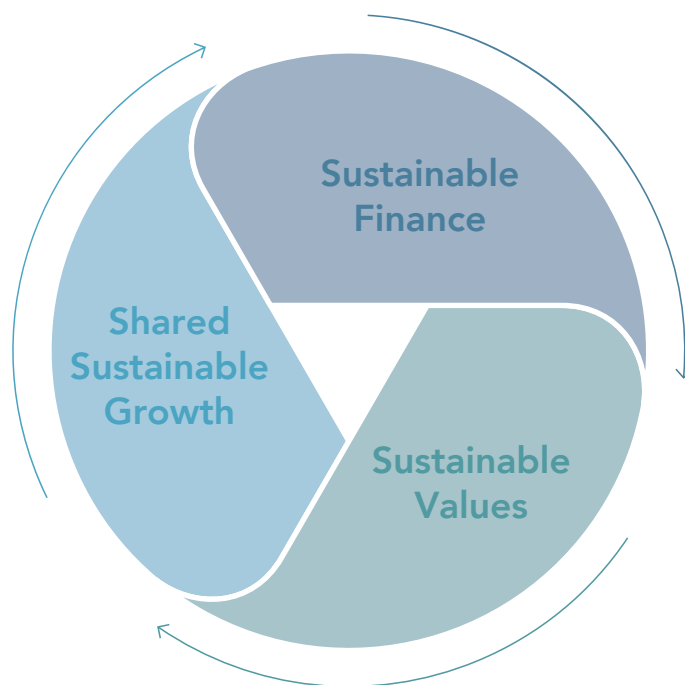
We strive to achieve the goal of sustainable growth by incorporating the ESG philosophy into our daily operation and management to promote ESG investment and green finance, and advancing innovative fintech to meet the demands of all stakeholders.

Sustainable Values

We uphold our ESG and sustainable development philosophies throughout the operations in each business segment by actively encouraging our employees to participate in sustainable services in the community and insisting on green operations to maintain environmental and ecological equilibrium, aiming to create sustainable comprehensive service values.

Shared Sustainable Growth

We also attach importance to the communication with stakeholders to fully understand their needs and expectations. Through the implementation of the ESG strategy, we share the sustainable outcomes with related stakeholders, which in turns promotes the sustainable growth of the community.



We strive to pursue healthy and sustainable ways of development and announced our first ESG statement in 2020. We have pledged to achieve carbon neutrality at the operational level by the end of 2025 and carry out ESG practices with energy conservation and carbon emission reduction, and sustainable finance. Our ESG goals and progress are summarised in the following table.

Energy Conservation & Carbon Reduction: Haitong International plans to achieve “carbon neutrality” at the operational level by the end of 2025. This plan is also our mid-term and long-term ESG goals.

Specific task	Progress and highlights in 2022
<p>Gradually cut down on its carbon emissions through reducing energy consumption and utilising renewable energy, and purchase carbon credits to offset any remaining carbon emissions to achieve “carbon neutrality” by the end of 2025;</p>	<ul style="list-style-type: none"> • Haitong International’s office premises at International Finance Centre were certified as green buildings; • Total carbon emission and carbon intensity decreased by around 43.9% and 24.3% when compared with that of 2021. <p>For specific carbon emission reduction measures, please refer to <i>Chapter 9: Environment and Climate Change</i>.</p>
<p>Advocate the “Reduce, Reuse, Recycle” concept throughout the Group with an aim to power its operations with 100% renewable energy and reduce its annual paper consumption and waste generation per capita by at least 30% by the end of 2025 (compared to the end of 2020); and encourage replacing high carbon-emitting business activities such as business air travels and paper consumption with alternatives;</p>	<ul style="list-style-type: none"> • The Group’s total power consumption and power consumption intensity decreased by approximately 31.0% and 6.9% respectively versus 2021; • The Group has purchased “Renewable Energy Certificate” from a local power supplier. During 2022, the Group purchased 640 MWh of renewable energy, representing approximately 58.6% of its total power consumption; • The Group’s paper consumption per capital decreased by approximately 58.5% versus 2020, while the Group’s recycling rate increased from 76.8% in 2021 to approximately 100% in 2022; • The Group has been granted the “Hong Kong Green Organisation Certifications – Wastewi\$e Certificate” for 8 consecutive years, manifesting its commitment and efforts on environmental protection; • The Group’s carbon emission generated from business flight travel decreased by approximately 46.5% versus 2021. <p>For details of the environmental data, please refer to <i>Appendix 1: KPI Tables</i>.</p>

3. ESG Governance Structure

Specific task

Progress and highlights in 2022

Keep track of its greenhouse gas emission metrics (including power, paper waste & other waste and business air travels) in line with the ISO-14064 standard and disclose the data in its annual ESG report.

- The Group actively monitors and keeps record of the scope 1 and 2 greenhouse gas emission, and keeps improving the disclosure of scope 3 greenhouse gas emission to ensure the effective monitoring of the Group's environmental performance and progress in achieving low-carbon emission.

Sustainable Finance: Haitong International has planned to deploy or provide US\$20 billion to support ESG and sustainable financing and investment by the end of 2025.

Specific task

Progress and highlights in 2022

Establish a company-wide incentive system to encourage its staff to explore the green and sustainable business operations, and devote efforts towards green and sustainable businesses such as green bond underwriting and ESG themed product development;

- From 2020 to the current year, Haitong International has underwritten a total of 76 green, blue, and sustainable bond issuance projects with a total underwriting amount of approximately US\$23 billion. Among which, a total of 24 green, blue and sustainable bond issuance projects with a total underwriting amount of over US\$8.18 billion of which was issued throughout 2022;
- Asset Management Department further strengthened its ESG practices by collaboration with Tabula, a UK-based asset manager and ETF provider in 2021. The first global USD-denominated Asia ex-Japan high-yield corporate bond ETF featuring the ESG theme, which is the Tabula Haitong Asia ex-Japan High Yield Corporate USD Bond ESG UCITS ETF ("TAHY"), continued to gain market recognition with total assets under management amounting to US\$295 million as at the end of 2022.

For details, please refer to *Chapter 5.1: Sustainability and Green Finance*.

Specific task

Progress and highlights in 2022

Integrate ESG risk assessment in its investment decision-making process, and gradually turn away from heavily polluting and energy-consuming corporate financing and investment activities. It will proactively support the new energy and green industries to promote development of clean and green industries.

- Private Equity Investment Department has included ESG as one of the requirements in the rating mechanism for selecting funds and in all stages of investment
 - *Initial selection*: scrutinise investment proposals according to ESG policies and method of exclusion to assess ESG risks so as to exclude any highly-polluting and energy-intensive industries
 - *Due diligence*: assess the quality of ESG management system of new investments from an ESG perspective and review/evaluate ESG risks and opportunities
 - *Investment decision*: raise critical questions in ESG aspect, reach consensus with the management of the investees for their ESG action plans and add ESG terms as a part of the legal agreement
 - *Exit Investment*: review the ESG conditions and consider the ESG development under new ownership
 - ESG matters are incorporated as a regular disclosure in the quarterly report provided by invested funds;
- Asset Management Department also strives to bring corresponding investment returns to investors by actively including enterprises characterised by technological innovation or business transformation in climate-friendly areas, which simultaneously can translate into profits and is recognised by capital markets valuations as investment targets, into our investment portfolios;
- The Group has incorporated ESG risks including climate risks into its governance procedures and related management policies, and has incorporated climate risks into the specific management framework. It has also built a quantitative analysis framework of climate risks.

For details, please refer to *Chapter 9.1: Climate Change*.

In the future, Haitong International will deliver positive environmental and social values through each of its businesses and decision-making. The Group will take on its unique role of capital intermediary and brokerage in investment, financing, advisory and research, bringing “impact investment” into play and is determined to become one of the world’s leading green investment banks focusing on sustainable finance, creating long-term value for its shareholders, clients, employees and society.

4. Grow with Stakeholders

We take stakeholders' views and concerns in high regard, and understand their views and expectations through various communication channels and methods. We strive to respond to their issues of concern and expectations, and analyse material sustainability topics accordingly.

Stakeholders are defined based on the four principles as follows:

1. **Responsibility:** the stakeholders in connection to the Group's legal, financial, operating, contractual and/or policies aspects;
2. **Association:** the stakeholders who are closely associated with the daily operation of the Group;
3. **Reliance:** the stakeholders who rely on the Group's operation; and
4. **Impact:** the stakeholders who can impose the direct and indirect impacts to the Group's decision making.

In line with the four principles above, our stakeholders include internal and external groups that have material impacts and significance on us, such as customers, employees, investors and shareholders, the government and regulators, suppliers, the public and the media.

4.1 Communication with Stakeholders

We communicate with our stakeholders at least once a year. Through annual communication with stakeholders, we gain full understanding of their requests, opinions and expectations and embed their concerned issues into the Group's operations and decision-making process with timely response to address their feedback. One of the primary objectives is to conduct materiality assessment on sustainability for the Group.

In 2022, we maintained good communication with our stakeholders through the following channels:

Stakeholder	Participation or communication channel	Frequency or time
Customers	Phone call or email Customer satisfactory survey Customer satisfaction survey on MPF funds Online forum and house-made videos	Daily Quarterly or as needed Yearly Ad hoc
Employees	Work meeting Performance management meeting HR memo Face-to-face interview/phone call or email Questionnaire	Regular Mid-year/year end As needed As needed As needed
Investors and shareholders	Annual/special general meeting Press release/announcement/circular Interim report/annual report	Annually/as needed Regular/as needed Semi-annually/annually
Government and regulators	Daily communication and reporting Timely addressing to their feedback	Daily/regular/as needed As needed
Suppliers	Maintenance services Procurement and tender conference Tender activities e-platforms/virtual meetings and phone call	Ad hoc Ad hoc As needed As needed
Public and media	Press release/announcement Management/spokesperson interview Social media Results announcement	As needed As needed As needed Semi-annually/annually

4. Grow with Stakeholders

We actively respond to the stakeholders' concerns on sustainability to enhance our ESG management and strategy, and ensure that our operations and business meet their expectations.

Stakeholders' concerns

Our actions/plans/responses

As ESG performances of corporations increasingly draw attention among all walks of life, how does Haitong International devote more resources to the Group's ESG progress, including enhancing ESG training and activities for employees with incentives to attract participation, and improving ESG transparency to demonstrate ESG efforts and outcomes to the public?

Compared to 2021, the number of ESG-related training sessions increased by 50% in 2022.

In the face of the recent talent drain, how does Haitong International attract and retain talents by improving employee welfare, providing them with more training and development plan, and giving them respect?

Compared to 2021, the average training hours per person increased by 30% in 2022, with an 37% increase in internal training sessions.

Haitong International has been actively cultivating young and high-end talent reserves. In 2022, several talent development programs were launched, such as the summer internship program and SAIL Program, to attract young talents to join the Group while retaining outstanding talents within the Group.

Stakeholders' concerns

Our actions/plans/responses

In terms of fulfilling corporate social responsibility, how does Haitong International enhance community investment and activities?

Since its inception in 2014, the Haitong International Charitable Foundation has been demonstrating its long-term commitments to fulfilling its corporate social responsibility to society. Besides effectively concentrating resources, the charitable foundation has implemented strategical and long-term engagement plan for various community projects and charitable activities, while establishing long-term partnerships with non-profit organisations. Meanwhile, Haitong International continues to focus on enhancing community investments and activities to assist the vulnerable groups in the community and society. For instance, during pressing times of the pandemic in 2022, we launched a series of support measures to assist the government in fighting against the pandemic by providing support and care to citizens in the special administrative region, including donations and materials donated to frontline pandemic workers, senior citizens, low-income families, and students, among others.

Environmental protection can be undertaken in the Group's operations. To minimise impacts on the environment, how does Haitong International carry out green office practices in daily operations, including measures for reducing paper consumption and waste, and how is the effectiveness and suitability of the measures evaluated?

We have installed automatic lighting system and lighting sensors in all office premises. Existing lightings are replaced by energy-saving LED lights. Besides, all photocopy machines at the new office have the "tap to print" function, which stay at the energy-saving mode until being used. The Group complies with the Building Energy Efficiency Ordinance (BEEO) standard laid down by the Electrical and Mechanical Services Department, which is applied to the new office settings and renovated existing offices.

4.2 Materiality Assessment

Material sustainability topics refer to topics that have a material impact on Haitong International's business in terms of economic, environmental and social aspects, or topics that have an impact on stakeholders' decision in conducting business with us.

Through materiality assessment, we identify material topics of the Group and incorporate prioritised material topics into our operations and decision-making process so as to understand our stakeholders' requests, opinions and expectations towards us and address their requests in a timely manner.

4. Grow with Stakeholders

4.2.1 Materiality Assessment Procedure

We conduct a thorough materiality assessment at least once a year to ensure that our sustainability policies and guidelines address stakeholders' concerns. The overall assessment enables us to identify and review the most material sustainability topics for our operations and stakeholders during the year or in the future. We have taken the following steps to conduct materiality assessment:

1. Identification of Topics

On top of the topics selected in the previous report, we made reference to the ESG Reporting Guide, GRI Standards, TCFD recommendations and United Nations Sustainable Development Goals, as well as industry trends and findings, and engaged an independent sustainability consultant to enhance the list of topics. These topics fall into five categories as follows:

1. Corporate Governance and Operation Management
2. Employment and Labour Standards
3. Economic and Operational Practices
4. Environment
5. Community Investment

This year, a new material topic – “Carbon Emissions and Management” was identified. Meanwhile, one of the material topics last year was re-categorised into “Customer Privacy and Information Security Management” and “Intellectual Property Protection”. We also combined two material topics – “Supply Chain Management” and “Procurement Practices” into “Supply Chain and Procurement Management”.

2. Prioritisation of Topics

Our sustainability consultant conducted an online survey with stakeholders, and identified the materiality of topics for prioritisation. Relevant data from the online survey were used to generate the materiality matrix.

We also invited external stakeholders (including clients, investors and shareholders, the public and the media, the government and regulators and internal stakeholders (including our staff)) to provide response on the online survey.

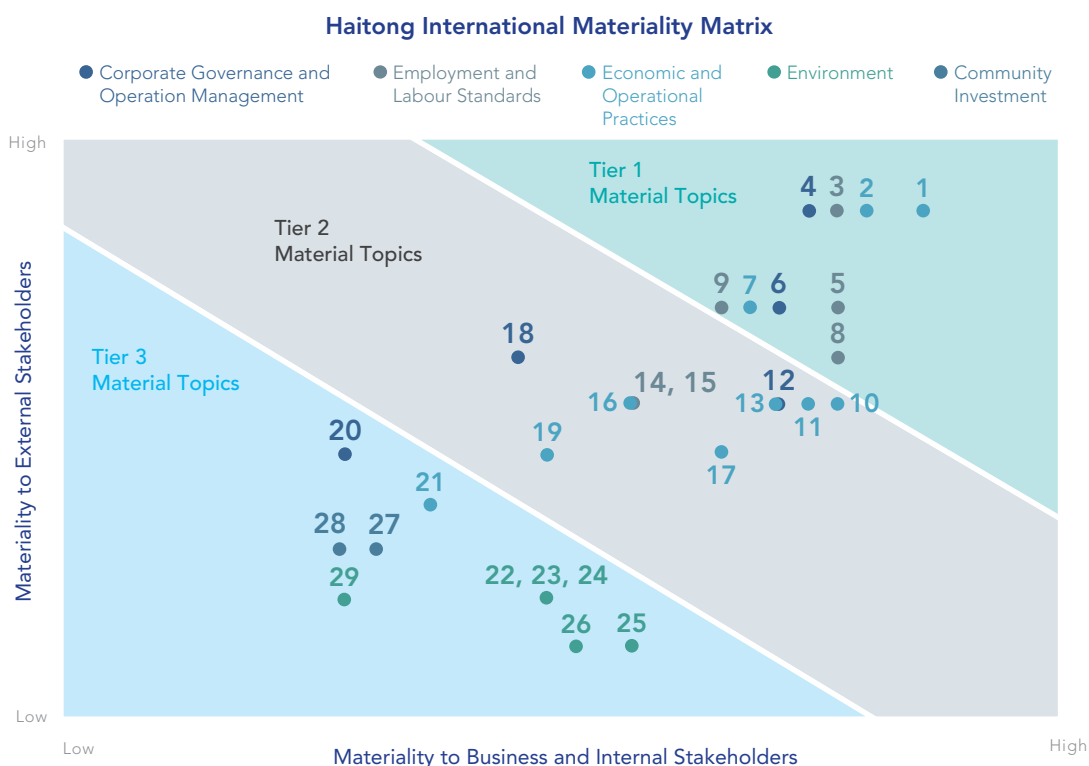
3. Result Analysis and Review

The materiality matrix depicts the significance of material topics to internal stakeholders (horizontal axis) and to external stakeholders (vertical axis). The most significant topics are deemed key disclosure of this Report, and serve as an important basis for ESG management.

Selection and prioritisation of material topics were reviewed and confirmed by the ESG Committee and the ESG Executive Office, and received approval from the Board.

4.2.2 Materiality Matrix

In early 2023, we conducted an annual online ESG survey, which garnered active participation from internal and external stakeholders. To address the needs of stakeholders, the Report focuses on the selected Tier 1 material topics, which cover 9 material topics.



* The numbers indicated in the Materiality Matrix represent the ranking of the ESG topics

Analysis of Haitong International's ESG topics

Ranking Topic

Tier 1 Material Topics

1	Customer Privacy and Information Security Management
2	Anti-Corruption
3	Employment and Labour Compliance
4	Compliance and Operations
5	Occupational Health and Safety
6	Internal Control and Risk Management
7	Stakeholder Communication and Information Disclosure
8	Work-Life Balance
9	Employee Training and Development

4. Grow with Stakeholders

Ranking	Topic
Tier 2 Material Topics	
10	Economic Performance
11	Service Quality and Customer Satisfaction
12	Corporate Governance
13	Sustainability and Green Finance
14	Employee Welfare
15	Diversity, Inclusion and Equal Opportunities of Employees
16	Intellectual Property Protection
17	Innovation and Safety of Products and Services
18	Investor Relations
19	Supply Chain and Procurement Management
Tier 3 Material Topics	
20	Anti-Competitive Behaviours
21	Green Procurement
22	Addressing Climate Change
23	Environmental Protection Education and Promotion
24	Carbon Emissions and Management
25	Environment and Natural Resources
26	Green Operations
27	Local Communities
28	Community Investment and Charitable Donations
29	Environmental Protection Compliance

The Report is compiled based on the materiality matrix and provides disclosures on the measures taken for and the performance of each material topic during 2022, with an emphasis on topics with higher rankings. For details, please refer to Chapter 5 to Chapter 9 of the Report. We will also continuously review and respond to the feedback collected to meet the expectations of all stakeholders.

4.2.3 Material Topics Selected by Stakeholders

The following table sets out the 9 material topics under Tier 1 Material Topics that stakeholders consider as highly significant to our ESG management and development:

Ranking	Tier 1 Material Topics	Employees	Customers	Suppliers	Public
1	Customer Privacy and Information Security Management	✓	✓		✓
2	Anti-Corruption	✓	✓	✓	✓
3	Employment and Labour Compliance	✓	✓	✓	✓
4	Compliance and Operations	✓	✓	✓	✓
5	Occupational Health and Safety	✓	✓	✓	✓
6	Internal Control and Risk Management	✓	✓	✓	✓
7	Stakeholder Communication and Information Disclosure	✓	✓	✓	✓
8	Work-Life Balance	✓	✓	✓	✓
9	Employee Training and Development	✓	✓	✓	✓

5. Economic and Operating Practices

5.1 Sustainability and Green Finance

We are committed to putting sustainable and green finance into practice by providing customers with professional financial services and products in the ESG finance sphere and incorporating sustainability elements into business activities. Moreover, we manage and control ESG-related risks (including climate change) to achieve long-term stable development. Besides, by leveraging our unique role as a capital market intermediary, we actively take part in the development of sustainable and green finance, demonstrating our leadership in the ESG finance market.

