



興證國際金融集團有限公司

China Industrial Securities International Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 6058



2023

**Environmental, Social and
Governance Report**



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STATEMENT OF THE BOARD	2
1. GETTING TO KNOW CISI	3
1.1 Profile of the Group	3
1.2 Principal Businesses	4
1.3 Group Structure	5
1.4 Honours and Recognition	5
2. ESG GOVERNANCE	7
2.1 ESG Governance Structure	7
2.2 Stakeholder Communication and Engagement	8
2.3 Identification and Analysis of Material Issues	10
3. ECONOMIC AND OPERATIONAL RESPONSIBILITIES	13
3.1 Sustainable Finance	13
3.2 Risk Management	17
3.3 Compliant Operation	21
3.4 Supplier Management	27
4. FINANCIAL PRODUCTS AND SERVICES RESPONSIBILITIES	28
4.1 Data Security and Customer Privacy Protection	28
4.2 Customer Communication and Complaint Management	29
4.3 Responsible Marketing	31
4.4 Investor Education	31
5. EMPLOYEE RESPONSIBILITIES	32
5.1 Employee Employment and Rights	32
5.2 Employee Health and Safety	36
5.3 Employee Training and Development	37
6. COMMUNITY RESPONSIBILITIES	40
6.1 Public Welfare and Charity	40
6.2 Environment-related Charitable Events	41
7. ENVIRONMENTAL RESPONSIBILITIES	42
7.1 Responding to Climate Change	42
7.2 Environment and Natural Resources	47
7.3 Waste Management	49
ESG DATA PERFORMANCE TABLE	50
REPORT INDEX	53
DESCRIPTION OF REPORT PREPARATION	55

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STATEMENT OF THE BOARD

Upholding the business philosophy of “Focus on Value, Create the Future with Wisdom”, the Group has been exploring its professional strengths, and remains committed to developing itself into an internationalised professional financial services platform based in Hong Kong market. The Group recognises the importance of ESG governance in realising long-term sustainable corporate development, and has embedded ESG concepts into culture, strategies, policies and daily operations of the Group to pursue a sustainable financial ecosystem while creating economic value.

In 2023, the Group not only achieved milestone breakthroughs in business expansion and performance, but also was included into the MSCI Hong Kong Micro Cap Index, and received the “ESG Pioneer of the Year” under the Jinge Award for the Best Listed Companies in Greater China Area of the Year by Gelonghui, and the “Outstanding Award for Green and Sustainable Bond Lead Manager” of Hong Kong Green and Sustainable Finance Award 2023, convincingly demonstrating the Group’s excellence in operation and management and contributions to sustainable development.

Strengthening the foundation of governance: The Group has established and continuously improved ESG governance system under which the Board participates in the deliberation and decision-making of major ESG matters, supervises and assumes the overall responsibility for the Group’s performance of ESG duties. The Group clearly defines a hierarchical governance structure in which “the Board, the ESG Committee, the ESG Working Team, and the relevant departments and subsidiaries” have their own roles and responsibilities to ensure that all ESG tasks are carried out from top to bottom and that ESG performance is effectively enhanced through continuous improvement.

Based on our own development strategy and industry characteristics, the Group has thoroughly interpreted the macroeconomic policies and the trend of industry development, clearly defined the direction of performance in line with the Group’s strategic positioning, and made timely updates and targeted adjustments to the ESG issues involved. The materiality and priority of identified material ESG issues are assessed, analysed and ranked through stakeholder survey, and those issues are ultimately subject to supervision, review and decision-making by the Board so that the Group could put more specific efforts in ESG governance.

Practicing green finance: In our business, the Group attaches great importance to the practice of ESG and has made multiple arrangements in relation to green bonds, green investments and green innovative financial products. The Group takes into full consideration ESG factors such as climate risk of the target companies as a key reference dimension in the business decision-making process, and fully leverages our own resources and professional strengths to provide high-quality green investment and financing services for our customers. The Group has initiated all-round co-operation in green financing certification, green finance capacity building and development of green financial products to give full play to the driving force of carbon peaking and carbon neutrality initiatives, with a view to continuously optimising and upgrading the Group’s ESG performance and comprehensive capabilities, and to advancing green development of the Company.

Strengthening fulfilment of responsibility: While focusing on our own business development, the Group has been actively implementing ESG development concepts and integrate them into corporate culture of the Group. In enhancing the value of employees, the Group strives to build a healthy, equal and positive working environment. By creating an inclusive and innovative talent development platform, the Group ensures that each team member realises personal value while driving the Group’s business to new heights. In terms of social value creation, the Group collaborates with a number of charity and green protection organisations in Hong Kong to encourage and organise employees to participate in social services, environmental protection and public benefit activities.