5.1.1 ESG Investment Roadmap

Objectives	Practices and Achievements of ESG Finance in 2022
Sustainable Financial Products and Services	
In 2020, we published the ESG Statement which states our intention to deploy or provide US\$20 billion in ESG and sustainable financing and investment by the end of 2025.	Debt Capital Markets Department continued to invest in sustainable finance, completing a total of 24 green, blue and sustainable bond issuance and underwriting projects with a total underwriting amount of over US\$8.18 billion. The proceeds have been used for green transportation, urban energy infrastructure, building energy efficiency green building, clean energy, marine ecosystem improvement, water pollution control, and other projects.
In addition, the Asset Management Department continued to optimise the analytical models of ESG factors in investment processes across all investment portfolios, while constantly strengthening itself as a buy-side investment and research platform that practises ESG investment philosophy.	

ESG Investment Decision Making

In the ESG Statement, we expressed our ESG risk assessment in our investment decision-making process; gradually turn away from heavily polluting and energy consuming corporate financing and investment activities; proactively support the development of new energy and green industries. Haitong International's Equity Research Department will rate the ESG performance of all research subjects, and present these ratings in the final research report as one of the important reference factors for final investment decisions. It will also conduct a comprehensive and in-depth analysis of the ESG areas of the research subjects and provide ratings accordingly. A rating will be given on a scale of 1–5 (with 5 being the highest) in each area of ESG and be included in the research report.

The Group's Private Equity Investment Department has incorporated ESG factors into the investment decision-making process. All private investments are subject to the ESG investment principle, and exclude investments in any heavily polluting and energy consuming industries, thereby further enhancing the effectiveness of our review on ESG risks in the investment portfolio. Haitong International's Equity Research Department has set up an ESG database to help the Group establish an ESG rating system. Currently, ESG-themed ETFs, including Haitong MSCI China A ESG ETF and Tabula Haitong Asia ex-Japan High Yield Corporate USD Bond ESG UCITs ETF (Asian (ex-Japan) corporate high yield USD bond ETF), have been included in the approved list of funds by the Private Equity Investment Department. In addition, we have also included several green bonds issued by Chinese real estate developers in our bond recommendation list. ESG ratings given by the international rating agency, MSCI and SusallWave, to target stocks for investment are shown in the research reports for investors' consideration of their ESG performance when making investment decisions.

5. Economic and Operating Practices

Moreover, we provide a series of financial services for clients including product issuance and placement, and work with them to achieve sustainable development policies and support business, investment and financing activities in line with the United Nations Sustainable Development Goals. In 2022, Haitong International's key ESG green finance projects are as follows:

United Nations Sustainable Development Goals

Key Project



- Assisted an innovative biopharmaceutical company through investments from a parent fund, providing globally pioneering or best-in-class treatment solutions to address urgently unmet medical requirements, as part of the effort to cure diseases and improve the human health. The company is committed to the development of innovative small-molecule targeted immunomodulatory drugs with global independent intellectual property rights, focusing on innovation-driven research in the areas of cancer, autoimmune diseases, inflammation, etc.



- Assisted Agricultural Bank of China New York Branch in issuing the five-year US\$300 million offshore senior green bonds, with the proceeds raised for financing and refinancing qualified green projects in renewable energy, clean transportation, sustainable water and wastewater treatment. This is the first offshore green bond from a Chinese financial institution in 2022. The bond adheres to the "Green Financing Framework", which has been certified by S&P for being "fully aligned" with the "Green Bond Principles" (2021) and "Green Loan Principles" (2021).

United Nations Sustainable
Development Goals

Key Project



- Haitong International acted as a joint bookrunner to complete the pricing and allocation of the global depositary receipt issuance of Ming Yang Smart Energy Group Limited (601615.SH)(MYSE.LN), by assisting its listing on the Main Board of the London Stock Exchange. As a global provider of integrated solutions for clean energy, Ming Yang Smart Energy is committed to green, inclusive and intelligent energy, with its business footprint covering the development and operation of new energy sources such as wind, solar, storage, and hydrogen, as well as equipment manufacturing. It ranks among China's Fortune 500 and the world's top 500 new energy enterprises, and ranks first in global offshore wind innovation, striving to build a globally renowned new energy industry group with revenue of over RMB100 billion. Ming Yang Smart Energy focuses on exploring renewable green clean energy solutions, and strives to transform renewable energy from supplementary energy to alternative energy and from high-cost energy to inclusive energy through its technological and business model innovation, for the purposes of developing a beautiful China with blue sky, green land, and clean water.
 - Assisted GCL New Energy Holdings Limited in completing the placing of new shares. GCL New Energy is a renowned privately-owned solar power producer in China, gaining recognition from international capital market by being included in the MSCI China Small Cap Index on 27 May 2021. Since its development of solar energy business, GCL New Energy has become a solar power producer with strong development and scientific research capabilities as well as intelligent operation and management capabilities for facilitating the establishment of new electricity system with focus on new energy.
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5. Economic and Operating Practices

United Nations Sustainable Development Goals

Key Project



- Assisted a technology innovation company focused on key technologies in artificial intelligence and robotics through investments from a parent fund. The company is committed to the application and research and development of driverless and intelligent control technologies in specialized vehicles and wheeled robots, by utilizing innovative technologies to upgrade supporting facilities in scenarios such as warehousing, logistics, parking lots, factories, and parks, significantly improving work efficiency.
- Assisted the Shenzhen Municipal People's Government in issuing the 3-year RMB1.5 billion senior unsecured fixed-rate green bond, with proceeds raised for subway project development, further promoting Shenzhen's transportation towards cleanliness and low-carbon transition, which in return support high-quality development in local regions.



- Provision of syndicated facility for a listed company in Hong Kong. This company principally engages in the recycling business of ferrous and non-ferrous metals, scrap cars and e-waste, and the production of secondary aluminium ingots from scrap aluminium, to recycle resources with an "urban mining" philosophy. Meanwhile, it partnered with the largest aluminium producer in China to build industrial recirculation facilities for the recycling of metal scraps to reduce impacts on the environment and reliance on natural resources.
- Assisted a high-tech company that provides high-performance materials 3D printing and industrial-graded direct additive manufacturing solutions through investments from a parent fund. The company focuses its technologies on industrial areas, such as aerospace, automotive, electronics manufacturing, consumer goods, medical, and scientific research. The 3D printing technology can assist enterprises to reduce production waste and raw materials consumption, making significant contributions to the sustainable development of real industries.

United Nations Sustainable Development Goals

Key Project



- Assisted the Shenzhen Municipal People's Government in issuing 5-year RMB1.1 billion senior unsecured fixed-rate blue bond, with the proceeds raised for improving the marine ecological environment and water pollution control projects, including the construction of retention basins in Longgang District.

In addition to actively benchmarking against the United Nations Sustainable Development Goals, Haitong International also assisted Agricultural Bank of China Hong Kong Branch in issuing the 3-year US\$600 million offshore senior green bond, which has been recognised by the globally renowned ESG agency Sustainalytics and obtained the Green and Sustainable Finance Certification from the Hong Kong Quality Assurance Agency (HKQAA). Meanwhile, Haitong International also assisted Shanghai Lingang Economic Development (Group) Co., Ltd. in successfully issuing the 3-year RMB1 billion offshore green bond and 366-day EUR50 million free trade zone green bond. This project includes several pioneering initiatives, such as the first green bond and sustainability-themed pearl bond, the first joint underwriting of financing projects by securities dealers from Shanghai, Hong Kong, Macau and Singapore, and the first exclusive green framework advisor utilising the cross-border development of the Lingang New Area. Haitong International adheres to its consistent principles of ESG and sustainable finance, assisting Shanghai Lingang Group in drafting the Green Financing Framework and obtaining the Second Party Opinion from S&P Global Ratings on the framework, as well as the assessment of "fully aligned with the Green Bond/Loan Principles", making significant contributions to the certification of green bonds. The capital pool achieved a number of "first places" for the pearl bond issuance that aims at the two-way connectivity between capital markets.

In 2022, Haitong International was awarded various awards by the HKQAA, including the Hong Kong Green and Sustainable Finance Awards, Local State-Owned Enterprises, Outstanding Award for Green and Sustainable Bond Lead Manager, and Pioneering Organisation in ESG Disclosure Enhancement, and has been consecutively awarded the "Chinese Offshore USD Bonds Annual Institution Selection – ESG Award".

5.1.2 ESG Investment Practices

Upholding the Group's ESG investment philosophy, Asset Management Department continued to develop innovative sustainable financial products in 2022. It also incorporated ESG investment philosophy into its actively managed investment process and actively promoted ESG investor education, making substantial contributions to the promotion of ESG investment and the development of sustainable finance.

5. Economic and Operating Practices

To promote development in the sustainable finance industry, Asset Management Department continued to launch a series of innovative ESG investment products. Haitong International worked closely with International ESG rating agencies to conduct feasibility analysis on diversified ESG themes, product types and ESG incorporation mechanisms of sustainable investment products, so as to meet the rising demand of ESG investment products from clients and demonstrate our leading market position. For instance, Asset Management Department collaborated with Tabula, a UK-based asset manager and ETF provider, to launch the “Tabula Haitong Asia ex-Japan High Yield Corporate USD Bond ESG UCITS ETF” (“TAHY”) in 2021, which is the first global USD-denominated Asia ex-Japan high-yield corporate bond ETF featuring the ESG theme. TAHY continued to gain market recognition, with the total assets under management exceeding US\$295 million as at the end of 2022. At the same time, Asset Management Department has actively participated in industry-related ESG summits and working meetings, established the Asset Management ESG Committee and the Responsibility Management Committee, and formulated relevant management policies, further integrating ESG factors into existing investment processes, while initiating the construction of a simulated portfolio and fund-raising for carbon transition fund products.

In addition, we also further improved our internal strategy to encourage all business departments to pursue ESG investment. The Group has established the “Due Diligence Guideline” to comply with the “Principles of Responsible Ownership” issued by the Securities and Futures Commission (the “SFC”) and enhanced investor engagement and transparency on the premise of safeguarding clients’ best interest and ESG investment. We also take initiatives to manage investment decisions, participate in proxy voting and maintain communication with investees with the aim of promoting sustainable finance development of investees.

To meet the ESG requirements laid down by regulatory authorities, we have taken corresponding measures to take ESG factors into greater consideration, including management of climate-related risk and launching ESG-related products to offer choices for investors. For instance, in accordance to the “Circular to licensed corporations – Management and Disclosure of Climate-related Risks by Fund Managers” published by the SFC in August 2021, the Group has set up a dedicated working group to establish mechanisms to address climate-related risks, and Asset Management Department and the Investment and Alternative Asset Management Department have taken corresponding measures for the investment and risk management of relevant fund products. These include formulating policies and guidelines governing the climate-related risk management as well as engagement policies regarding investees in 2022, to comply with relevant governance, investment management, risk management and disclosure requirements.

5.2 Compliance Operation

We follow high standards of business ethics and operating compliance with zero tolerance to financial crimes such as corruption, bribery, extortion, fraud, money laundering, insider trading, monopoly and competitive behaviours. To strengthen the prevention of financial crimes, we have formulated a series of anti-corruption and anti-money laundering management systems according to the laws and regulatory requirements of the jurisdiction where Haitong International operates in, and with reference to the recommendations by relevant international organisations. We also conduct regular evaluation on the risks of corruption and bribery, where corruption is included in risk factors for compliance risk assessment purposes, and enhance relevant anti-corruption training to our employees, in order to ensure the Group's operations comply with laws and regulations, effectively keeping financial risks at bay, maintaining economic and financial security and fostering fairness and justice in society. During the year, we determined in our risk and control assessment that the inherent risk level of corruption and bribery is low, and did not identify any case involving the relevant investigation into disciplinary penalties against, or dismissal of any employee as a result of his or her non-compliance with anti-corruption and anti-money laundering policies or violation against professional integrity, nor were there any litigation cases, fines, penalties, or settlement costs involving financial crimes and violation against professional integrity (such as fraud, insider trading, monopoly, anti-competition, market manipulation, and misconduct).

To ensure ongoing compliance in our operations, the Group's Compliance Department has established a regulation tracking system and designated staff to keep a close eye on the updates and changes in laws, policies and regulations that are relevant to us promulgated by the SFC, overseas securities regulatory authorities and the HKSE. We will notify relevant business units and back offices through internal regulatory updates and require them to conduct gap analysis and self-assessment to ensure timely responses and adequate disclosure in compliance with the updated laws and regulations. On the business segment level, responsible officers track the changes in new laws and regulations and act accordingly, including formulating systems and procedures in line with our business models, and regularly review our internal policies and provide training to ensure compliance with the latest laws and regulations. To ensure the effectiveness of the measures in preventing financial crimes, we carry out sample checking from time to time to detect deficiency. Once discovered, relevant departments are required to take corrective actions promptly.

To attain the highest standard of openness, integrity and accountability, we expect and encourage our staff to raise concern about suspicious internal misbehaviour or malpractices. The Whistleblowing Policy, was adopted by the Board by way of resolution in 2022 and has been uploaded to our website. We encourage our staff and third parties (e.g. customers, creditors and debtors) to report any suspected misbehaviour, misconduct or malpractice related to our Group to the Audit Committee via anonymous mails or e-mails, if desired. Details of reported matters will be kept confidential to protect the privacy of whistleblowers and prevent them from unfair dismissal, inappropriate disciplinary action, and retaliation or threats. The Board will review the Whistleblowing Policy from time to time to ensure that it meets our needs and reflects the latest regulatory requirements. During the year, we did not receive any case involving employee complaints or whistleblowing cases.

5. Economic and Operating Practices

5.2.1 Anti-Corruption Policies

Our "Guideline on Anti-bribery and Handling of Gifts and Entertainment" and "Staff Handbook" outline the standards that our employees must follow and the behaviours they should avoid as well as the definitions of interests and entertainment, and the value cap of gifts. Moreover, reporting methods and procedures are also detailed. No employees are allowed to solicit any interests from any persons who are connected to our business. Meanwhile, we have formulated the "Conflicts of Interest Policy" and "Personal Dealing Guideline" to provide guidelines for approval and disclosure of external employment or private investment for employees and establish procedures for monitoring personal dealings and reporting.

We have also established the internal grievance reporting and whistleblowing policies to provide employees with channels and guidance for reporting potential misconducts or unethical behaviour, and to allow employees to lodge complaints and reports, give feedback and bring governance matters to our attention. The reported matters will be investigated and timely and appropriate response will be given. When an employee is aware of bribery or gravely sensitive or serious incidents, they can report the matters to the management, and lodge a complaint and report according to the "Guideline on Anti-Bribery and Handling of Gifts and Entertainment". The option of making an anonymous report is also available.

In addition, we also regulate our business partners such as agencies, consultants and contractors by the "Guideline on Anti-Bribery and Handling of Gifts and Entertainment". Upon selection of suppliers, besides a series of service assessments required, an explanation should be given for choosing a supplier in a special circumstance with sufficient rationale. Terms and conditions relating to anti-corruption will be set out in all agreements to ensure that our business partners understand our anti-corruption requirements including our zero tolerance to any form of bribery. In case of breach of such requirements by a business partner or its staff, we have the right to terminate the cooperation with the business partner, and may report to the police and/or the Independent Commission Against Corruption ("ICAC"), depending on the severity.

5.2.2 Anti-Money Laundering Policies

We adopt a risk-based approach ("RBA") to combat money-laundering and terrorist financing. On top of client due diligence and ongoing monitoring, if certain customers or the situations are assessed to involve relatively high risks in money-laundering and/or terrorist financing, enhanced measures will be adopted to manage and mitigate those risks. Conversely, when the risks are relatively low, simplified measures will be adopted accordingly.

We strictly abide by relevant laws including the Anti-Bribery Ordinance, the United Nations (Anti-Terrorism Measures) Ordinance, and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance. Moreover, we have set out the “Group Anti-Money Laundering Policies”, including “Anti-Money Laundering and Counter-Terrorist Financing Policy and Guideline”, “Anti-Money Laundering Country Risk Assessment”, “Politically Exposed Persons Assessment Guideline”, “Negative News and Adverse Records Assessment Guideline” and “Customer Due Diligence Guideline”. We review and update these policies at least once a year to ensure all anti-money laundering policies and procedures are in compliance with related laws and regulations, and our staff are provided with the latest guidelines and procedures.

Besides, the “Suspicious Trading or Activity Reporting Guideline” within the “Group Anti-Money Laundering Policies” sets out the ways and procedures to report suspicious transactions, and provides employees with approaches to identify suspicious transactions related to money laundering. This allows them to understand the operational requirements to identify suspicious transactions more accurately, and to avoid the use of the Group’s products and services for money laundering purposes. The Group’s systematic procedures facilitate employees in performing a series of anti-money laundering investigations, including assessment on the risk of money laundering and terrorist fundraising in over 240 countries and regions.

For anti-money laundering, we monitor post-trading risks for money laundering with an automatic money-laundering transaction monitoring system and evaluate pre-trading risks in transfer of third-party funds, shares and bonds, and strengthen enforcement of investigation and scrutiny.

5.2.3 Training for Compliance Operation

We strive to heighten staff’s awareness and alertness of financial crimes by providing staff with anti-corruption and anti-money laundering training, including educational materials on e-platform, seminars provided by external speakers and the Group’s internal training courses for target groups, so that our staff will understand our relevant guidelines.

During the year, we annually provided members of the Board and staff with annual anti-money laundering and anti-corruption training in the form of electronic training materials, including professional ethics, anti-bribery and anti-corruption in the Asia-Pacific region, and updates on anti-bribery, anti-corruption and anti-money laundering guidelines. The members of the Board, senior management, and all employees are required to participate in training and pass the test. In 2022, the attendance rate of the online training on anti-bribery and anti-corruption was 100%.

The Group’s Compliance Department invited the ICAC as speaker in three anti-bribery and anti-corruption seminars. Legal and regulatory requirements were highlighted and the ways to deal with corruption and bribery were explained to the staff.

The abovementioned is mandatory training, aiming at strengthen the professional ethics and conducts of all our staff.

5. Economic and Operating Practices

5.3 Supply Chain

We incorporate the sustainability philosophy into our daily management of suppliers. Considering that our purchase pattern will have an impact on the environment and society, we emphasise the control on suppliers' environment and social risks, and require our suppliers to comply with the Group's sustainability standards on top of compliance and financial stability so as to promote the sustainability of the whole supply chain. Most suppliers engaged by the Group are local suppliers.

During the year, there was no material change of our supply chain and supply chain management, and no material adverse impacts on environmental and social aspects identified, nor were there non-compliance cases related to corruption and commercial bribery identified.

5.3.1 Green Procurement

We gradually incorporate more green principles into the "Purchasing Manual", including green admission standards established for suppliers. During procurement tenders, green requirements and assessment standards are established for relevant products and services, whereby requiring the suppliers who partake in the tender process to provide accreditation and certification of environmental management and environmental protection so as to ensure suppliers are up to the eco-friendly standards for provision of services.

We request our suppliers to use environmental-friendly materials over the course of production wherever practicable. When choosing our printing partner, we prefer the one with outstanding performance in sustainability, to align with the ESG development philosophy and aim to minimise carbon emission.

5.3.2 Supplier Assessments and Negative News Screening

Our supply chain encompasses different types of suppliers. When choosing new suppliers, we require the new suppliers to provide information including its company overview, list of clients, environmental protection policies and relevant environmental protection certificates. Each year, the Group carries out service review in accordance with relevant procedures, and assesses the performance of suppliers based on specific criteria, in order to evaluate their environmental and social risks.

We conduct comprehensive examinations on the services of suppliers to ensure that their performances are in line with procurement requirements, as well as our environmental and social requirements. In addition, such examinations can ensure the suppliers continue to meet our expectations of ethics and environmental protection. In the case of non-compliance by the suppliers, we will require the suppliers to provide a rectification and improvement plan, and will terminate business relationship when necessary.

To keep reviewing and improving our procurement system, we strengthen our market research and keep monitoring negative news of our external suppliers, particularly in the areas of environmental and social areas to comprehensively avoid risks arising from suppliers.

5.3.3 Anti-Corruption and Anti-Commercial Bribery of Supply Chain

We spare no effort to promote a culture of integrity, while formulating comprehensive policies and measures, including the “Purchasing Manual” and “Guideline on Anti-bribery and Handling of Gifts and Entertainment”, so that our employees will easily follow the relevant guidelines, and understand that no solicitation from any business-related parties is permitted. Related training is provided for our employees to strengthen our business ethics culture.

The “Guideline on Anti-bribery and Handling of Gifts and Entertainment” also applies to all of our agencies, consultants, contractors, and other business partners. Appropriate requirements related to anti-corruption will also be stipulated in cooperation agreements to ensure our business partners understand such anti-corruption requirements, and to prohibit any form of bribery. In case of violation of the anti-corruption requirements by our business partners or their employees, we have the right to terminate the cooperation with the business partners, and may report to the police and/or the ICAC, depending on the severity.

In selecting suppliers, we conduct a series of assessments over the suppliers. Furthermore, when only one quotation is received or when the quotation from the selected supplier is not the lowest, explanations will be provided during the approval process to ensure openness, fairness and integrity of our procurement.

6. Products and Services

Haitong International values the quality of our business, and upholds the principle of providing quality offerings and professional services. We have always pursued the global compliance management philosophy that constantly aligns with the latest stringent practices, and strictly abide by the “Trade Descriptions Ordinance”, the “Securities and Futures Ordinance”, the “Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission and the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes” to ensure all information is accurate without misleading, defamatory and fraudulent representations.

6.1 Product Responsibility

6.1.1 Strict Guarantee on Product Safety

We continue to improve the global internal control framework, based on risk management that emphasises the “comprehensive, timely, measurable and forward-looking” approach. We maintain a global focus and implement appropriate risk management measures for each business line, and put forward measures in a timely manner according to updates of laws and regulations:

- We abide by the guidelines and regulations regarding funds laid down by regulatory authorities including the SFC, the HKSE, and the Mandatory Provident Fund Schemes Authority (“MPFA”) for the purposes of adhering to the compliance requirements.
- To promote the development of green and sustainable finance in Hong Kong, the Green and Sustainable Finance Cross-Agency Steering Group (“Steering Group”), which was set up in 2020 and co-chaired by the SFC and the Hong Kong Monetary Authority (“HKMA”), has laid down a number of regulatory requirements and recommendations for green and sustainable finance. In response to which, Haitong International has taken measures to reinforce our considerations to ESG factors including management of climate-related risks, and introduce the ESG-related investment products for investors to choose from.
- The Product Management Committee is formed under the Risk Management Committee, comprising the Group’s Chief Risk Officer, Head of Risk Management Department, Head of Compliance Department, Head of Legal Department, Head of Global Technology & Operation Department and Head of Finance. The committee is responsible for reviewing sales practices, and standards and findings of product due diligence, in order to guarantee product quality, implement supervisory guideline and comply with the relevant regulations.
- By formulating the “Product Evaluation and Control Management” that outlines the requirements of product due diligence and risk monitoring, we will strengthen communication and liaison among front, middle and back offices, and lay out related policies for product planning, management and review.

- All products launched by the Global Markets business segment meet the requirements as stipulated in the Listing Rules of the HKSE and are monitored with internal risk management procedures. Written explanation is required to be given to the HKSE for failure in compliance with such requirements.
- We provide various product training including seminars and educational videos to frontline employees to ensure all salespersons have sufficient understanding of our products and the sales procedures are in compliance with the requirements of the Company and the SFC.

6.1.2 Quality Assurance Process

With strict quality assurance processes in place, Haitong International strives to provide clients with premium, comprehensive, and reliable financial products and services. We continue to improve the policies and guidelines, strengthen investment suitability reviews and provide more internal training so as to safeguard investors' interests. Before entering into any transaction, the Quality Control Team, as the last line of defense, strives to ensure transaction suitability, including the eligibility of clients, correct matching of product risks, provision of sufficient product information to clients by account executives, vulnerability of clients, and record keeping by account executives.

Private Wealth Management Department and Asset Management Department, as two major segments of the Group, exercise strict quality assurance control over the Group's products and services, the key takeaways of which are as follows:

Private Wealth Management

Private Wealth Management Department is responsible for conducting internal control and risk management over the launch of over-the-counter ("OTC") and on-market products and sales procedures. The relevant investment products range from bonds (fixed income products), funds, and structured products to on-market products.

In 2022, the Private Wealth Management Department worked with the Product and Investment Solution Team to review the handbook and work procedures regarding product risk ratings and due diligence to draw a clear line on due diligence and risk control requirements for our products, and refine the composition structure of the Product Management Task Force.

Product and Investment Solution Team performed due diligence on various investment products and their issuers, and conducted risk assessments over such products before preparing product due diligence reports. Product due diligence reports were released only after approval was obtained from the head of the Product and Investment Solution Team, the head of Compliance and department heads. All OTC products were required to be approved by the Product Management Task Force and Product Management Committee, which will be subject to review on a regular basis (at least once a year). During the year, a total of over 774 product due diligence reports of the Product and Investment Solution Team were completed and approved.

6. Products and Services

The Product Management Task Force has undergone two reorganisations with the structural adjustments aimed at optimising its structure and improving its efficiency. Currently, the Product Management Task Force is composed of the head of the Product and Investment Solution Team, the Chief Investment Office of the Private Wealth Management Department, the head of Wealth Planning Team, the head of the Global Family Office, the head of the Business Support and Management, the compliance director and department heads. The Chief Investment Office of the Private Wealth Management Department has also been appointed as the chairperson of the Product Management Task Force, replacing the department head that originally held office as the chairperson.

As part of the development of the Private Wealth Management Department and to provide high net worth individuals with premium wealth management solutions, our investment advisors and account executives recommend different types of investment products to clients according to their needs, including the low-risk equities or fixed income products and the high-risk structured products. To protect the shared interests of clients and the Group, all investment proposals made by the Private Wealth Management Department, including the terms and conditions regarding the products or services therein, are subject to compliance clearance by the department, to ensure there exists no unfairness or misleading information pertaining to provision and marketing of these products and services.

The Private Wealth Management Department also conducts regular reviews over the investment product sale procedures. For instance, account executives who make recommendations or solicitations to clients are required to ensure that the investment position of such clients, their understanding of the product suitability, and their experiences in investing in relevant products align with the product risk ratings, which shall be subject to internal and regulatory requirements, before the relevant products are recommended to such clients. Account executives are also required to safeguard the rights and interests of the clients on the best endeavour basis by precisely understanding the product risks, while ensuring their clients are fully informed of the characteristics, merits and risks of such products when making investments, and that there are sufficient assets to cover the losses that may be incurred from the trading in such products. Account executives are also required to carry out final audit over the authenticity and accuracy of product information provided to the clients on the best endeavour basis. Furthermore, all promotion campaigns from the Private Wealth Management Department, including product details manuals and publication of pictures and texts through social media, shall be reviewed and approved by the Compliance Team, department heads, and Corporate Communication Department. At the same time, all related costs shall be disclosed to clients in a fair and reasonable way.

The Compliance Team at the Private Wealth Management Department continue to review and update relevant guidelines and enhance the department's product sales and investor suitability evaluation system. The Quality Control Team strictly performs both investment suitability evaluations and pre-trading checks with sales staff for each OTC transaction according to relevant policies to ensure suitability for all transactions, including verification of eligibility of clients, correct matching of product risks, provision of sufficient product information to clients by sales teams, identification of high-risk and vulnerable clients and proper record keeping by sales teams. The business compliance team will also carry out post-trading sample check regularly to ensure product recommendation and sales procedures are in compliance with regulatory requirements and the Group's policies and requirements. The middle office team performs statistical analysis on transactions with higher risks on a regular basis. Those transactions are categorised and reported to the management of the department so that they can gain a thorough understanding of the implementation of product sales and investor protection.

As for OTC trading products, the Private Wealth Management Department has established a slew of guidelines for related investment marketing and quality control, which regulates its sales process and suitability requirements to reduce the risk of account executives providing customers with improper marketing or misleading advice, and standardises the post-trading monitoring processes for its products. Meanwhile, the Business Support and Management Team of the Private Wealth Management Department and the Compliance Department conduct post-trading monitoring of OTC transactions by reviewing trading documents, suitability reports, telephone recordings, and other related materials. Any improper marketing or misleading advice, if identified, will be reported to the department heads for follow-up actions.

Besides, the Compliance Team, Business Support and Management Team, and Product and Sales Team of the Private Wealth Management Department provide frontline sales teams with various product training through seminars and production of educational videos to heighten the frontline sales teams' awareness of investor protection, and ensure that all salespersons have sufficient product knowledge and the procedures are in compliance with the requirements of the Company and the SFC.

Asset Management

Asset Management Department of the Group performs product due diligence over the newly launched products, while evaluation is well performed by the Compliance and Risk Management Teams to ensure the risk rating of new products are in line with the Group's requirements. The results of due diligence reports are required to be approved by the department head. The department also performs due diligence over services providers each year to ensure the quality of service rendered is maintained.

In line with the compliance management philosophy of the Group, Asset Management Department strictly abides by relevant requirements of "Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission" to ensure recommendations and solicitations made to clients are reasonable under all circumstances. The investment suitability represents a cornerstone to safeguard investors and is a prerequisite for sales practices by licensed and registered persons (including distribution of investment products and provision of advice on investment products). In light of the importance of such a prerequisite, Asset Management Department adopts and follows the suitability requirements set by the SFC, and provide guidelines on other aspects of sales practices (including produce due diligence and disclosure of monetary benefits) to colleagues at a broader level.

6. Products and Services

On the marketing level, Asset Management Department strictly follows the product requirements as defined in the “Advertising Guidelines” laid down by the regulators, under which products are well described with clear, fair and objective viewpoints and related risks are fully disclosed without false, biased, misleading, or deceptive representations. Fact sheets of fund products are consistent with the nature, characteristics and risks of the funds, and the opinions given to the performance of such funds are objective. Moreover, risk warnings are included in each fact sheet of fund products which are reviewed and approved by Compliance Team of the department. To avoid circumstances where clients may be misled, fact sheets also provide relevant terms and conditions which have been reviewed by the Corporate Communications Department, Legal Department, Compliance Department, and other in-house departments. Offering documents for investment products (or offering memorandums) will be further reviewed by external legal counsels to ensure the information is free from errors.

6.1.3 Data Protection and Customer Privacy

Haitong International has long maintained good relationships with our stakeholders such as customers, employees, investors and communities so that our strategies can be effectively implemented and our operating approaches are effectuated for sustainable development. We are always committed to ensuring the security and confidentiality of customer data so as to safeguard our reputation for excellent corporate governance and long-term mutual trust with our clients.

To raise our employees’ awareness of data protection and confidentiality, each new recruit and current employee are required to complete training courses regarding “data privacy” and “information security and cybersecurity”. Furthermore, the frontline departments will separately arrange training sessions for their respective employees. For instance, the Compliance Team at Asset Management Department held data management and data loss monitoring seminar.

Data Protection and Customer Privacy

In compliance with the relevant laws and regulations regarding protection of privacy, we formulate the “Guidelines on Handling Client’s and Staff’s Personal Data”, which directs the employees to protect the information of our client, our staff and third parties. In addition, our employees are required to comply with the Personal Data (Privacy) Ordinance when they process personal data, and implement a series of measures to protect such personal data. For instance, only authorised persons are allowed to process or use such information. Meanwhile, each business segment sets out customer privacy protection standards for their respective clients and provides employees with professional guidance on practical operations, according to the administrative rules set by the Group.

The Group’s Business Compliance Department has also set up a monitoring mechanism or provides compliance advice on practical operations to ensure information protection and customer privacy are carried out in ways commensurate with our policies. To monitor data loss, we adopt policies for data protection and classification, and clients’ data is classified into sensitive or confidential information. The Compliance Department is responsible for daily monitoring to prevent data loss. Suspicious data loss incidents, including unauthorised data damage, tampering, leakage and usage, will be reported to the relevant department heads or senior management. We have also adopted the “Clean Desk Policy”

to protect sensitive and confidential information. Before leaving offices, our employees are required to lock up all sensitive and confidential information to minimise the risks of data loss, and disciplinary punishment will be given to employees in breach of the "Clean Desk Policy".

To handle or collect personal data, relevant employees shall abide by and execute the following measures:

- Where collection of personal data related to customers or employees is required for organisation of any activities, any forms and documents collecting such personal data are subject to review and approval by the Legal Department, and the "Personal Data Collection Statement" is included in the relevant documents or forms.
- Provision of personal data by customers for any activities is on a voluntary basis. If the personal data is used by Haitong International and its associated groups for promotion or advertisement of its products and/or services, the clients' written consents shall be obtained.

For data protection, all employees shall abide by the following measures:

- All personal data are protected by passwords or stored in a safe location such as in locking cabinets which are only accessible by authorised persons. When accessing such personal data, authorised persons are also required to exercise caution with professionalism to ensure such data are processed or used in line with the ways set out in the internal guidelines and policies.
- Our employees are prohibited from transmitting or disclosing any personal data in a public form, such as the internet. In the case of special situations, data are encrypted to avoid data leakage.
- Our employees are prohibited from storing personal data or confidential data in any portable devices. In the case of special situations, the devices are encrypted to avoid data leakage.

Information Security Management

In the digital era, we rely on widespread application of technologies. For the purposes of proper management of information technology and related security, we have formulated the Information Technology and Security Management Handbook as a standard for us to meet the demands of our users, customers and business partners for technology and security protections, to enhance our technology and security levels. We make sure software and electronic information are transmitted in a secure way without unauthorised tampering or breach during transmission. We also assess the network safety from time to time to ensure the normal operation of network systems and minimise cybersecurity risks. Furthermore, we exercise control over purchase, allocation, maintenance and destruction of IT equipment to minimise the risks of information leak.

6. Products and Services

We take measures for information security in the following two major aspects:

E-Finance Services

- Customers are required to go through two-factor authentication and enter a strong password to log into their e-accounts. This can ensure a secure process of verification, and protect the integrity of our customers' account data and keep cyberattacks at bay.
- To activate a customer account or reset their password, generation and transmission of login passwords are performed under secure control.
- A strict password policy and timeout control are adopted, including but not limited to a reminder sent to our customers to change the password that have been used for a long time, as well as restrictions on the minimum length, complexity (alphabet or number) and repeated passwords. Meanwhile, proper control is also taken in response to other circumstances, including number of invalid logins and a period of inactivity after login.
- Advanced encryption algorithm up to international standards is adopted to ensure safety, accuracy, reliability and completeness when data are processed, stored or transmitted through the internet. Sensitive information like login credentials of clients (user ID or password) and transaction data transmitted between our intranet and clients' devices is encrypted to protect and store their login passwords in the internet trading system. The encryption algorithm regularly performs a scanning to check the status and upgrade itself when necessary.
- Effective scanning and monitoring mechanisms are well in place to detect unauthorised access to clients' e-trading accounts, and suspicious unauthorised transactions are identified. When activities are detected in the clients' internet transaction accounts, including but not limited to execution of transactions, system login, password resetting, fund transfer to accounts of third parties and change of information in the account, instant emails, SMSs and other notices are sent to the clients.

Terminal security

- Anti-virus and anti-malware software is installed in all workstations, servers and laptops with regular updates of anti-virus modes (including corresponding definitions and digital signatures) to detect malicious applications, programmes, and software. We also check the terminals failing to perform anti-virus and take corresponding actions to ensure they have the latest updates of virus codes and the terminal equipment is secure.
- Anti-virus software is also installed for secure email gateways (SEG) which are accessible to external networks to check attachments in the incoming and outgoing emails.
- Additional tools like anti-spyware software is also installed to protect mobile codes, such as ActiveX control items, Java apps and browser extensions.
- Unless otherwise specifically authorised or approved, no installation of hardware or software is permitted, nor can applications be downloaded from the internet. Only hardware and software with official copyrights can be installed.

Intellectual Property Rights

We deeply understand intellectual property is the fruit of wisdom. Therefore, we strictly comply with the laws, regulations and rules enacted by the government and regulators pertaining to the protection of intellectual property rights, and formulate relevant guidelines in the "Information Technology and Security Management Handbook".

- Only copyrighted hardware and software shall be used without any violation of the terms and conditions of the copyrights. For instance, illegitimate reproduction of authorised software is prohibited, and no installation of software in computers exceeds the limit as stated in the copyright for such a purchase. Software that completes its trial or assessment or is migrated will be deleted or destroyed from the system or the original device.
- No employee is permitted to install or use fraudulent or pirated software.
- The employees responsible for purchasing and/or managing software will understand the terms and conditions of legitimate software, and provide guidelines and adopt measures for the employees using such software to ensure that its usage is in compliance with the terms and conditions as stated in the agreements.

6. Products and Services

6.2 Product and Service Development

We keep abreast of the market development in this ever-changing financial industry, while expanding our quality businesses and presence to provide innovative and reliable financial service experiences. Building on this, our financial offerings and asset management services can therefore meet the demands of our clients, enabling our Group to strengthen its competitiveness.

We also actively explore existing and emerging market opportunities in the financial sector to further promote the innovation of the sustainable finance and fin-tech areas.

6.2.1 Innovation of Financial Services and Technology

Haitong International continues to bring its ESG philosophy into practice and each business unit continues to provide professional financial services in the ESG finance sphere for customers.

Debt Capital Markets

In 2022, the department continued with its underwriting efforts into green, blue and sustainable bonds. As at the end of December 2022, we completed a total of 24 green, blue and sustainable bond issuances with a total underwriting amount of approximately US\$8.18 billion, further solidifying its leadership in the Chinese corporate offshore green, blue, and sustainable bond market, including assistance given to the Shenzhen Municipal People's Government in issuing 5-year RMB1.1 billion senior unsecured fixed-rate blue bond, with the proceeds raised for improving the marine ecological environment and water pollution control projects, including the construction of retention basins in Longgang District.

In addition, we assisted Shanghai Lingang Economic Development (Group) Co., Ltd. in successfully issuing the 3-year RMB1 billion offshore green bond and 366-day EUR50 million green Free Trade Zone bond in October 2022. For details of this project, please refer to Chapter 5.1.1 ESG Investment Roadmap.

Asset Management

In 2022, the department continued to focus on 2 ESG ETFs for investor education and product promotion campaigns, including the Haitong MSCI China A ESG ETF, and the Tabula Haitong Asia ex-Japan High Yield Corporate USD Bond ESG UCITS ETF issued jointly with Tabula (which is an Asian (ex-Japan) corporate high yield USD bond ETF). As at the end of 2022, this fund reported a total subscription amount of US\$370 million, ranking 2nd amongst all of the high-yield bonds strategy ETFs listed in the European market in terms of net cash inflow. Meanwhile, ESG factors were taken into consideration during the construction of investment portfolios under active management with the results of outstanding ESG performers constantly being tracked, and ineligible shares and investments excluded in terms of ESG standards, thereby continuing to optimise the performance of the ESG contributors in the investment portfolios. We also maintained communication with business clients in Europe, Korea, Taiwan, Singapore, Canada, and other regions so that our communication team may deliver the sustainable finance practices and ESG philosophy. Furthermore, in active collaboration with Tabula, we enhanced communication with institutional investors in Europe to maintain the expansion of ESG services in Europe and further enhance Haitong International's ESG brand influence.

In response to carbon neutrality and carbon transition, which are among the most important investment trends and themes in Asia and globally, Asset Management Department strives to bring corresponding investment returns to investors by actively integrating enterprises characterised by climate-friendly innovation or business transformation, and the ability to translate into profits and recognised by capital markets valuations, as investment targets in our investment portfolios.

6. Products and Services

Private Wealth Management

Following our collaboration with Avaloq, a leading global wealth management system provider, since 2021, we have successfully launched the first phase of Avaloq during the year, which is the customer relationship management system that synchronises with the management of customer information and relationships. At the same time, we are currently building the second phase of Avaloq, which is a customer investment portfolio management system that is expected to be launched in 2023. Besides providing simulations, recommendations, and analyses, the second phase will allow users to view customer investment portfolios and transactions and perform risk management. This will comprehensively upgrade the wealth management system and platform, significantly enhancing the instantly-accessible, smart, and advanced private wealth management experience for our high net worth and entrepreneurial clients.

Besides, the department spared no effort to build and upgrade product and service level to meet the demands of our entrepreneurial clients, and allow our high net worth clients to enjoy a complete suite of services within the investment banking spectrum offering traditional equities and bonds trading, private equity investment, product advisory, equity research and ESG investments. In the meantime, a feasibility study was conducted for issuance of private equity fund-linked notes, which aims to identify prospective bond buyers from the secondary market, or provide financing solutions of Haitong International for the secondary market to elevate liquidity for the notes.

In August 2021, Haitong International established a private wealth management global family mandate relying on the optimised customer segmentation system and early access to the Singaporean market. One-stop and bespoke service packages and solutions stretching across private wealth management, investment banking, global markets and asset management were provided for ultra-high net worth customers and external asset managers.