In the future, the Group will continue to strengthen the execution and implementation of our sustainable financial strategy, enhance our ability to identify climate risks and grasp opportunities, and actively participate in public welfare undertakings, so as to comprehensively promote the practice and sustainable development in the three dimensions of corporate governance, social responsibility and environmental protection.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. GETTING TO KNOW CISI

1.1 Profile of the Group

China Industrial Securities International Financial Group Limited (“CISI”, the “Group”, “we”, or “our”, stock code: 6058.HK) was successfully listed on GEM of the Hong Kong Stock Exchange in 2016, and became the first subsidiary of a Chinese securities enterprise listed offshore by spin-off, and was successfully listed on the Main Board of the Hong Kong Stock Exchange in 2019. Based in Hong Kong, the Group is full-service financial group engaging in investment and financing businesses such as global securities and futures brokerage, sales and trading and research, corporate finance, proprietary investment, asset management, and private wealth management. The Group holds Types 1, 2, 4, 5, 6 and 9 regulated activity licences issued by the Securities and Futures Commission of Hong Kong (“SFC”), as well as licences from the Hong Kong Insurance Authority and the Mandatory Provident Fund Schemes Authority.

The controlling shareholder of CISI is Industrial Securities Co., Ltd. (“Industrial Securities”). As a gateway for Industrial Securities to implement its internationalisation strategy, the Group has established an international investment and financing platform based on Hong Kong as an international financial centre under the philosophy of “Focus on Value, Create the Future with Wisdom”. Thanks to our efforts in the past years, the Group has gradually established a solid presence in Hong Kong and become one of the major full-services financial group in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

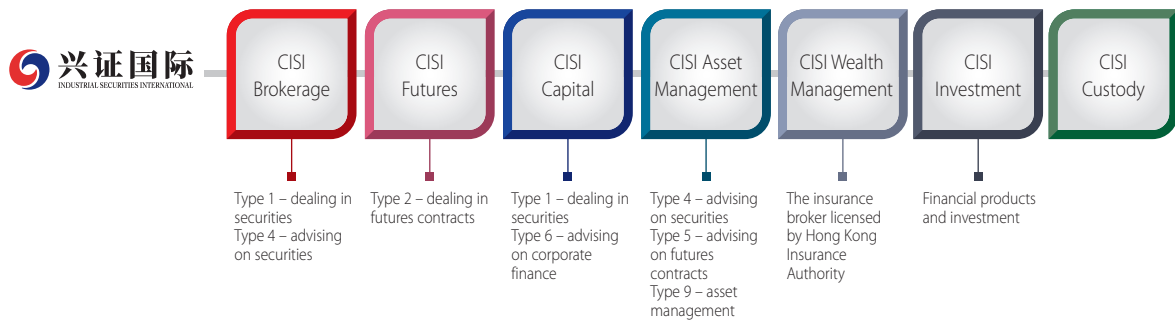
1.2 Principal Businesses





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.3 Group Structure



1.4 Honours and Recognition

In May 2023, CISI was formally included as a constituent of the MSCI Hong Kong Micro Cap Index, fully demonstrating the capital market’s recognition of CISI’s growth potential and confidence in its future prospects.

In July 2023, CISI participated for the first time in the Climate Change Questionnaire Rating of the Carbon Disclosure Project (CDP), and received a Management Level “B-” rating.

Item	Name of the award	Awarding Unit
1	Excellence Award in Bonds, Excellence Award in Structured Products and Outstanding Award in Wealth Management Platforms under the Securities Sector of “Financial Institutions Selection 2023”	Bloomberg Business Week
2	2023 ESG Pioneer Award of the Best Listed Companies, Greater China Area	Gelonghui (Guru Club)
3	The Best China Securities Firm Award in the 13th Golden Bauhinia Award of China Securities	Hong Kong Ta Kung Wen Wei Media Group (HKTKWW)
4	Overseas Private Equity Xinzhi Award 2023-Outstanding Bond Strategy Fund Award	Zhitongcaijing and Hithink Royalflush Information Network
5	Best Brokerage Research Team in the 5th “Golden Central” Awards	Zhitongcaijing and Hithink Royalflush Information Network
6	Best Investment Banking Overseas in China Securities Junding Awards 2023	Securities Times
7	Professional Investment Banking Services Award and Professional Asset Management Innovation Services Award under Professional Financial Institutions Assessment 2023	Hong Kong Commercial Daily, Economic Herald, The Hong Kong General Chamber of Commerce and China Enterprise Reputation and Credibility Association (Overseas)
8	Outstanding Award for Green and Sustainable Bond Lead Manager (Financial Sector) - Visionary Green Bond Performance Metrics in Hong Kong Green and Sustainable Finance Awards 2023	Hong Kong Quality Assurance Agency (HKQAA)
9	First Prize Winner on Hong Kong Stock and Foreign Equity Analysis in the 21st New Fortune Best Analyst Awards	New Fortune
10	First Prize Winner on Foreign Equity Analysis in the 17th Crystal Ball Awards for Chinese Sell-Side Analysts	Capital Week
11	First Prize Winner in Selection of Best Securities Analyst in Sina Finance and Economics 2023	Sina Finance and Economics
12	Three year Yinghua Awards -Credit Hedge in the Yinghua Award(Overseas Fund) 2023	China Fund
13	2023/2024 Hong Kong Caring Company	The Hong Kong Council of Social Service (HKCSS)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