Global Technology & Operation

The department continued to make significant investments in innovative information technologies by keeping the global smart operating system and central database system of Haitong International updated. Over the past three years, in light of the requirements for online financial services and teleworking brought by the COVID-19 pandemic, Haitong International has continued with stable operations in global trading, settlement, valuation and risk monitoring, thereby ensuring efficient business operations as a whole.

6.2.2 Exploration of Industry Opportunities

Haitong International keeps close contact with its peers. By means of communication and cooperation, like publishing ESG-related articles and columns, holding forums and issuing research reports, we collaboratively explore opportunities for the future development in the industry and exhibit our thought leadership in ESG sphere.



In 2022, we were invited to deliver speeches in various large-scale ESG forums, symposiums and exchange meetings. We also participated in discussions with financial institutions over various ESG-related issues, including carbon neutrality, green finance and transition trend of the finance industry, ESG and sustainability investments. These activities included the panel discussion of “ESG & Sustainability” and the sub-session of “China Industrial Transition towards the Net Zero Carbon Goal with Green Finance” in Asian Financial Forum, the Significance of ESG Investing and Career Opportunities (《ESG 投資的經濟學意義與職業機遇》) held by the Chinese University of Hong Kong, the Prospects and Opportunities of ESG Investments (《ESG 投資的前景與機遇》) held by Shanghai Advanced Institute of Finance, roundtable on Green Finance in Bloomberg New Energy Finance Summit (「彭博新能源財經綠色金融論壇」圓桌論壇), “The Challenges of ESG Investing” (《ESG 投資面臨的挑戰》) in Bund Summit organised by China Finance 40 Forum, an internal seminar about the ESG practice of financial institutions among the senior management of Bank of China, and exchanges with the ESG teams of China Investment Corporation.

6. Products and Services



In 2022, Haitong International’s Chief Economist Office published a number of ESG-related articles in mainstream financial media and professional publications. We also run columns in Yicai and Hong Kong Economic Journal to introduce and promote ESG concepts and practices, as well as the forefront development trend. Furthermore, we published the ESG Daily Express on our Weibo account, in which major ESG news across the world was reported, providing the public and peers with insights into ESG opportunities and development trends.



The pandemic has turned healthcare into one of the most globally concerned issues. In 2022, as the strategic partner of the event, Haitong International jointly organised the 2nd Asia Summit on Global Health with the HKSAR Government and the Hong Kong Trade Development Council (“HKTDC”). Themed “Charting a New Course in Healthcare through Collaboration”, the two-day forum attracted over 80 keynote speakers, including government officials and organisations responsible for the healthcare sector, international scientific and medical experts, investors key industry players, business leaders, financial specialists and professional service providers to discuss topics including the next developments in healthcare sector, how innovation reshapes global healthcare and Hong Kong as a fundraising hub for global biotechnology and healthcare.



Haitong International’s equity research team and HKTDC Research jointly released the “Future Prospects of Healthcare Industry in Mainland China and Hong Kong” research paper, attracting widespread attention and inquiries from industry professionals, investors, and media at the summit.

6.2.3 Outstanding Achievements and Recognitions

In 2022, our outstanding performance was widely recognised among a number of financial institutions and the community with highlights as follows:



Since 2021, we have been awarded the “ESG Investing” award in ESG Leading Enterprise Awards by Bloomberg Businessweek (Chinese Edition) for two consecutive years, recognising the Group’s capabilities in incorporating sustainability elements into its business management framework and all-round ESG investment strategy in various aspects including “investment strategy”, “investment evaluation and selection”, “risk management” and “investment disclosure”. Haitong International’s ESG strategy and sustainable finance philosophy are well-recognised by the industry.



As a recognition of our 12 green and sustainable bond issuance projects completed for local state-owned enterprises, accounting for a market share of approximately 50%, as well as various landmark projects, we were awarded the “Outstanding Award for Green and Sustainable Bond Lead Manager (Local State-owned Enterprises) – Largest Amount of Green and Sustainable bonds” and “Pioneering Organisation in ESG Disclosure Enhancement” by Hong Kong Quality Assurance Agency.



For the Tabula Haitong Asia ex-Japan High Yield Corporate USD Bond ESG UCITS ETF launched by Asset Management Department, we were given a number of awards in 2022:

- Insights & Mandate – Sustainable Investment Awards – ESG Fund of the Year, Regional Awards – Best New Product and Market Awards – Most Innovative Product (Hong Kong) in the Professional Investment Awards
- The Asset – Most Innovative ETF in Europe for Institutional Investors, ETFs and Asset Servicing Providers

6. Products and Services

We were also given other ESG-related awards and recognitions.



- “Honourable Mention in Corporate Governance” in the Hong Kong Corporate Governance & ESG Excellence Awards 2022 organised by The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University
- “Special ESG Awards – Outstanding ESG Performer of the Year (Listed Company) Platinum Award” in the ESG Achievement Awards organised by The Institute of ESG & Benchmark (IESGB).

6.3 Shareholder and Investor Relations

Haitong International fully appreciates our relationship with shareholders and investors, and maintains positive communication and close liason with them. According to our Shareholders’ Communication Policy, the Group, with diverse and effective means such as announcement and press release, is able to provide shareholders and potential investors a clear picture of its operations, financial positions and business development in a timely manner. It also analyses and follows up with the feedback and questions raised by investors to foster effective communication between the investors and the Group. This policy is reviewed by the Board annually to ensure its effectiveness, the facts of which are explained in our annual reports.

We have has been delivering accurate corporate information and positive brand value to stakeholders such as customers, investors, media and the public in a professional manner. We wish to keep close communication with its stakeholders, investors and the public. Business updates and development information are therefore provided by the Group as part of the fulfilment of our commitments and good practice of corporate governance.

6.4 Customer Relations

Haitong International is committed to providing premium customer services. To improve our product and service quality, we are in an active position to maintain effective communication with customers to understand their demands as part of our pursuit of best practice. For the sake of giving clients better knowledge of wealth management so that they are informed of the recent market trend and opportunities, we devise tailored-made wealth management plans for them.

6.4.1 Good Customer Communication

Good communication with our clients is a requisite quality built in our ever-improving corporate services. Focusing on customer experience, we maintain active and direct communication with customers through multiple channels. We also leverage on our internal administrative rules in place to keep optimising our customer services.

Customer Satisfaction

The Group recognises the importance of communication with clients. Customer feedback survey will be conducted quarterly to understand customer satisfaction over the Group's products and services for its ongoing efforts to improve the operating procedures and the quality of products and services.

During the year, the Customer Services Team invited 421 clients to take the survey and provide ratings for the Group in terms of products and services with a 1-to-5 scoring mechanism. There were 413 successful respondents to the survey. The average score was 4.56 out of 5 with a customer satisfaction rate of 91% (as compared to the customer satisfaction rate of 90% for 2020 and 2021). The outcome of this survey has shown that our clients are satisfied with the outstanding customer services of the Group and they recommended that the functions of our e-platform could be further improved.

Handling Customer Complaints

To ensure complaints are handled in a consistent, independent and effective way, we have formulated the "Client's Feedback and Complaints Guideline". Feedback and complaints can be received by the Customer Service Team through various channels including by phone, email, fax or post, to which instant responses will be given. If a case requires further investigation, the Group will respond to the clients within 2 weeks as far as possible with appropriate follow-up actions such as rectification and service improvement.

Procedures set out in the Client's Feedback and Complaints Guideline

Optimised Customer Services

According to the complaints, each of the product departments of Haitong International instantly conducts thorough internal investigations according to the nature and risk level of the complaints. Effective and constructive responses and solutions will be given to ensure the whole process will be handled in an honest and fair manner and protect the best interest of the customers.

Enhanced Customer Experience

Customers' feedback will be analysed after the complaints are resolved, so that service procedures are optimised to safeguard clients' rights and customer experiences, and enhance customer satisfaction. Quarterly customer surveys are conducted by the Group to keep improving operating procedures and further enhance products and services quality.

Active Approach in Handling Customer Complaints

Clients can make enquiries and lodge complaints through the Group's warrant/CBBC hotline or by email. The Group will then make responses regarding derivative warrants to relevant clients in full compliance with the Listing Rules and regulatory requirements so that such complaints are timely resolved. Besides, based on customers' feedback, the team keeps improving the products, services and procedures in order to improve customer satisfaction, while promoting the standardisation, refinement and systematisation of complaint management.

6. Products and Services

In 2022, we received 22 complaints, representing a sharp decrease of 68% as compared to 2021. The complaints only included system operations, e-services, accounts and fees, most of which were attributable to the misunderstanding of our policies and procedures. No complaints were lodged against sales, labeling, information privacy or usage, company products or services, or other areas. Our clients were subsequently given detailed explanations and their concerns were effectively addressed. All complaints were followed up by our Customer Services Team and prompt responses were made to the clients. 100% of the cases were handled effectively.

6.4.2 Investor Education

Besides striving to improve service experiences, Haitong International has been emphasising investor education and helping its customers improve their wealth management skills by providing proper investment and risk management expertise, and developing their proper financial management mindset to avoid financial risks. In 2022, Haitong International educates its investors through the following channels:

- Webinar: our investor education activities for ESG funds began following their establishment, including the introduction of themed meetings focused on ESG investments to investors (e.g. ESG investment trend in Asian region) and product training activities.
- Investment seminars: special seminars were arranged to address the issues concerning investors with extensive insights shared.
- Publication of market news and professional analysis: this included market reports, commentaries on Chinese markets and A shares, announcements of trading in futures and options, and announcements of trading in securities and options.
- Investment scenario analysis: this ensured clients have knowledge of the maximum returns or losses arising from the investment products.

Number of expert meetings held during the year:	Number of surveys conducted during the year:	Number of road shows held during the year:
519	4	215
Number of seminars held during the year:	Number of reports/articles issued during the year:	
9	6,430	

Among which, the business departments provide investors with investment education in different ways and through different channels.

Asset Management

The department helps investors gain basic knowledge of products and investment tools in various ways and through different channels. Analyses on macroeconomic and policy update are also covered to keep investors informed of investment risks and market changes, and suitable investment attitudes and concepts are instilled into the investors.

In November 2022, Insights & Mandate held the Asian Quantitative & Indexed Investments Insights Forum 2022, where Asset Management Department engaged in sufficient communication and exchanges with institutional investors on growth, inflation, as well as ESG, Beta solutions and investment portfolio risks management, and emphasised the necessity and materiality of ESG in the global sustainable economic development.

Private Wealth Management

The department held a series of 5 monthly and quarterly investment webinars in 2022 to provide investors with insights into the recent market dynamics and macroscopic data, with a particular focus on China's economy, inflation in the US, policies across central banks worldwide, and major asset allocation. In addition, Private Wealth Management Department of Haitong International shared its latest market observation and investment prospects for 2023.

Furthermore, it created the column CIO View on its WeChat account, with a total of 130 articles published during the year, through which investors were promptly informed of recent global market dynamics, macroscopic data and investment trend with pictures and text. From time to time, the WeChat account provided investors with the latest information about family office, trust, insurance, and other asset management and wealth planning, as well as arts, charity and ESG.

Stronger investor education can not only protect investors but also safeguard interests of the Company and improve its reputation. When recommending products, account executives and investment consultants make sure their clients have fundamental knowledge of the product like its feature, merits and investment risks. Private Wealth Management Department has prepared a series of product brochures covering securities, funds, bonds, alternative investments and structured products. Other than basic product features, scenario analysis is also included to keep clients informed of the maximum returns and losses when investing in such products. Investors can devise ideal investment solutions only if they have a clear understanding of the product's return mechanism. Our regular investment research reports provide market analysis on Hong Kong stocks, A shares and U.S. shares to clients.

7. Employee Care

As an international financial institution with multiple operating locations, Haitong International considers its employees as its backbone for the long-term development of the Group. Keeping this in mind, Haitong International cherishes each employee by setting up and implementing all kinds of internal policies and systems to have smooth communication and dialogue with its employees to understand their needs, and provide a quality working environment. Furthermore, we continue to improve employee welfare and training programmes, and care for the well-being of our employees, for the purposes of creating a workplace of cohesion, diversity, inclusion, and respect for employees.

7.1 Employment and Interests

To protect the basic rights of employees, the Group has compiled a “Staff Handbook (Hong Kong)” which contains an array of policies and procedures in respect of employment in Hong Kong, including but not limited to the Employment Ordinance, Employees’ Compensation Ordinance, Minimum Wage Ordinance, salary and dismissal, recruitment and promotion, working hours, leaves, equal opportunities, diversity, anti-discrimination and other remunerations and welfares. Besides, overseas subsidiaries of the Group compile their own applicable staff handbook according to local laws and regulations, and strictly comply with the rules and regulations of the place where they operate. In order to ensure the policies and procedures relevant to employees are up-to-date, our Staff Handbook will be timely reviewed and updated in accordance with local laws, and subject to approval by the head of the Human Resources Department of the Group and a member of the Executive Committee. During 2022, no violation of labour standards, including discrimination and child labour, occurred that would have material adverse effects on the Group.

To attract and retain talents, we advocate the principle of fair recruitment and employment procedures and provide a competitive package of employee welfare and rights. Among which, we strive to provide an open and fair career opportunities and platform. During the recruitment process, the capability and qualification of candidates are the topmost consideration for employment, their chance of employment will not be affected by other factors such as gender, age or race.

We always pay attention to gender equality, remuneration package, and other topics in the hope of ensuring the remuneration and benefit system is fair and competitive, while reducing the impacts on the salary standard and structure by gender factors. Remuneration is based only on qualification, experience, job nature, job performance, as well as with reference to remuneration data in the market, to foster a culture of equal, diverse, and inclusive employment.

Other than basic salary, the Group grants certain employees discretionary year-end bonus, sales incentive bonus or share incentives to appreciate and recognise their contribution made to the Group. We also provide a series of Group insurance plans and medical checkup plans for employees, and compile a series of leaves to protect the basic leave and holidays of employees, including annual leave, compensation leave, examination leave, marriage leave, maternity leave, paternity leave, sick leave and vaccination leave. We also make employer’s voluntary contributions to the Mandatory Provident Fund scheme, where we will make employer’s voluntary contributions accordingly in favor of the employees who also make voluntary contributions.

We have a high regard for employee communication, and engage in dialogues with them through various means of communication to take heed of their propositions. To relay corporate information, we provide employees with daily information through the intranet. Moreover, we issue our e-newsletter "Set Sail" including CEO's messages to inform our employees of the latest updates of the Company. The "Set Sail" also provides a Q&A and feedback collection section, through which our employees may share any of their constructive suggestions or ideas conducive to the corporate development of the Company. To strengthen our understanding of suggestion and feedback from our employees as to the Company, we encourage our employees to engage in direct dialogues with our CEO and/or Chairman of the Audit Committee, which serves as a highly comfortable and confidential platform to express their thoughts. Furthermore, in the case that employees consider there is any case involving injustice, unfairness, hindrance to proceed with effective work, or misconduct, they can inform their immediate supervisor or department head, or make written complaints to Human Resources Department, or submit reports or complaints according to grievance procedures as set forth in the Staff Handbook. Our complaint mechanism covers multiple aspects including employment relationship, rights of employer and employees, workplace harassment and discrimination. Complaints, views and concerns to our governance can be expressed by our employees through these ways. During the year, we received two cases of demands and complaints, which were thoroughly investigated by the Human Resources Department and the relevant departments, and resolved in accordance with legal and regulatory requirements.

We actively defend human rights of our employees by setting out in the Staff Handbook a series of requirements in compliance with labour laws, and provide specific guidance in terms of diversity and inclusion, equal opportunities, balanced working hours and healthy and safe workplaces. We also uphold cultural diversity at the workplace, without barring any person from employment due to ethnicity, gender, marital status or religion. To enhance the understanding of the anti-discrimination policy among the employees and raise their awareness of the gravity of such policy, training regarding anti-discrimination and anti-harassment was introduced to all of our employees (including those from Hong Kong and overseas) during the year. During the reporting year, there were no incidents of discrimination against employees.

Meanwhile, we strictly act in accordance with the requirements of the labour laws to employ the candidates that meet the statutory age requirements, and adopt a zero tolerance policy to address child labour and forced labour. In addition, all new recruits shall be subject to background investigation, including identity, criminal records, fraud, and anti-money laundering check. During the reporting period, no violation of human rights or use of child labour or coerced/forced labour occurred.

The number of our employees remained stable during the reporting period. All operations of the Group were performed by our regular employees, among which 98.1% were full-time staff.

7. Employee Care

Awards



- We were named HR Asia’s Best Companies To Work For in Asia for 5 consecutive years (2018-2022). HR Asia follows three main factors: CORE, SELF and GROUP in determining the staff satisfaction through an employee survey, in which Haitong International rates above the industry’s average scores in every individual category, highlighting our commitment and resource allocation in human resources and talent development
- The Group was awarded “Good MPF Employer 5 Years+” (2021-2022) by the MPFA, demonstrating our commitment to act as a model employer to protect and strengthen the employee retirement benefits

7.2 Health and Safety

As the operational efficiency of an enterprise is closely related to the physical and mental health and safety of all employees, we act in accordance with the Occupational Safety and Health Ordinance to create a secure workplace, and establish specific management policies to maintain an excellent working environment. Furthermore, a number of welfare plans concerning the physical and mental health of employees are introduced to enhance the sense of happiness and belonging of our employees. The Staff Handbook covers standards and guidance in relation to health and safety such as adverse weather arrangement, occupational health and safety standards, medical and life insurance, use of computers and prohibition of smoking.

Major potential safety hazards we face include indoor air quality, manual handling operations, work posture and fire accidents. In response, we have adopted occupational health and safety measures to minimise relevant risks. For instance, we perform workplace risk assessment before new employees report their duty. For office renovation/setup, we ensure the standards are in line with fire safety requirements (e.g. size of corridors, fire equipment and other office facilities). In addition, we have an annual fire drill for each of our working premises by designating fire marshals to take part in the fire drill so as to heighten the consciousness of our fire emergency plan among employees, and provide training subsidies to administrative officers who complete first aid courses, for the purposes of reinforcing their capacity to address health and safety emergencies. Meanwhile, we formulate the “Working Guideline on the Use of Display Screens” and “Haitong International Employee Workplace and Display Screen Checklist” to evaluate the health and safety of working environment for each new staff member.

The evaluation outlines a number of areas including size of working desks, brightness and location of display screen, location of keyboard and mouse, specification of chairs, size of working space, lighting, noise and so on. Non-conformities of working environment or equipment found will be rectified within a week. Moreover, our staff should instantly report to their immediate supervisor or related departments if they encounter any dangers or hazards when they perform their duty. They are encouraged to leave the area where such hazards or dangers are identified to avoid any accident if they sense danger. Meanwhile, we provide a number of health checkup plans, as well as insurance policies covering medical checkups, personal accident, life, travel and occupational injuries. Employees are encouraged to check up their body and receive medical protection where necessary. Starting from 2022, we have included an additional vaccination compensation ranging from HK\$200 to HK\$1,000 in the insurance plan on an annual basis, for the purpose of encouraging employees to protect themselves. Positions of vice presidents or above are also provided with compensation claims against specialist outpatient clinic, diagnostic imaging and laboratory services, physiotherapy and general outpatient clinic.

- **Voluntary Enhanced Health Insurance Scheme**

We wish to share the fruit of development with our staff and their families. To provide more protection to the employees and their family members as our efforts to address their future health concerns, we specially offer a voluntary enhanced health insurance scheme, through which employees can purchase medical insurance for their family members with privileged offers.

- **Covid-19 Measures**

We adopted the following arrangements and preventive measures to protect wellness of our employees and maintain efficient operations:

- 1) Timely anti-pandemic notices were issued.
- 2) To identifying asymptomatic Covid-19 patients in the community and break the chain of infection as soon as possible, our employees and their family were encouraged to participate in the testing service provided by the Universal Community Testing Programme.
- 3) Our employees were encouraged to take vaccination injections by granting them 2 days of vaccination leave per injection.
- 4) Special work arrangement was made during the pandemic by allowing teleworking to reduce number of employees in our office premises and the chance of cross-infections.
- 5) We took active part in pandemic prevention by cleaning and disinfecting (including spray disinfections) the office premises. Moreover, sufficient masks and hand sanitizers were provided to maintain a clean and hygienic working environment.

7. Employee Care

- 6) We also made the following flexible working hour arrangement and preventive measures as the outbreak deteriorated in 2022:
 - i) Each department implemented the A/B rotation system on an as-needed basis. Employees were designated to work in different locations (in office/work from home) to ensure normal operations of the Company.
 - ii) By adopting the office decentralisation strategy, department heads arranged employees of critical business operations to work in different offices as needed, which would minimise cross-infections in the same department, and prevented the impact caused by an infected employee on the normal operation of the department.
 - iii) Only employees were allowed to access our premises, unless there was necessity (cleaning or courier services).
 - iv) All employees were required to wear masks and pay attention to personal hygiene in the Company's premises.
 - v) Tele-meetings or video conferences were encouraged instead of face-to-face meetings to maintain social distancing.
 - vi) Close contact with inbound travellers from overseas was avoided.
 - vii) Responses were made in compliance with the measures and policies laid down by the government.
- 7) A care foundation was set up to provide one-time subsidy of HK\$2,000 to employees who was infected by Covid-19.

We always provide safe working conditions to our employees and prevent them from any workplace danger. In 2022, an evaluation of health and safety of working environment was conducted for around 106 employees. Over the past 3 years, there has been 0 death toll due to occupational accidents for each year, and no non-conformity to laws and regulations such as the Employees' Compensation Ordinance, that has a material impact on the Group has been identified.

7.3 Development and Training

Staff is the most valuable asset of the Company, and we regard "creating values for staff" as the primary standard for good employers. Therefore, we emphasise providing opportunities of growth and development to our employees. We keep a watchful eye on the employee development, and give staunch support to employee development by continuing reinforcing our training system, setting up talent pool, and improving the career path for employees so that diverse individuals can contribute their talents to the Group. In response to the government's support for employment of senior citizens, we also consider re-appointing retired employees based on our business requirements and their individual capabilities, allowing them to continue to contribute their expertise. In addition, we have a performance management system and conduct annual performance evaluation for full-time employees who join the Group before July every year to assess their performance and determine their vocational training needs.

As for training, we have introduced the “Training Sponsorship Policy”, which encourages employees to take at least 20 hours of training per year, and sponsors our employees to acquire professional qualification and professional membership or to attend external job-related training so that employees can achieve self enhancement and prepare for career development. Furthermore, this policy makes sure that employees can meet relevant continuous professional training requirements of licensed persons as stipulated by the SFC and the continuous professional development requirements for Mandatory Provident Fund intermediaries and for registration with the Chinese Gold and Silver Exchange Society. Besides providing tailor-made training for young members and high-calibre employees, we also tour around local and global top institutions to recruit elite graduates with a full range of training and job rotation provided to the selected candidates to explore and develop their potentials and skillsets, so that the future talents will contribute to the success of the Group.

To be in line with our sustainability strategy and social trend, we raise our employees’ awareness on climate change and provide education to them. Much efforts are put to build a green working environment to raise their awareness of sustainability and enhance the understanding of carbon neutrality among employees and management. We believe they can better understand carbon neutrality, global trend and our commitment and roadmap to and in turn support the Group to accomplish its sustainability initiatives.

During the year, our highlights of occupational development, training and work capacity improvement are as follows:

- We hosted over 250 internal training sessions covering global capital markets, ESG, risk management and regulations, business expertise, personal skills, senior management, professional ethics and professional qualification training with over 19,000 participants.
 - Our ESG training sessions included topics covering ESG investment, ESG due diligence practices, ESG ecosystem and regulatory trend, ESG concept and our practices, climate-related risk policies, anti-corruption, anti-money laundering and anti-discrimination.
- A total of 12 mandatory regulatory courses were launched during the year, 4 more than last year, covering governance, financial system and policy as well as internal compliance topics, with a coverage rate of 98% (including overseas companies) and a completion rate of 100%.
- We established training sessions for climate-related risk policies to improve staff’s climate-related practical skills in their daily work.
- To enhance the understanding of the anti-discrimination policy among the employees and raise their awareness of the gravity of such policy, training regarding anti-discrimination and anti-harassment was introduced with a coverage of 98% (including overseas companies) and a completion rate of 100%.

7. Employee Care

- We launched a summer internship programme to identify high-calibre university graduates as part of our management trainee and graduate talent pipeline in the future.
- We continued our “Management Trainee Development Scheme”. As we attach high emphasis to incubating young talents to take up our managerial roles in future, we launched this scheme to train up management trainees by giving them opportunities to develop their expertise, gain experience through job rotation and participate in projects with a variety of work scope, which would foster their individual development and team spirit. The Management Trainee Club also continued on, where management trainees could have dialogue with the management in different ways. Moreover, industry seminars and team building activities were held to establish their team spirit and talent pipeline.
- To implement our talent grooming strategy plan, we launched the second “SAIL Program” with an aim to create a learning, innovative, growing and duty-bound entrepreneurial culture by nurturing a group of leader-to-be with knowledge, capability and responsibility in the hope of strengthening staff’s self-confidence and sense of belonging. Participants who completed the programme will be internally promoted or given performance-based incentive.
- To be in line with the business development and strategic transformation of the Group, our demand for high-calibre talents is increasing. To attract excellent professionals with international and professional insights, we continued to promote the internal referral programme in Hong Kong to encourage referral of suitable talents to join the Group.
- We held reading club sessions for employees and invited senior management and employees to share their enlightenment on books with extensive interactions among colleagues and proactive response.

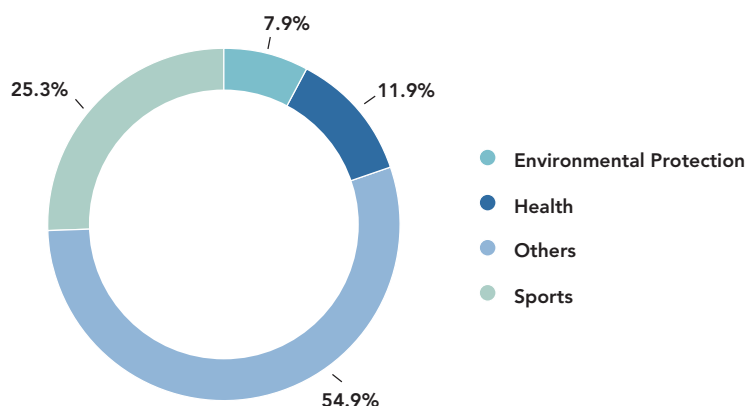
8. Community Investment

Haitong International has been committed to corporate social responsibilities by supporting and caring for local communities with investments in and contributions to communities to promote healthy and sustainable development of communities, as well as to create social values. Our community investment focuses on five categories – education, environmental protection, healthcare, culture and sports. Our staff are encouraged to make contribution to local communities by participating in volunteer services to develop a harmonious society.

The direction and principles of our community investments are clarified in the charter of the Haitong International Charitable Foundation (“the Charitable Foundation”). In response to the Group’s commitments, the development of the Company and changes in the business environment in Hong Kong, we have outlined corresponding details for community investments. Our ESG Committee reviews community investments every quarter to ensure that policies alongside community investments and activities are in line with the Company’s development and external changes.

Following the pandemic outbreak, we have been paying attention to the latest development of the pandemic and endorsing community support programmes. By actively working with the anti-epidemic tasks of HKSAR government, we also worked with the communities to prevent the pandemic.

During 2022, the Group’s community investment focuses on environmental protection, health, and sports, in addition to support for pandemic prevention, social and economic aspects. For details of supporting activities, please refer to Appendix 1: KPI Tables.



Adhere to good corporate citizenship, organised by the Hong Kong Council of Social Services, we have been recognised as a “Caring Company” for over 18 years; while the Charitable Foundation has also received the “Caring Organisation” logo for 8 consecutive years.



8. Community Investment

8.1 Haitong International Charitable Foundation and Donations

The Charitable Foundation founded in 2014 demonstrates Haitong International's long-term commitments to social corporate responsibility. In addition to making donations, the Charitable Foundation participates in community projects and charity events that shared a similar value and philosophy of the Group, hoping to serve the community by leveraging resources in a more focused, tactful and sustainable manner.

Over the past 9 years, the Charitable Foundation has been working collaboratively with various non-profit-making organisations to actively participate in a wide range of local charity events social welfare activities ranging from poverty alleviation, special talent education, sports and arts, environmental protection and carbon emission reduction. These efforts represent our long-term commitments to building a better community and making contribution to society.

Long-term support to the development of windsurfing in Hong Kong and sponsor Haitong International iQFOiL Asian Windsurfing Championships and Hong Kong Open Windsurfing Championships 2022 for 6 consecutive years

Starting from 2017, Haitong International has been relentlessly supporting the development of windsurfing in Hong Kong ("WAHK") as a major sponsor for Windsurfing Association of Hong Kong. We have provided the WAHK with comprehensive supports, in hopes of nurturing windsurfing athletes and bringing up talented windsurfing players for Hong Kong; thus promoting the sport to the community.

During the year, we, as a titled sponsor, paired up with the WAHK to launch the Opening Ceremony of the Haitong International iQFOiL Asian Windsurfing Championships and Hong Kong Open Windsurfing Championships, at which world-class athletes were invited to deliver the spectacular iQFOiL and Wingfoil performances at Victoria Harbour. The Haitong International iQFOiL Asian Windsurfing Championships and Hong Kong Open Windsurfing Championships commenced from 6 December 2022 in Stanley Main Beach, the finales of which were held at East Coast Park Precinct, Fortress Hill on 11 December 2022, being the first international-level surfing competition in Hong Kong since 2013 and the first Asian Championship after iQFOiL was named as an official windsurfing class in the Paris 2024 Olympic Games. On the day of the finales, the public was able to watch the worldclass athletes' spectacular competition and performances, as well as exchange ideas with the elite players, from whom the public could learn and develop a better understanding about windsurfing. We expect that this will encourage sportsmanship among the community, and strengthen public participation in sports and social cohesion.





HTI Company Forest Initiative

To address climate change, we worked with EcoMatcher to participate in the PROAmazonia, a tree planting campaign targeting to achieve forestation in Amazon, as part of our ESG event – HTI ESG Series. The campaign was initiated by the United Nations Development Programme (“UNDP”) and the Ministry of the Environment and Ministry of Agriculture and Livestock of the Republic of Ecuador, sharing an aim to promote local forest protection and sustainable production. Through the initiative, we supported local farmers to plant 1,000 trees, which were sent to our clients as a gift with sustainable values, hoping to promote our ESG philosophy. The planted trees are expected to restore the functionality of the local ecosystem and provide homes for wild animals, thereby turning into habitats for birds and other wildlife. An equivalent of 9,521 kilograms of carbon dioxide are expected to be set off by those fully grown trees, helping reduce the global carbon footprint.



“Well Dunk!” Basketball League and Training Scheme run by InspiringHK Sports Foundation

We have been in collaboration with InspiringHK Sports Foundation for two consecutive years, sponsoring the InspiringHK Sports Foundation “Well Dunk!” Basketball league and training scheme (“Well Dunk”). Well Dunk is Hong Kong’s first large-scale youth sports campaign melding professional basketball training and official league. It was the 3rd edition since its debut in 2019. The campaign is dedicated to providing standard basketball training to grassroots youth, with an expansion from 24 teams to 36 teams over the past few years. With 4 female teams joining the campaign, more basketball elites will be nurtured to promote the diversity development.



Comprehensive anti-epidemic supports for the communities

Amidst the ongoing presence of Covid-19 in 2022, we gave efforts to support the pandemic fight launched by the HKSAR Government by providing frontline workers, senior citizens, low-income families and students with pandemic support via donations/donated supplies.



A corporate member of the Better Hong Kong Foundation

We have joined the Better Hong Kong Foundation as a corporate member since 2014. Over the years, the Group has been actively participating in and supporting the seminars and high-level meetings with political and commercial individuals organised by the Foundation with an aim to promote economic and social development of Hong Kong.

8. Community Investment

8.2 Charity and Volunteer Work Participated by Staff

Haitong International actively encourages its employees to support volunteer services as a gesture of giving back to the communities, and participate in charity events and voluntary work. Over the years, the Group's employees have been actively involved in charity and volunteer activities, benefiting a number of charitable organisations, including World Wide Fund for Nature, Community Chest, ORBIS, Helping Hand and others. In terms of the types of activities, we have been supporting innovative and highly interactive volunteer activities in order to fulfill the responsibilities of a good corporate citizen through practical actions.

As climate change is the most challenging issue in the world which impacts our daily life, climate change and its impact on environment was our focus during the year. Haitong International introduced a brand new ESG campaign – HTI ESG Series in September 2022 with the theme of “Green Thinking, Sustainable Living”, which encouraged all employees and related stakeholders to have a deeper understanding of the unique ESG culture built by Haitong International. Meanwhile, we hope to see every employee hold the ESG belief and lead a low-carbon life to combat global warming and climate change issues. The activities under HTI ESG Series were well-received with approximately 200 participants.



Haitong International Low Carbon Commute Challenge

To take concrete action to cope with climate change, we encourage our staff across the globe to commute by means of walking, cycling and public transportation. We partnered with CarbonCare InnoLab to launch two rounds of Haitong International Low Carbon Commute Challenge in the 4th quarter of 2022. The challenge was held both in individual (from 22 September to 21 October) or in team (from 22 October to 20 November) engaging all employees in our Hong Kong and overseas offices. The challenge significantly reduced carbon footprint for daily commuting with a total of 586 kilometres of walking and biking distances, eventually reducing approximately 103,387 grams of carbon dioxide.



Haitong International Plogging Day

In October 2022, we organised the Plogging Day together with the InspiringHK Sports Foundation. Our employees jogged and collected litter they found along the route. The collected litter was also separated and recycled. Through this innovative way, colleagues gained knowledge and experience on waste reduction and waste management.



8. Community Investment

Haitong International Tree Care Day

In response to the Country Parks Plantation Enrichment Programme held by the Agriculture, Fisheries and Conservation Department, we, in collaboration with the Green Earth, organised the “Tree Care Day” in November 2022. Weeding, fertilising, and trimming can improve the health of trees and accelerate their growth to increase biodiversity and ecological value of plantations in country parks.



Run For Survival 2022 by Ocean Park Conservation Foundation, Hong Kong

Haitong International’s employees and their family members joined the charity run “Run For Survival 2022” held by the Ocean Park Conservation Foundation, Hong Kong to support and care for the ecosystem conservation of our planet.



“Well Dunk!” Basketball Exchange Activity of InspiringHK Sports Foundation

For the second consecutive year, we joined hands with the InspiringHK Sports Foundation to stage the “Well Dunk!” event, including 3-man corporate tournament and youth basketball training friendship competition. Through playing basketball, our employee volunteer team was able to exchange ideas extensively with grassroots talents in developing positive attitude in life, living up to the spirit of “cultivating youngsters through sports”.



Hong Kong Securities and Investment Institute “ESG Case Competition”

In light of growing awareness of ESG among the youth, we worked with the Hong Kong Securities and Investment Institute (HKSI) to launch the “ESG Case Competition”. Our staff acted as the ESG mentors to meet students online and share the ESG practices of Haitong International. We also provided them with guidance, recommendation, and evaluations as to their ESG-specific reports, as well as some insights into how an enterprise operates in an ESG-friendly way from day to day.

Greeners Action “Red Packets Recycling Campaign 2022”

Haitong International and Greeners Action jointly organised the “Red Packet Recycling Campaign 2022”, which drew keen participation among employees. During the campaign, red packet recycling boxes were set up in the Hong Kong offices; seven boxes with a total of 8 kilograms of red packets were collected. All the collected red packets went through a series of recycling steps, including screening and classification, to become “new red packets”, which were distributed among 42 locations in Hong Kong, Kowloon, and the New Territories. This campaign aims to promote waste reduction, reuse and resource conservation, and make contribution to the local environmental protection.



9. Environment and Climate Change

Over the course of business operation, Haitong International upholds its green and sustainability philosophy and plays an active role in responsible investment and environment improvement. We attach high emphasis to the climate change issues and make contribution to carbon emission reduction and minimise the impact on the environment from our own operations. We devote full efforts in ESG and sustainable investment and financing activities, and proactively manage climate-related risks and opportunities. We have constructed a comprehensive set of governance framework, strategies and objectives to address climate change. Taking a systematic approach, we apply climate change elements into our business decisions, risk management and day-to-day operation.

In 2020, we also announced our ESG Statement with a solemn pledge to promote ESG practices in terms of energy conservation, carbon emission reduction and sustainable finance to address the climate change at a group strategic level.

9.1 Climate Change

We initially disclosed our TCFD work progress last year. In future, we will continue to deepen our disclosure on TCFD. Based on the four core elements of governance, strategy, risk management and metrics and targets, we focus on disclosing topics related to climate risks as identified, assessed, and managed by Haitong International. More related information will be disclosed in response to climate change.

9.1.1 Governance Structure

In 2020, we carved out an ESG governance structure at the board level, and established the ESG Committee and ESG Executive Office under the Executive Committee. Haitong International continues to improve the ESG management system with clear delineation of duties assigned to the Board and senior management to oversee and manage environmental (including climate change topics), social and governance matters. The ESG Committee together with the ESG Executive Office is fully responsible for the ESG affairs of the Group, including their efforts to promote the adoption and implementation of strategic goals for the climate and environment.

Board of Directors

The ESG Committee is chaired by one of the Group's executive directors acting on behalf of the Board. It is responsible for closely monitoring the ESG performance, including climate-related objectives and progress. The ESG Committee shall quarterly report climate-related matters to the Group's Executive Committee, while monitoring climate-related risks and opportunities to elevate Haitong International's sustainability performance.

ESG Committee

The ESG Committee is comprised of the Group's senior management and department heads including the Chief Economist, Chief Risk Officer, as well as heads of Global Capital Markets, Asset Management, Company Secretariat, Investor Relations, Human Resources and Internal Audit. For climate change related topics, the ESG Committee formulates the climate-related strategic goals and overall plan at group level; gives climate-related risk advice and guidance on the Group's major transactions or projects; instructs the business units to conduct specific climate-related risk and opportunity analyses; and reviews, approves and organises climate-related strategies for different business segments of the Group. The ESG Committee meets quarterly to discuss climate-related topics of Haitong International as included in the regular agenda. The business units and the Risk Management Department report the latest work progress and plan to the ESG Committee and senior management. The ESG performance of each department is subject to review so that the management of the Group will timely access and supervise climate-related information including risks and opportunities, and the work progress related to climate risk. The ESG Committee also reports the discussed climate-related topics to the Group's Executive Committee.

ESG Executive Office

The ESG Executive Office, which is comprised of the Chief Economist Office, Global Capital Markets Department, Company Secretariat Department, Investor Relations Department, Risk Management Department, Administration Department and Internal Audit Department, will be responsible for implementing the ESG strategies under the guidance of the ESG Committee and incorporating the ESG practices into the businesses and operations of Haitong International.

As for the ESG risks, including climate-related risks, the Group's Risk Management Department provides directional guidelines for ESG risk control, and participates in its overall review process. At the same time, according to the three lines of defense framework, the first line of defense is mainly responsible for the ESG risk management, which means all business and functional departments are required to manage ESG risks in their respective business and operations.

9. Environment and Climate Change

9.1.2 Strategies and Goals

Haitong International understands that climate change may present risks and opportunities for us. Among which, the potential climate-related risks that may impact our businesses are:

- **Transition risk:** Currently, over 100 countries have declared that they will achieve carbon neutrality by 2050. China has also declared its goal to achieve carbon neutrality by 2060, while Hong Kong is also committed itself to achieving carbon neutrality by 2050. Evidently, the global economy will take on the path of transformation toward a low-carbon economy. During this course, changes in relation to policies and regulations, energy transition, technology innovation, industry upgrades and market changes will take place, which therefore will impose material impacts on the real economy and financial markets. For example, high-carbon emitting industries (including energy, metals, and mining sectors) will suffer from higher costs, lower returns or asset devaluation, which may also involve risk exposure against reputation and environmental protection.
- **Physical risk:** Extreme weather, rising temperature or flood may cause destruction to or negative impacts on assets, resulting in loss or change of asset values.

As a financial institution with international presence, transition or physical risks may impact our investment and financing activities, or even metastasise into other traditional risks including market risk, credit risk and operating risk. These risks are taken into account in our strategy and business plans while related risk management measures are formulated (please see chapter 9.1.3) so that we could build up our resilience against challenges from climate change.

In the context of climate change, we strive to minimise impacts from climate change and achieve carbon neutrality at the operational level. Meanwhile, we will capture the opportunities arising from the transformation to a low-carbon economy, and innovate our business operations with adjustments as we see fit accordingly. As per our ESG Statement announced in 2020, we pledged to implement ESG practices in two aspects, namely, energy conservation and carbon emission reduction, as well as sustainable finance, with our efforts against climate change escalated to the group strategic level. The major goals formulated under our commitments and corresponding measures and action plans are as follows:

Energy Conservation and Carbon Emission Reduction

- Achieve carbon neutrality at the operational level by the end of 2025
- Attain 100% power consumption from renewable energy by the end of 2025
- Reduce paper consumption and waste per capita of the group by 30% in contrast to 2020
- Use alternative solutions to replace business flight and paper consumption which are direct ways for carbon emission
- Purchase carbon credits to offset remaining carbon emissions

By the end 2025

- Achieve **Carbon Neutrality** at the operational level
- Provide **USD20 billion** to support ESG finance and investment

Sustainable Finance

- To scale up our involvement and investment in green finance, we pledge to provide or deploy a total of US\$20 billion for the ESG support, as well as sustainable financing and investment funds by 2025, including underwriting of green bonds, and development of ESG-themed financial products, with a particular focus on clean energy, low-carbon technology, green building, green transportation and transformation of the high-carbon industry.
- The ESG risk assessment is included in our investment decision-making process, while high polluting and high energy-wasting corporate financing and investment activities are gradually phased out, which will be our active efforts to support the new energy and green industries and promote the development of clean and green industries.
- An incentive mechanism will be established for the entire employees.
- An ESG training scheme will be crafted to cover the entire employees with special ESG seminars and training sessions to raise the awareness of our employees to climate change and other ESG issues.

We will continue to keep abreast of the information about climate risks. In response to the market trend and regulatory requirements, potential risks and financing and investment opportunities, we will regularly review our strategies and objectives in regard to concerning topics like climate risks and climate change to build up our resilience against the challenges. Riding on the ever-changing trend in the world against climate change, we will capture opportunities presented by the transition to a low-carbon economy. Green finance has become one of our important strategic goals, and therefore

9. Environment and Climate Change

we will support carbon emission reduction financing, practise responsible investment, issue low-carbon investment products, and exercise stricter financing and investment standards against heavy carbon emitting companies. We strive to bring corresponding investment returns to investors by actively practising the integration of enterprises characterised by technological innovation or business transformation in climate-friendly areas, which simultaneously can translate into profits and recognised by capital markets valuations as investment targets, into our investment portfolios. Taking advantages of our role as an investment and financial intermediary, we are geared to aid customers, counterparties and investment projects/target subjects to achieve low-carbon transformation and support the green development of the economy as a whole.

9.1.3 Risk Management and Actions to Address Climate Change

To address climate-related risks effectively and safeguard our businesses against the impacts arising from climate change-related risks, we added a chapter of “ESG Risk Management” in our Group Risk Management Policy and defined climate-related risks as one of the ESG risks. The climate-related risks have been included in our key governance and management procedures (including identification, assessment and control). The Group Risk Management Policy is also subject to annual review.

In response to the “Circular to Licensed Corporations – Management and Disclosure of Climate-related Risks by Fund Managers” published by the SFC in August 2021, the Asset Management Department of the Group has complied with the requirements as stipulated by regulators by reinforcing our mechanism to tackle climate-related risks. Initiatives have been adopted for the investment and management of our fund products, which are in compliance with the governance, investment management, risk management and disclosure requirements. In 2022, we crafted policies and guidelines for managing climate-related risks, which also include participation policies for investees, in our business units that offer investment products including unit trust funds, Mandatory Provident Funds, discretionary client accounts, and private equity funds, for the purposes of assisting in managing significant climate-related risks. The policies and guidelines will be reviewed and updated at least annually.

Our climate-related risk management aims at integrating climate events, trends, perception of forecast and information into our decision making to increase or maintain our interest and minimise damages or losses covering the followings:

- Systematic tools are used to identify and assess climate-related risks of clients, counterparties and investment projects/target subjects with continuous monitoring and management
 - Risk screening mechanism: ESG and climate-related factors are taken into consideration in feasibility studies;
 - Risk scoring system/MSCI ESG rating: scoring and rating are considered in the management of investment portfolios and asset allocation procedures. Restrictions and risk exposures are set with reference to such scores and ratings. For details, please see Chapter 9.1.3.1.

- Climate risk stress testing is performed to assess long-term climate risks for the existing asset allocation, while commensurate management and continuous monitoring are in place in response to actual conditions. For details, please see Chapter 9.1.3.2.

We adopt our climate-related risk management in the following ways:

Enhance risk management	<ul style="list-style-type: none"> • We keep enhancing climate-related risk analyses as an important basis of our risk management, and also research and develop related tools to monitor and measure the impacts of climate change on the financial positions of the Group
Raise risk awareness of our business units and supporting departments	<ul style="list-style-type: none"> • Climate risks are integrated into the Group's risk appetite mechanism • The ESG and climate-related training, seminars, communication and case studies are provided to the employees of each business department to understand ESG and climate-related topics, risk management and policies to raise their ESG risk awareness. The topics include: <ul style="list-style-type: none"> – ESG due diligence practices – ESG risk assessment, risk control, risk awareness development, and case studies – ESG investments – Climate-related risk policy
Keep abreast of the market events and news related to climate change	<ul style="list-style-type: none"> • We keep a close eye on the trend of climate change and make timely adjustment to risk assessment models and methodologies • We pay attention to the matters and problems during the course of marketisation of ESG financial products, or the risks caused to financial institutions or other organisations in the market by clients due to climate change, global warming and carbon emission, while minimising the problems arising from risk management

9. Environment and Climate Change

Currently, the Risk Management Department of the Group has not identified any risk events caused by ESG events according to the reports of risk event and potential risk event submitted by each business department. The Group will keep monitoring our climate-related risk management procedures, and review our Group Risk Management Policy at least once a year with updates made when and where necessary.

9.1.3.1 Investment Appetite Mechanism

Climate-related considerations are taken into account when we formulate our business and financial strategies, or for the purposes of our investment offerings and strategies. The ESG ratings by MSCI and SusallWave are used in the equity research reports to help clients take climate-related risk factors into consideration. For investment business, the cap on traditional energy and high carbon-emitting industries also encourages investors to choose new energy and low carbon emitting industries, and therefore we continue to consider guiding investment decisions gradually. At present, the Group's Private Equity Investment Department adopts direct or indirect investment to support low carbon-emitting industries such as medical and healthcare, new energy and utilities industries.

With effect from 2022, by adopting the negative screening, best selection, and ESG integration methods, the business units that provide investment products, including unit trust funds, Mandatory Provident Funds, discretionary client accounts, and private equity funds, have integrated climate risk factors into its overall investment management process from developing new investments to post-investment monitoring. At the same time, the business units identify the entities that are relevant and significant to the physical and transition risks of climate-related risks for the funds under their management. When certain investment projects are identified as having relevant and significant climate-related risks, they would communicate with the relevant investees to discuss measures to reduce climate-related risks, and even minimise risks by investment withdrawal to achieve a low-carbon transition economy. For the purposes of efficient management of climate risks, we have developed climate-related risk management procedures to identify relevant climate-related risks, assess the potential impacts of identified risks on each investment strategy and fund, and constantly monitor and manage climate-related risks.

9.1.3.2 Climate Risk Quantitative Analysis Framework

The Group's Risk Management Department continues to optimise the climate risk transmission mechanism and climate risk monitoring model according to temperature-based climate scenarios recommended by the Intergovernmental Panel on Climate Change (IPCC). The climate risk transmission mechanism defines how climate risks arise (i.e. physical risks and transition risks), affect a series of macroeconomic indicators, and further transmit the effects to the market Value-at-Risk (VaR) and Probability of Default (PD)/Loss Given Default (LGD), and finally how they bring impacts on the Group's risk exposures and assets.

We mainly perform scenario analysis and stress tests based on 3 Representative Concentration Pathways (RCPs) of greenhouse gases adopted by the IPCC – RCP2.6, 4.5 and 8.5 climate scenarios reflecting the rise of 1.5°C, 3°C and 4°C for the earth temperature in 2100 combined with the climate sensitivity of industries. The climate risk stress test on credit risks is based on the IFRS9 credit provision model whereas the one on market risks is based on the VaR model.

Based on the existing comprehensive climate change model and with reference to the structure of stress tests, we will continue to improve the methods to identify and quantify various climate risks and refine the assessment models. In future, it is expected the models can serve as a guidance for the Group's investment decisions and cap management and as a support to the development of sustainable investments. Moreover, it is also instrumental in controlling traditional energy and high carbon-emitting industries. Relying on this, the Group is capable to apply more investments in new energy and low carbon-emitting industries.

In future, Haitong International will continue to play the role of information and capital intermediary. With stronger climate risk quantification and management adopted in its investment and financing activities, the Group will actively and directly help clients address climate risks and gradually participate in ESG and responsible investments, including the underwriting of green and sustainable bonds, and issuance of ESG equities and bonds or ETF investment products, which will diversify business operations and risk exposure. Leveraging on our ESG practices to build a financial community with resilience against challenges from climate change, we wish to guide our business partners, directly and indirectly, to pay attention to climate-related risks and participate in development of sustainable finance.

9.1.4 Climate Change Indicators

As Scopes 1, 2 and 3 greenhouse gas emissions represent the key indicators to assess and manage climate change, alongside the announcement of a variety of carbon emission goals, we have been actively monitoring and keeping records of Scopes 1 and 2 greenhouse gas emissions, and continue to enhance our disclosure of scope 3 emissions to ensure effective monitoring of the Group's environment performance and progress of low-carbon or emission reduction tasks. To ensure the accuracy and reliability of the approaches for quantification and results, the quantitative process is carried out with reference to the guidelines released by the Electrical and Mechanical Services Department and the Environmental Protection Department, namely documents and standards as set out in Appendix 27 of the Listing Rules and on the HKSE, including "Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong", as well as Greenhouse Gas (GHG) Protocol and ISO 14064-1. Relevant indicators are set out in the Appendix 1: KPI Tables.

For indicators of climate risk management and with reference to the GTAP-INT, we forecast the actual impact brought to the GDP growth by the climate risks of global warming with a temperature of 1.5°C to 4°C higher in future. Provision made and VaR are measured in different climate scenarios to reflect the long-term impact on the credit risk and market risk management brought by climate risks.

We will also monitor the development of our sustainable finance by tracking the number of underwriting projects for green, blue or sustainability bonds, as well as the asset management size of our ESG ETFs.

9. Environment and Climate Change

9.2 Environmental-related Policies and Systems

9.2.1 Emission Management

Haitong International has been in strict compliance with emission-related laws and regulations including but not limited to Air Pollution Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. In 2022, no non-conformities to laws and regulations relating to air and greenhouse gas emissions and discharges into water and land and generation of hazardous and non-hazardous waste were identified by us.

9.2.2 Greenhouse Gas Emissions

As greenhouse gas emissions are exacerbating global warming due to human activities, and the Group has pledged in the ESG Statement to achieve carbon neutrality by the end of 2025 at the operational level, the quantitative method of greenhouse gas emissions was applied with reference to and in compliance with the guidelines released by the Electrical and Mechanical Services Department and the Environmental Protection Department, namely documents and standards as set out in Appendix 27 of the Listing Rules and on the HKSE, including the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong, the GHG Protocol, ISO 14064-1, for the purposes of effective calculation and management of carbon emissions.

To achieve carbon neutrality at the operational level, we have established a “3-step” carbon emission reduction roadmap and action plan. First, we reduce our own carbon emissions. Second, we use renewable energy. Third, we purchase carbon credits, under which, we have also established a specific annual carbon emission reduction plan and its implementation schedule. For details of the specific plans and implementation schedule in Steps 1 and 2, please see Chapter 9.3. We have also carried out promotion and education about climate change, and arranged our employees to join low-carbon activities such as recording the use of public transportation and carbon emission reduction competition (individual or team) to reduce carbon emission together.

In October 2022, HKEx launched the “Core Climate”, a new international carbon marketplace. Core Climate represents a platform that provides voluntary carbon credit products and tools trading to Hong Kong, Asia and the world. For the third step of our decarbonisation pathway and action plan, we have considered purchasing carbon credits through this platform to offset the remaining greenhouse gas emissions by 2025 and achieve carbon neutrality at the operational level of our business.

9.3 Green Office

We strive to minimise the adverse impact on the environment due to our business operations, and incorporate the high-efficient and environment-friendly and sustainable resources philosophy into our daily operations, which becomes a requisite element of Haitong International. Meanwhile, we advocate green office and implement the Procurement and Office Equipment Environmental protection Policy to boost waste recycling, energy-saving and resources and emission management so as to effectively utilise and reduce the waste of environment and natural resources, which has effectively reduced our carbon emissions. Moreover, we continue to pursue sustainable and energy-efficient offices that measure up to international standards by upgrading office renovation. With application of high efficient/water saving equipment and environmental products, and other sustainable renovation designs, the Haitong International office in One International Finance Centre was certified as Gold for commercial interior under the Leadership in Energy and Environmental Design (LEED) rating system by the US Green Building Council.

9.3.1 Waste

9.3.1.1 Waste Reduction

Other than the committed reduction of waste per capita of the Group by 30% by the end of 2025, we set a target of waste reduction for each year, and a review will be conducted at the end of each year. During the year, our paper recycle rate grew to approximately 100% in 2022 from 49.6% in 2020.

In addition, we actively participate in the Hong Kong Green Organisation Certification Scheme, and have been granted the Wastewi\$e Certificate for 8 consecutive years in public recognition of our relentless environmental efforts.

Case Study:

We have been granted Hong Kong Green Organisation Certifications and Wastewi\$e Certificate – for 8 consecutive years



Wastewi\$e Certificate from 2016 to 2023

9. Environment and Climate Change

9.3.1.2 Recycling and Disposal of Non-hazardous Waste

We properly manage the waste in the workplace, especially the recyclable wastes including paper waste, plastic bottles and aluminium cans. Staff are encouraged to use the document recycle bins placed in offices and resource recycle bins provided, the waste in which are collected by external qualified recycle providers from time to time. We also donate furniture and equipment that are idle or no longer in use to charitable organisations.

To raise our staff's awareness of waste reduction and recycling and to build a green culture in our working environment, during the HTI ESG Series, we arranged the "Green Thinking – Environmental Protection Seminar" and "Green Thinking – Environmental Protection Workshop". At the seminars focused on environmental protection, the Green Earth discussed with our staff for the waste problem and recycling trend in the globe for recent 10 years. At the workshop, our staff were invited to practise 3R Principle – reduce, reuse, recycle. Used banners were reincarnated into fashionable items such as business card holders or document folders. Furthermore, we launched The Earth Day Creativity Contest – Environmental Protection Ideas to encourage staff to share innovative environmental protection ideas and to solve environmental issues with practicable solutions according to the 3R Principle.

9.3.1.3 Recycling and disposal of hazardous waste

We also pay attention to the proper disposal of hazardous waste and engage professional suppliers to recycle the used carbon cartridges from time to time. The Group has participated in an electronic products recycling programme organised by "Caritas Computer Workshop" for 6 consecutive years since 2017 and donated recycled electronic appliances (including computer monitors) to charitable organisations.

9.3.2 Energy Use

9.3.2.1 Energy Conservation

Purchased power is our primary source of power for business operations. As carbon emissions are a side effect of power generation, power reduction is crucial for us to combat carbon emission. Besides our interior designs of office buildings in line with the standard under the LEED certification for commercial interior, we have installed the automatic lighting system and lighting sensors in all offices in Hong Kong. Existing lightings have been replaced by energy-saving LED lights. Besides, all copying machines at the new office have the "tap to print" function, which stay at the energy-saving mode until being used.

With the target of achieving carbon neutrality and 100% renewable energy for power consumption at the operational level by the end of 2025, we gradually increase our purchase of renewable energy from local power suppliers each year, and have been granted the Renewable Energy Certificate. During the year, Haitong International rendered tremendous support to the local development of renewable energy and completed 58.6% of our pre-determined target. Due to our additional purchase balance of 640,000 kWh of power, equivalent to reducing approximately 250 ton of carbon emissions, we were granted the Smart Energy Award by CLP Power Hong Kong Limited (CLP Power) in recognition of our contribution to renewable energy.



We also raise our staff's awareness of energy conservation at the workplace on top of our energy efficiency and renewable energy initiatives. Employees are encouraged to take active part in energy conservation such as keeping a cautious eye to see if electrical devices are turned off when they are about to leave office.

When compared to last year, power consumption decreased from 1,581 MWh to 1,091 MWh, representing a decrease of 31.0%.

9.3.2.2 Water resources

Water is a precious resource on our planet that is worth our conservation efforts. For water conservation, we have installed a water filter system in office premises and sensor faucets in washrooms to ensure proper usage of water. The Group has also posted notices reminding water conservation in toilets and pantries to encourage all employees to play their role in saving water. Our water comes from the Water Supplies Department and the source is from rainwater from local catchments and imported water from Dongjiang in Guangdong. We do not get water from water-deprived areas.

9.3.2.3 Environmental-friendly Fuel

Currently, we are using environmental-friendly fuels for our own automobiles (fuel type: Shell V-Power, Shell FuelSave Unleaded, and Synergy Supreme) and Hybrid engine for 8-seater vehicles so as to reduce emission of pollutants and the impact of our operations on the environment.

Petrol is our secondary source of energy. To reduce energy consumption and carbon emission, we encourage our staff to commute by public transportation. As compared to 2021, our average petrol consumption for each vehicle decreased by approximately 7.7% from 20.1 MWh to 18.6 MWh.

9.3.2.4 Paper resources

We pledge to reduce our annual paper consumption per capita by 30% by the end of 2025 (compared to the end of 2020). Meanwhile, in light of the inelastic demand on paper consumption due to the commercial business nature, we have taken specific measures at various paper sources to reduce logging for paper production as our ecosystem conservation efforts.

9. Environment and Climate Change

Important Initiatives

- Advocate digitalised offices to minimise the use of paper;
- Choose the paper certified by Forest Stewardship Council (FSC) to produce various printed materials including annual reports, interim reports, and business cards;
- Recommend shareholders to elect the e-version of financial reports to reduce the printed copies;
- Choose the paper certified under the Programme for the Endorsement of Forest Certification ("PEFC") for document printing in offices;



(Note: paper and business cards used by Haitong International are certified by PEFC and FSC. PEFC and FSC are the world's largest forest certification systems. PEFC and FSC certificates ensure that paper used by consumers are from sustainably managed forests to protect forest ecology, water and wildlife habitats.)

To further reduce paper consumption, we urge our staff to minimise unnecessary printing and avoid using paper cups. Starting from 2021, paper cups have not been provided in our local and international offices. The paper consumption decreased from 25.11 tons in 2020 to 7.82 tons in 2022. The paper consumption per capita of the Group decreased by approximately 58.5% when compared to 2020.

9.4 Actions for Environmental Protection and Promotion

Other than the impact brought by its operations on sustainability, Haitong International is also conscious of its active role as a financial institution in committing to environmental protection. Therefore, we encourage and educate our staff to keep abreast of information about environmental protection practices by holding training courses and workshops. Our employees are invited to join various green activities such as forest protection and planting campaigns to speed up tree growth and restore the forest ecosystem to enhance and maintain biodiversity and ecological values. In support of environmental protection projects, the Group also deepens collaboration with international and Hong Kong-based non-profit-making organisations that support sustainability to build an environment-friendly community.

Assurance Statement



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Independent Limited Assurance Report in relation to Haitong International Securities Group Limited's ESG Disclosure 2022

To the Board of Directors of Haitong International Securities Group Limited:

Scope

We have been engaged by Haitong International Securities Group Limited (the "Company") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on five selected environmental, social and governance ("ESG") key performance indicators for the year ended 31 December 2022, including (1) Scope 1 Greenhouse Gas ("GHG") emissions, (2) Scope 2 GHG emissions, (3) non-hazardous waste, (4) hazardous waste and (5) the total energy consumption (the "Subject Matter"), as contained in Appendix 1 of the Company's ESG Report 2022 (the "Report"), and as detailed in the Appendix of this assurance report.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Haitong International Securities Group Limited

In preparing the Subject Matter, the Company applied Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Basis of Reporting as in Appendix 2 of the Report (collectively as the "Criteria").

Such Criteria were specifically designed for the purpose of the preparation of the Subject Matter included in the Report and, as a result, the subject matter information may not be suitable for another purpose.

Haitong International Securities Group Limited's responsibilities

Haitong International Securities Group Limited's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a limited assurance conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE 3000), and the terms of reference for this engagement as agreed with Haitong International Securities Group Limited on 7 February 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the

Assurance Statement



Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies Hong Kong Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.



Our procedures included:

- Conducted interviews with selected management and personnel to understand the business and reporting process;
- Conducted interviews with selected personnel to understand the process for collecting, collating and reporting the selected ESG key performance indicators during the reporting period;
- Performed analytical review over the Subject Matter and enquired the management on the reasons behind material year-on-year variances;
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria;
- Checked the arithmetical accuracy of the calculations performed; and
- Tested, on a sample basis, underlying source information to check the accuracy of the data.

Inherent Limitations

There are inherent limitations in performing assurance. Assurance engagements are based on selective testing of the information being examined, and it is possible that fraud, error, or non-compliance may occur and not be detected.

Our assurance was limited to the Subject Matter set out within the Report for the year ended 31 December 2022. We have only sought evidence to support key information and data related to the Subject Matter and our responsibility does not include:

- Any work in respect of ESG information published elsewhere in the Company's annual report, website and other publications; and
- Forward-looking statements made by the management.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the year ended 31 December 2022, in order for it to be presented in accordance with the Criteria.

Restricted Use

This report is intended solely for the information and use of the Company for evaluation of the Company's preparation of the Subject Matter in accordance with the Criteria, and is not intended to be and should not be used by anyone other than the specified party.

Ernst & Young

Hong Kong
27 April 2023

Assurance Statement



Appendix

The ESG key performance indicators listed below constitute the Subject Matter within the scope of the assurance procedures and report.

Emissions: Greenhouse Gas ("GHG") Emissions

Scope 1 GHG emissions
Petrol

Scope 2 GHG emissions
Purchased power
Renewable energy

Waste

Non-Hazardous Waste
Waste paper disposal
Waste plastic bottles produced (in ton)
Waste plastic bottles produced (in piece)
Used paper cups

Hazardous Waste
Waste light tube (in ton)
Waste light tube (in piece)
Electronic information product waste
Recycled electronic information product

Total Energy Consumption

Total energy consumption

Direct energy consumption
Petrol

Indirect energy consumption
Purchased power
Purchase of renewable energy

Appendix 1: KPI Tables

Emissions: Greenhouse Gas ("GHG") Emission

Indicators	Unit	2022	2021	2020
Total GHG emissions^{1, 2}	tCO ₂ e	666.29	1,187.36	1,715.83
Intensity of GHG emissions ^{1, 2}	tCO ₂ e/m ²	0.08	0.10	0.16
Scope 1 GHG emissions*^{1, 2}	tCO ₂ e	40.95	38.83	29.98
Intensity of Scope 1 GHG emission ^{1, 2}	tCO ₂ e/m ²	0.0046	0.0032	0.0025
Petrol*	tCO ₂ e	40.95	38.83	29.98
Scope 2 GHG emissions*¹	tCO ₂ e	491.49	875.55	1,473.83
Intensity of Scope 2 GHG emission ¹	tCO ₂ e/m ²	0.055	0.073	0.123
Purchased power*	tCO ₂ e	741.09	1,093.55	1,473.83
Renewable Energy*	tCO ₂ e	-249.60	-218.00	/
Scope 3 GHG emissions¹	tCO ₂ e	133.85	272.98	211.59
Intensity of Scope 3 GHG emissions ¹	tCO ₂ e/m ²	0.015	0.023	0.018
Paper waste	tCO ₂ e	37.53	98.62	120.51
Recycled paper	tCO ₂ e	-37.45	-75.70	-59.82
Business flight travel	tCO ₂ e	133.72	250.00	150.90
Water and sewage treatment	tCO ₂ e	0.05	0.07	/

* Within the scope of EY limited assurance

Note 1: The scope of calculation of GHG emissions is determined by operational control, the total emission covers Scope 1, 2 and 3 emissions. The intensity of GHG emissions also includes Scope 1, 2 and 3 emissions. The gases taken into calculation include carbon dioxide, methane, nitrous oxide, etc.

: The emission factors of emission sources are determined with reference to the standards as stated in "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKSE, while the global warming potential ("GWP") of gases are determined with reference to the sixth Assessment Report (AR6) (2021) by the Intergovernmental Panel on Climate Change (IPCC).

The emission factors of Scope 2 GHG emissions are determined with reference to the emission factors of CLP Power and HK Electric, and calculation for the year adopts the emission factors disclosed by power companies in 2022, which are 0.39 kgCO₂e/kWh and 0.68 kgCO₂e/kWh

Note 2: Due to an updated GWP for calculation of GHG emissions from petrol (CO₂e), data regarding the total GHG emissions and intensity, and Scope 1 GHG emissions and intensity for 2021 is updated synchronically.

Appendix 1: KPI Tables

Emissions: Air Pollutants

Indicator	Unit	2022	2021	2020
NOx ^{3, 4}	kg	6.47	6.39	4.93
Yoy change	%	5.50	29.61	-28.65
SOx ^{3, 4}	kg	0.23	0.21	0.17
Yoy change	%	7.39	23.53	-26.09
RSP ^{3, 4}	kg	0.50	0.47	0.36
Yoy change	%	5.60	30.56	-29.41

Note 3: Emission factors of emission source are determined with reference to the standards as stated in "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKSE.

Note 4: Air pollutants come from petrol used for vehicles.

Waste

Indicators	Unit	2022	2021	2020
Non-hazardous waste				
Waste paper disposal*	ton	0	4.78	12.65
Waste plastic bottles produced*	ton	0.01	0.01	0.01
Waste plastic bottles produced*	piece	324	480	321
Used paper cups ⁵	piece	0	0	60,000
Hazardous waste				
Waste light tube*	ton	0.13	0.35	0.22
Waste light tube*	piece	143	427	271
Electronic information product waste ⁶	ton	5.01	1.87	0.52
Recycled electronic information product ⁷	piece	736 ⁷	434	108

* Within the scope of EY limited assurance

Note 5: The Group has ceased to use disposable paper cups since 2021.

Note 6: All electronic information product wastes have been recycled in 2022.

Note 7: For electronic information products, 305 computer cases, 38 printers, 38 laptops, and 355 monitors have been recycled.

Use of Resources

Indicators	Unit	2022	2021	2020
Total energy consumption* ⁸	MWh	1,239.96	1,721.99	1,974.28
Intensity of energy consumption	MWh/m ²	0.14	0.14	0.18
Direct energy consumption				
Petrol*	MWh	148.68	140.99	108.84
Intensity of petrol consumption	MWh/m ²	0.02	0.01	0.01
Indirect energy consumption				
Purchased power*	MWh	1,091.28	1,581.00	1,865.44
Intensity of purchased power consumption	MWh/m ²	0.12	0.13	0.17
Purchase of renewable energy*	MWh	640	590	/
Intensity of purchased renewable energy	MWh/m ²	0.07	0.05	/
Water consumption^{9, 10}				
Water consumption	M ³	126	157	/
Intensity of water consumption	M ³ /m ²	0.014	0.013	/
Paper consumption				
Paper consumption	ton	7.82	20.55	25.11
Intensity of paper consumption	ton per capita	0.010	0.023	0.025
Recycled paper	ton	7.80	15.77	12.46

* Within the scope of EY limited assurance

Note 8: Total energy consumption = direct energy consumption + indirect energy consumption. The petrol conversion factor is determined with reference to the standards as stated in "Appendix 2: Reporting Guidance on Environmental KPIs" published by the HKSE: 1,350 L = 1 ton = 47.1Mj; 1 Mj = 277.778 kWh.

Note 9: The data of water consumption only includes that within office premises in Wong Chuk Hang. Due to other water supply was centrally managed by the property management company, the Group is not able to access other water consumption data for 2022.

Note 10: Water consumption also represents water withdrawal.

Appendix 1: KPI Tables

Employment

Indicator	Unit	2022	2021	2020
Total number of employees	person	1,015	1,245	1,371
Number and proportion of employees grouped by gender				
Number of male employees	person	530	687	787
Number of female employees	person	485	558	584
Number of full time male employees	person	522	680	781
Number of full time female employees	person	474	545	574
Number of part time male employees	person	8	7	6
Number of part time female employees	person	11	13	10
Number of temporary male employees	person	0	/	/
Number of temporary female employees	person	0	/	/
Number of male employees without guaranteed hours	person	0	/	/
Number of female employees without guaranteed hours	person	0	/	/
Proportion of male employees	%	52.2	55	57
Proportion of female employees	%	47.8	45	43
Proportion of female senior management ¹¹	%	4.2	2.8	2.8
Proportion of female department head or above ¹¹	%	25	23	26
Proportion of female employees below the department head ranking ¹¹	%	44	43.2	39.8
Number and proportion of employees grouped by employment type				
Number of part-time employees	person	19	20	16
Number of full-time employees	person	996	1,225	1,355
Number of permanent employees	person	1,015	1,245	1,371
Number of temporary employees	person	0	0	0
Number of employees without guaranteed hours	person	0	/	/
Workers who are not employees ¹²	person	0	/	/
Proportion of part-time employees	%	1.9	1.6	1.2
Proportion of full-time employees	%	98.1	98.4	98.8
Proportion of permanent employees	%	100	100	100
Proportion of temporary employees	%	0	0	0
Proportion of employees without guaranteed hours	%	0	/	/
Proportion of Workers who are not employees	%	0	/	/

Indicator	Unit	2022	2021	2020
Number and proportion of employees grouped by age				
Number of employees aged under 30	person	285	360	353
Number of employees aged from 30 to 50	person	628	766	873
Number of employees aged over 50	person	102	119	145
Proportion of employees aged under 30	%	28.1	28.6	25.7
Proportion of employees aged from 30 to 50	%	61.9	62.3	63.7
Proportion of employees aged over 50	%	10.0	9.1	10.6
Number of senior management aged under 30	person	0	/	/
Number of senior management aged from 30 to 50	person	100	/	/
Number of senior management aged above 50	person	37	/	/
Proportion of senior management aged under 30	%	0	/	/
Proportion of senior management aged from 30 to 50	%	73	/	/
Proportion of senior management aged above 50	%	27	/	/
Number and proportion of employees grouped by region				
Hong Kong	person	759	906	1,011
Number of full-time employees	person	741	894	1,004
Number of part-time employees	person	18	12	7
Number of permanent employees	person	759	906	1,011
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
Macau	person	5	6	8
Number of full-time employees	person	5	6	8
Number of part-time employees	person	0	0	0
Number of permanent employees	person	5	6	8
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
Tokyo	person	13	13	12
Number of full-time employees	person	13	12	11
Number of part-time employees	person	0	1	1
Number of permanent employees	person	13	13	12
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/

Appendix 1: KPI Tables

Indicator	Unit	2022	2021	2020
Singapore	person	26	57	82
Number of full-time employees	person	26	57	82
Number of part-time employees	person	0	0	0
Number of permanent employees	person	26	57	82
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
New York	person	21	27	33
Number of full-time employees	person	20	27	33
Number of part-time employees	person	1	0	0
Number of permanent employees	person	21	27	33
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
London	person	14	18	22
Number of full-time employees	person	14	18	21
Number of part-time employees	person	0	0	1
Number of permanent employees	person	14	18	22
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
Mumbai	person	45	51	46
Number of full-time employees	person	45	51	46
Number of part-time employees	person	0	0	0
Number of permanent employees	person	45	51	46
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
Shanghai	person	63	93	88
Number of full-time employees	person	63	87	84
Number of part-time employees	person	0	6	4
Number of permanent employees	person	63	93	88
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/

Indicator	Unit	2022	2021	2020
Shenzhen	person	28	26	28
Number of full-time employees	person	28	26	28
Number of part-time employees	person	0	0	0
Number of permanent employees	person	28	26	28
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
Beijing	person	39	45	35
Number of full-time employees	person	39	44	32
Number of part-time employees	person	0	1	3
Number of permanent employees	person	39	45	35
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
Sydney	person	2	3	6
Number of full-time employees	person	2	3	6
Number of part-time employees	person	0	0	0
Number of permanent employees	person	2	3	6
Number of temporary employees	person	0	/	/
Number of employees without guaranteed hours	person	0	/	/
Number and proportion of new employees grouped by age and region¹³				
Number of new male recruits	person	156	325	277
Number of new female recruits	person	165	255	192
Proportion of new male recruits	%	15.4	26.1	20.2
Proportion of new female recruits	%	16.3	20.5	14
Number of new recruits in Hong Kong	person	272	407	357
Number of new recruits in other regions	person	49	173	112
Proportion of new recruits in Hong Kong	%	26.8	32.7	26
Proportion of new recruits in other regions	%	4.8	13.9	8.2

Appendix 1: KPI Tables

Indicator	Unit	2022	2021	2020
Number and attrition rate of employees leaving grouped by gender				
Number of male employees leaving this year against 2021	person	209	297	125
Number of female employees leaving this year against 2021	person	166	204	107
Attrition rate of male employees	%	20.6	23.9	9.1
Attrition rate of female employees	%	16.4	16.4	7.8
Number and attrition rate of employees leaving grouped by age				
Number of employees aged under 30	person	124	150	71
Number of employees aged from 30 to 50	person	237	336	148
Number of employees aged over 50	person	14	15	13
Attrition rate of employees aged under 30	%	12.2	12	5.2
Attrition rate of employees aged from 30 to 50	%	23.3	27	10.8
Attrition rate of employees aged over 50	%	1.4	1.2	0.9
Number and attrition rate of employees leaving grouped by regions				
Number of attritions of employees in Hong Kong	person	295	412	185
Number of attritions of employees in other regions	person	80	89	47
Attrition rate of employees in Hong Kong	%	29.1	33.1	13.5
Attrition rate of employees in other regions	%	7.9	7.1	3.4

Note 11: Senior management refers to employees in the capacity of executive director and above, with a change in the definition from previous years (which were previously referred to as senior vice presidents and above). Therefore, the data for 2021 and 2020 has been updated accordingly. The classification method for department heads or above remains unchanged, and it refers to the female employees from the manager to director level.

Note 12: Workers who are not employees refer to those workers that are not our employees but subject to our control for work performance.

Note 13: The proportion of new employees is calculated base on total number of employees as a denominator, therefore the sum of the proportion of new employees under the same category is less than 100%.

Health and Safety

Indicator	Unit	2022	2021	2020
Number of deaths due to work	person	0	0	0
Proportion of deaths due to work	%	0	0	0
Work injuries				
Number of disabled employees	person	0	0	0
Number of work injuries for male employees	case	0	1	0
Number of work injuries for female employees	case	0	0	0
Rate of work injuries (calculated by 1,000 employees)	%	0	0.1	0
Number of working days lost due to work injuries by male employees	day	0	1	0
Number of working days lost due to work injuries by female employees	day	0	0	0
Number of working days for male employees	day	137,800	178,620	204,620
Number of working days for female employees	day	126,100	145,080	151,840
Percentage of working days lost due to work injuries	%	0	0.0003	0
Health and safety for working environment				
Number of employees who completed the working environment health evaluation	person	106	220	300
Health and safety non-compliance cases	case	0	0	0
Attendance				
Total hours of absence for male employees	hour	6,500	9,128	4,804
Total hours of absence for female employees	hour	11,140	12,096	8,552
Total working hours for male employees	hour	1,102,400	1,428,960	1,636,960
Total working hours for female employees	hour	1,008,800	1,160,640	1,214,720
Absence rate	%	0.84	0.78	0.5

Appendix 1: KPI Tables

Development and Training

Indicator	Unit	2022	2021	2020
Number of e-training sessions	time	225	162	179
Number of offline training sessions	time	47	40	31
Number and proportion of trained employees grouped by type of employees				
Number of management	person	137	142	150
Number of managers	person	302	338	373
Number of common employees	person	576	765	848
Number of trained management	person	137	142	150
Number of trained managers	person	302	338	373
Number of trained common employees	person	563	740	819
Total number of trained employees	person	1,002	1,222	1,342
Proportion of trained management	%	100	100	100
Proportion of trained managers	%	100	100	100
Proportion of trained common employees	%	97.7	97	97
Proportion of total trained employees	%	98.7	98	98
Number of average training hours for employees by type of employees¹⁴				
Number of training hours for management	hour	2,180	1,767	2,242
Number of training hours for managers	hour	4,730	4,002	5,003
Number of training hours for common employees ¹⁵	hour	12,191	10,593	9,511
Total number of training hours for all employees	hour	19,101	16,362	16,756
Average number of training hours for the management	hour	16	12	15
Average number of training hours for the managers	hour	16	12	13
Average number of training hours for the common employees	hour	21	14	11
Average number of training hours for all employees	hour	19	13	12
Number and proportion of trained employees grouped by gender				
Number of trained male employees	person	522	676	774
Number of trained female employees	person	480	544	568
Proportion of trained male employees	%	98.5	98.4	98.4
Proportion of trained female employees	%	99.0	97.5	97.3

Indicator	Unit	2022	2021	2020
Number of average training hours for employees by gender				
Number of training hours for male employees	hour	9,782	8,836	9,454
Number of training hours for female employees	hour	9,319	7,525	7,302
Average number of training hours for male employees	hour	18	13	12
Average number of training hours for female employees	hour	19	13	13
Proportion of full-time employees who underwent regular performance and vocational development assessment¹⁶				
Proportion of male employees who underwent assessment	%	51	55	/
Proportion of female employees who underwent assessment	%	49	45	/
Proportion of employees who underwent assessment over total employees	%	100	100	/

Note 14: Due to updates in the classification method for the employee category, the data for 2021 and 2020 has been updated. The categories are defined as follows – common employees: part-time, interns, assistants, assistant officer, officer, management trainees, assistant managers, managers; managerial officers: vice presidents, senior vice presidents, directors; senior management: executive directors, managing directors, and executive committee members.

Note 15: Training hours of management trainees are not included in this table since 2021.

Note 16: From 2022, all full-time employees joined the Group before 1 October shall undergo year-end performance assessment including employees' training and vocational development requirements.

Appendix 1: KPI Tables

Labour Standard

Indicator	Unit	2022	2021	2020
Confirmed discrimination cases	case	0	0	0
Confirmed forced-labour cases	case	0	0	0
Confirmed child labour cases	case	0	0	0

Suppliers

Indicator	Unit	2022	2021	2020
Total number of suppliers	number	348	369	380
Number of suppliers grouped by location				
Hong Kong	number	170	202	224
Other Regions	number	178	167	156
Utilisation rate of budget for engaging Hong Kong suppliers ¹⁷	%	48.9	54.7	59.0
Contractual Suppliers engaged				
Contract fulfillment rate	%	100	100	100
Suppliers engaged according to engagement practice	number	63	77	21

Note 17: This indicator summarizes the purchase budgets of all operating sites using data of suppliers in Hong Kong.

Products and Services

Indicator	Unit	2022	2021	2020
Customer satisfaction	%	91	90	90
Number of customer complaints	case	22	70	133
Rate of customer complaints effectively solved	%	100	100	96.2
Technological investment expenditure ¹⁸	HK\$10,000	24,278	27,101	1,130

Note 18: This budget includes expenditures and costs related to information technology projects, software procurement and development, and IT research and development. The data for 2021 has been updated to reflect changes in statistical methods.

Anti-corruption

Indicator	Unit	2022	2021	2020
Confirmed bribery	case	0	0	0
Number of dismissals or disciplinary punishments against employees due to bribery	case	0	0	0
Number of contracts terminated or non-renewal of with business partners due to bribery	case	0	0	0
Number of public legal proceedings against organisation and its employees due to bribery	case	0	0	0
Number of anti-bribery training (for board of directors)	time	4	1	4
Enrollment for anti-bribery training sessions (for board of directors)	enrollment	13	12	7
Percentage of anti-bribery training (for board of directors)	%	100	100	30
Number of anti-bribery training (for management or above)	time	4	1	4
Enrollment for anti-bribery training sessions (for management or above)	enrollment	184	116	216
Percentage of anti-bribery training (for management or above)	%	100	100	100
Number of anti-bribery training (for common employees)	time	4	1	4
Enrollment for anti-bribery training sessions (for common employees) ¹⁹	enrollment	1,197	946	1,848
Percentage of anti-bribery training (for common employees) ²⁰	%	99	99	99

Note 19: Due to updates in the classification method for the employee category (see note 14), the data for 2021 and 2020 have been updated.

Note 20: 99% of the total number of employees in the Group are required to receive anti-corruption training, with the attendance rate of 100%. The remaining approximately 1% of the employees are not subject to anti-corruption training requirements because they do not have email accounts.

Appendix 1: KPI Tables

Community Investment

Indicators	Unit	2022	2021	2020	Tasks done in 2022
Total community investment	HK\$10,000	173.05	183.6	140.6	
Education Expense	HK\$10,000	0	5	70.4	
Environmental protection expense	HK\$10,000	13.64	20.90	21	<ul style="list-style-type: none"> • Expenditure incurred from HIT ESG Series: approximately HK\$130,100 • Other relevant environmental protection expenses: HK\$6,300
Health Care expense	HK\$10,000	20.6	50	12.7	<ul style="list-style-type: none"> • Sponsorship for Helping Hand's "Care for the Elderly, Care for the Brain": HK\$50,000 • Other health-related expenses: HK\$156,000
Cultural expense	HK\$10,000	0	1	3	
Sports expense	HK\$10,000	43.8	73.5	3.5	<ul style="list-style-type: none"> • Sponsorship for Windsurfing Association of Hong Kong: HK\$300,000 • Other sports-related expenses: HK\$138,000
Other expense	HK\$10,000	95.01	35	30	<ul style="list-style-type: none"> • Donations to pandemic fight and support: HK\$600,000 • Other expenses for other related areas: HK\$350,100
Accumulated community voluntary service hours	hour	361	143	71	
Accumulated number of community volunteers	visit	178	57	27	

Appendix 2: Reporting Basis – Data Verification for 2022

This report basically provides an overview of the verified KPIs included in the Environmental, Social and Governance Report 2022 of Haitong International Securities Group Limited, which covers data on greenhouse gas emissions, waste and energy consumption. On a voluntary basis, Haitong International appointed Ernst & Young to independently provide limited assurance on the following KPIs in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised).

Greenhouse Gas Emissions

The scope of verification, calculation method, emission factor sources, consideration of materiality, and changes in methods for greenhouse gas emissions are described below:

- Scope of verification: the emissions under the Scopes 1 and 2 from the Hong Kong offices from 1 January 2022 to 31 December 2022 are included. Scope 1 refers to direct emissions from use of private cars, while Scope 2 refers to indirect emissions from purchased electricity.
- Calculation method: the calculation scope of greenhouse gas emissions is determined based on operational control. The types of gases calculated include carbon dioxide, methane, and nitrous oxide. The quantification process of greenhouse gases refers to and complies with the guidelines published by the Electrical and Mechanical Services Department and the Environmental Protection Department, namely the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong", as well as Appendix 27 of the Listing Rules and the documents and standards provided by the HKSE.
- Emission factor sources: the emission factors of emissions sources under Scope 1 mainly refer to the standards as stated in Appendix 2: Reporting Guidance on Environmental KPIs published by the HKSE, while the global warming potential (GWP) of greenhouse gases refers to the Sixth Assessment Report (AR6) (2021) by the Intergovernmental Panel on Climate Change (IPCC). The emission factors for Scope 2 greenhouse gas emissions refer to the emission factors disclosed by CLP and HK Electric for 2022.
- Consideration of materiality: as Hong Kong is Haitong International's principal place of business, the disclosure scope of greenhouse gas emissions only covers the Hong Kong region.
- Changes in methods: due to the updated GWP, the Scope 1 greenhouse gas emissions of 2021 have been updated accordingly.

Appendix 2: Reporting Basis – Data Verification for 2022

Waste

The scope of verification, classification principle, calculation and assumptions, and consideration of materiality for waste are described below:

- Scope of verification: waste paper disposal, waste plastic bottles and plastic water bottles waste, used paper cups, waste light tubes, electronic information product waste, and recycled electronic information product disposed by our office premises in Hong Kong from 1 January 2022 to 31 December 2022 are included.
- Classification principle: the classification for waste refer to the conventions and regulations listed in Appendix 2: Reporting Guidance on Environmental KPIs published by the HKSE.
- Calculation and assumptions: the source of waste plastic bottles and plastic water bottles is the purchase of water bottles, all of which are assumed to be disposed as waste after use; the amount of waste light tube and electronic information product waste is counted, and the total weight is calculated based on the weight of each type of waste light tube and electronic information product waste; the amount of recycled electronic information product is based on the amount of electronic information products recycled through the electronic product recycling programme.
- Consideration of materiality: as Hong Kong is Haitong International’s principal place of business, the disclosure scope of waste only covers the Hong Kong region.

Energy Consumption

The scope of verification, calculation method, conversion method, and consideration of materiality for energy consumption are described below:

- Scope of verification: petrol consumption from the Company’s self-use vehicles, purchased electricity consumption in the office premises in the Hong Kong region, and purchased renewable energy certificates from 1 January 2022 to 31 December 2022 are included.
- Calculation method: the total energy consumption is the sum of petrol consumption and purchased electricity consumption. Petrol consumption and purchased electricity consumption are calculated based on internal records and bills within the Group. The amount of purchased renewable energy is the renewable energy electricity represented by the renewable energy certificates.
- Conversion method: the conversion factor for petrol consumption refers to the conversion factor in Appendix 2: Reporting Guidance on Environmental KPIs published by the HKSE, which converts petrol volume into corresponding calorific values.
- Consideration of materiality: as Hong Kong is Haitong International’s principal place of business, the disclosure scope of energy consumption only covers the Hong Kong region.

Appendix 3: Global Reporting Initiative Standards and the HKSE ESG Reporting Guide Content Index

This table adopts the Global Reporting Initiative (GRI) Standards and the HKSE ESG Reporting Guide for benchmarking.

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
GRI 2: General Disclosures 2021			
The Organization and its Reporting Practices			
2-1		Organizational details	About This Report 1.1 Overview of Organisation 1.3 Entities Included in the Consolidated Financial Statements 1.4 Organisation Coverage
2-2	Reporting Boundary 15	Entities included in the organization's sustainability reporting	1.3 Entities Included in the Consolidated Financial Statements
2-3		Reporting period, frequency and contact point	About This Report Appendix 4: Feedback
2-4		Restatements of information	About This Report In this report, there is no material restatement made to the previous report regarding information provided, scope, scope-setting process and calculation.
2-5		External assurance	Assurance Statement
	Reporting Principle 14	Reporting Principle	About This Report
Activities and workers			
2-6	KPI B5.1	Activities, value chain and other business relationships	1.1 Overview of Organisation 1.4 Organisation Coverage 1.5 Business Overview 5.3 Supply Chain 6.2 Products and Service Development Appendix 1: KPI Tables Please refer to the Group's annual report for 2022 for details. There is no significant change to the industry where the Group operates, value chain, and other business relations as compared to those in previous report.
2-7	KPI B1.1	Employees	Appendix I: KPI Tables
2-8		Workers who are not employees	The Group does not have workers who are not employees.

Appendix 3: Global Reporting Initiative Standards and the HKSE ESG Reporting Guide Content Index

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
Governance			
2-9		Governance structure and composition	2.1 Corporate Governance Practices 2.2 Corporate Governance and Committee Structure Please refer to the Group's annual report for 2022 for details.
2-10		Nomination and selection of the highest governance body	2.3 Nomination and Election of the Highest Governance Body
2-11		Chair of the highest governance body	2.2 Corporate Governance and Committee Structure
2-12	Governance Structure 13	Role of the highest governance body in overseeing the management of impacts	2.2 Corporate Governance and Committee Structure 3.1 Main functions of the Board, ESG Committee and ESG Executive Office
2-13	Governance Structure 13	Delegation of responsibility for managing impacts	2.2 Corporate Governance and Committee Structure 3 ESG Governance Structure 3.1 Main functions of the Board, ESG Committee and ESG Executive Office 4 Grow with Stakeholders
2-14	Governance Structure 13	Role of the highest governance body in sustainability reporting	About This Report 2.2 Corporate Governance and Committee Structure 3 ESG Governance Structure 3.1 Main functions of the Board, ESG Committee and ESG Executive Office
2-15		Conflicts of interest	2.5 Conflict of Interest and Remuneration Policy
2-16		Communication of critical concerns	2.2 Corporate Governance and Committee Structure 4.1 Communication with Stakeholders
2-17		Collective knowledge of the highest governance body	2.2 Corporate Governance and Committee Structure 3 ESG Governance Structure

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
2-18		Evaluation of the performance of the highest governance body	2.5 Conflict of Interest and Remuneration Policy 3 ESG Governance Structure 3.1 Main functions of the Board, ESG Committee and ESG Executive Office Please refer to the Group's annual report for 2022 for details.
2-19		Remuneration policies	2.5 Conflict of Interest and Remuneration Policy
2-20		Process to determine remuneration	2.2 Corporate Governance and Committee Structure 2.5 Conflict of Interest and Remuneration Policy
2-21		Annual total compensation ratio	The ratio of the annual total remuneration of the highest-paid individual to the median of the other staff is 23 times.
Strategy, Policies and Practices			
2-22	Governance Structure 13	Statement on sustainable development strategy	Management Statement Please refer to the Group's ESG Statement.
2-23		Policy commitments	3.2 ESG Strategy Please refer to the Group's ESG Statement.

Appendix 3: Global Reporting Initiative Standards and the HKSE ESG Reporting Guide Content Index

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
2-24		Embedding policy commitments	3.2 ESG Strategy 5.1 Sustainability and Green Finance 7.3 Development and Training 9.1 Climate Change Please refer to the Group's ESG Statement.
2-25		Processes to remediate negative impacts	2.4 Internal Audit 5.2 Compliance Operation 6.4.1 Good Customer Communication
2-26		Mechanisms for seeking advice and raising concerns	5.2 Compliance Operation Please refer to the Group's Whistleblowing Policy.
2-27	General Disclosure A1, General Disclosure B1, General Disclosure B2, General Disclosure B4, General Disclosure B6, General Disclosure B7	Compliance with laws and regulations	5 Economic and Operating Practices 6.1 Product Responsibility 7. Employee Care 9.2 Environmental-related Policies and System Appendix 1: KPI tables The Group did not violate any laws and regulations or was not subject to material pecuniary penalty or non-pecuniary sanctions in 2022.
2-28		Membership associations	1.4 Organisation Coverage 3.2 ESG Strategy 6.2.2 Exploration of Industry Opportunities
Stakeholder Engagement			
2-29		Approach to stakeholder engagement	4. Grow with Stakeholders
2-30		Collective bargaining agreements	The Group did not enter into any collective negotiation agreement. All employees are entitled to and free to organise and join a trade union.

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
GRI 3: Material Topics 2021			
3-1	Governance Structure 13 Reporting Principle 14	Process to determine material topics	4.2 Materiality Assessment
3-2	Reporting Principle 14	List of material topics	4.2 Materiality Assessment
Topic-specific Disclosure: Economy			
GRI 201: Economic Performance 2016			
3-3		Management of material topics	1 Businesses of Haitong International 5.1 Sustainability and Green Finance 8 Community Investment 9.1 Climate Change
201-1		Direct economic value generated and distributed	1.5 Business Overview 8 Community Investment Appendix 1: KPI Tables Please refer to the Group's annual report for 2022 for details.
201-2	General Disclosure A4, KPI A4.1	Financial implications and other risks and opportunities due to climate change	5.1 Sustainability and Green Finance 9.1 Climate Change
201-3		Defined benefit plan obligations and other retirement plans	7.1 Employment and Interests Please refer to the Group's annual report for 2022 for details.
201-4		Financial assistance received from government	The Group did not receive any significant government grants.
GRI 205: Anti-Corruption 2016			
3-3	General Disclosure B7	Management of material topics	5.2 Compliance Operation 5.3.3 Anti-Corruption and Anti-Commercial Bribery of Supply Chain
205-1		Operations assessed for risks related to corruption	5.2 Compliance Operation
205-2	KPI B7.2 · KPI B7.3	Communication and training about anti-corruption policies and procedures	5.2.3 Training for Compliance Operation 5.3.3 Anti-Corruption and Anti-Commercial Bribery of Supply Chain Appendix 1: KPI Tables

Appendix 3: Global Reporting Initiative Standards and the HKSE ESG Reporting Guide Content Index

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
205-3	KPI B7.1	Confirmed incidents of corruption and actions taken	Appendix 1: KPI Tables There was no confirmed incident of corruption against the Group or its staff in 2022.
Topic-specific Disclosures: Environmental			
GRI 302: Energy 2016			
3-3	General Disclosure A2 General Disclosure A3, KPI A3.1	Management of material topics	9.3.2 Energy Use
302-1	KPI A2.1	Energy consumption within the organization	Appendix 1: KPI Tables
302-3	KPI A2.1	Energy intensity	Appendix 1: KPI Tables
302-4	KPI A2.3	Reduction of energy consumption	9.3.2 Energy Use Appendix 1: KPI Tables
GRI 303: Water and Effluents 2018			
3-3	General Disclosure A1, General Disclosure A2, KPI A2.4 General Disclosure A3, KPI A3.1	Management of material topics	9.3.2 Energy Use
303-3	KPI A2.4	Water withdrawal	9.3.2 Energy Use Appendix 1: KPI Tables The main source of water for various uses is primarily from the public water supply systems in the respective cities. Therefore, disclosure of water usage by source such as surface water and groundwater is not applicable. Due to lower pressure from water resource in Hong Kong, there are no issues in obtaining water sources.
303-5	KPI A2.2	Water consumption	9.3.2 Energy Use Appendix 1: KPI Tables
GRI 305: Emissions 2016			
3-3	General Disclosure A1, KPI A1.5 General Disclosure A3, KPI A3.1	Management of material topics	9.2 Environmental-related Policies and Systems 9.3 Green Office
305-1	KPI A1.1, KPI A1.2	Direct (Scope 1) GHG emissions	Appendix 1: KPI Tables

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
305-2	KPI A1.1, KPI A1.2	Energy indirect (Scope 2) GHG emissions	Appendix 1: KPI Tables
305-3		Other indirect (Scope 3) GHG emissions	Appendix 1: KPI Tables
305-4	KPI A1.2	GHG emissions intensity	Appendix 1: KPI Tables
305-5		Reduction of GHG emissions	Appendix 1: KPI Tables
305-7	KPI A1.1	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Appendix 1: KPI Tables
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	3.2 ESG Strategy 9.2 Environmental-related Policies and Systems 9.3 Green Office
GRI 306 : Waste 2020			
3-3	General Disclosure A1, KPI A1.6, General Disclosure A3, KPI A3.1	Management of material topics	9.3.1 Waste
306-3	KPI A1.3; KPI A1.4	Waste generated	Appendix 1: KPI Tables
306-4	KPI A1.6	Waste diverted from disposal	9.3.1 Waste Appendix 1: KPI Tables
GRI 308: Supplier Environmental Assessment 2016			
3-3	General Disclosure B5	Management of material topics	5.3 Supply Chain
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	5.3.1 Green Procurement
308-2	KPI B5.3	Negative environmental impacts in the supply chain and actions taken	5.3.2 Supplier Assessments and Negative News Screening

Appendix 3: Global Reporting Initiative Standards and the HKSE ESG Reporting Guide Content Index

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
Packaging Materials			
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Due to its business nature, the Group did not generate any packaging materials for its finished products.
Topic-specific Disclosures: Social			
GRI 401: Employment 2016			
3-3	General Disclosure B1, General Disclosure B2	Management of material topics	7. Employee Care
401-1	KPI B1.2	New employee hires and employee turnover	Appendix 1: KPI Tables
401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees	7 Employee care 7.1 Employment and Interests 7.2 Health and Safety
GRI 404: Training and Education 2016			
3-3	General Disclosure B3	Management of material topics	7.3 Development and Training
404-1	KPI B3.1, KPI B3.2	Average hours of training per year per employee	Appendix 1: KPI Tables
404-2		Programs for upgrading employee skills and transition assistance programs	7.3 Development and Training
404-3		Percentage of employees receiving regular performance and career development reviews	Appendix 1: KPI Tables
GRI 405: Diversity and Equal Opportunity 2016			
3-3	General Disclosure B1	Management of material topics	2.2 Corporate Governance and Committee Structure 7.1 Employment and Interests Please refer to the Group's Board Diversity Policy.
405-1	KPI B1.1	Diversity of governance bodies and employees	Appendix 1: KPI Tables

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
GRI 413: Local Communities 2016			
3-3	General Disclosure B8	Management of material topics	6.4.2 8 Investor Education Community Investment
413-1	KPI B8.1, KPI B8.2	Operations with local community engagement, impact assessments, and development programs	6.4.2 8 Investor Education Community Investment
GRI 415: Public Policy 2016			
415-1		Political contributions	The Group did not make any political contributions in 2022.
GRI 416: Customer Health and Safety 2016			
3-3		Management of material topics	6.1 Product Responsibility
416-2	General Disclosure B6	Incidents of non-compliance concerning the health and safety impacts of products and services	6.1 Product Responsibility There was neither non-compliance with laws and regulations nor voluntary codes regarding health and safety by the Group in 2022.
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	This is not applicable to financial services provided by the Group.
GRI 417: Marketing and Labeling 2016			
3-3	General Disclosure B6	Management of material topics	6.1 Product Responsibility
417-2		Incidents of non-compliance concerning product and service information and labeling	6.1 Product Responsibility There was neither non-compliance with laws and regulations nor voluntary codes regarding service information and labeling by the Group in 2022.
417-3		Incidents of non-compliance concerning marketing communications	6.1 Product Responsibility There was neither non-compliance with laws and regulations nor voluntary codes regarding marketing communication (including advertising, promotion and sponsorship) by the Group in 2022.

Appendix 3: Global Reporting Initiative Standards and the HKSE ESG Reporting Guide Content Index

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
GRI 418: Customer Privacy 2016			
3-3	General Disclosure B6, KPI B6.5	Management of material topics	6.1.3 Data Protection and Customer Privacy
418-1		Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.1.3 Data Protection and Customer Privacy The Group did not identify any substantiated complaints concerning breaches of customer privacy and losses of customer data in 2022.
	KPI B6.2	Number of products and service related complaints received and how they are dealt with	6.4.1 Good Customer Communication
Health and Safety			
	General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	7.2 Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	7.2 Health and Safety
	KPI B2.2	Lost days due to work injury	Appendix 1 : KPI Tables
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	7.2 Health and Safety

GRI Standards	HKSE ESG Reporting Guide	Disclosure Description	Section/Note
Labour Standards			
	General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	7.1 Employment and Interests
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	7.1 Employment and Interests
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	7.1 Employment and Interests
Supply Chain Management			
	KPI B5.1	Number of suppliers by geographical region	Appendix 1 : KPI Tables
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	5.3 Supply Chain
Product Responsibility			
	KPI B6.2	Number of products and service related complaints received and how they are dealt with	6.4.1 Good Customer Communication
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	6.1.3 Data Protection and Customer Privacy
	KPI B6.4	Description of quality assurance process and recall procedures	6.1.2 Quality Assurance Process 6.4.1 Good Customer Communication Due to its business nature, the Group did not have product or service recall procedures.

Appendix 4: Feedback

We hereby thank you for spending some time reading the Environmental, Social and Governance Report 2022 of Haitong International Securities Group Limited. Furthermore, we sincerely look forward to your valuable opinion and suggestions to be filled in the following feedback form, as they play a very important role in helping us make continuous improvement in our ESG performance and the relevant disclosure work. You may give us your feedback by following ways:

Department: Investor Relations
Telephone: 852-22138570
Fax: 852-25305704
Email: ir@htisec.com
Mailing Address: 22/F Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

1. Which of the follows represent your identity most?

- Customer Employee Investor
 Government Regulator Supplier
 Community/Public member Media Other _____

2. What do you think about the following aspects stated in this Report?

	Fair	Good	Excellent
Overall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business of Haitong International	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Governance Structure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG Governance Structure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grow with Stakeholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic and Operating Practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Products and Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee Care	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community Investment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environment and Climate Change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Your opinion and suggestion on ESG management and ESG Report of the Group:

- Excellent Good Fair

Thank you for your support to our Group.



Haitong International Securities Group Limited

22/F Li Po Chun Chambers

189 Des Voeux Road Central, Hong Kong