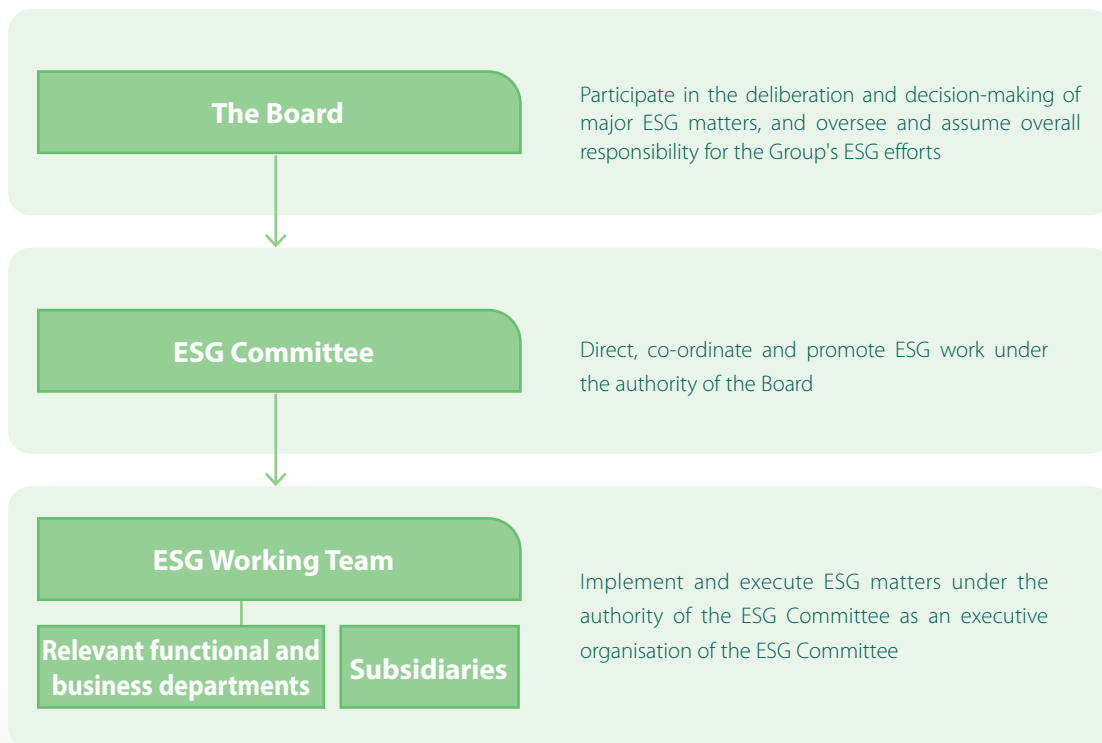
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. ESG GOVERNANCE

2.1 ESG Governance Structure

CISI embeds ESG concepts into the Group's long-term development strategy. Based on an ESG governance structure in which the Board is responsible for supervision and decision-making, and the ESG Committee ("ESG Committee") for co-ordination and management, and the ESG Working Team ("ESG Working Team") for implementation, CISI has been promoting ESG management and practices from the top to the bottom and has been enhancing ESG management and endeavouring to translate commitments to stakeholders into concrete actions.

ESG Governance Structure of the Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Governance Duties of the Board

- The Board, as the top governance structure of the Group, conducts a review of the Group's ESG matters at least once a year, including the relevant strategies, measures and performance, etc., in order to effectively monitor the relevant ESG risks and opportunities.
- The Board values ESG and takes full responsibility for strategy and reporting of ESG to ensure the completeness of ESG reports.
- The Board is committed to creating long-term value for stakeholders while taking into account ESG-related risks.
- The Board aims to integrate ESG considerations into the business decision-making process. Effective implementation of ESG policies relies on the support from and co-operation among different departments to ensure that existing policies comply with laws and regulations and meet business needs and stakeholders' expectations.

2.2 Stakeholder communication and engagement

The Group regards communication with stakeholders as an important part of ESG management and regards their needs and expectations as the core considerations in planning ESG strategies and optimising ESG governance. Based on the characteristics of the Group's industry and its operating conditions, the Group has identified and finalised six stakeholders and established a regular communication mechanism with each of them, under which demands of those stakeholders are incorporated into operations and decision-making process of the Group, so as to continuously improve the effectiveness of our communications with stakeholders.

Stakeholders' Focuses and Responses

Stakeholder	Issue focused	Communication and response
Shareholders and investors	Legal and compliant operation	Regular disclosure of information on the Stock Exchange website
	Risk management	Establish an anti-corruption system
	Anti-corruption	Launch anti-corruption training
	Intellectual property protection	Website, official WeChat account and other means of media of the Group
Customers	Data security and customer privacy protection	Improve information security infrastructure
	Investor education	Carry out investor education programs
	Customer communication and complaint management	Develop smart cat intelligent assistant system (機智貓)
	Serving the real economy	Support real economy-related businesses
	Responsible marketing	Promote suitability management
Green finance and ESG investment	Practice ESG investment	



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

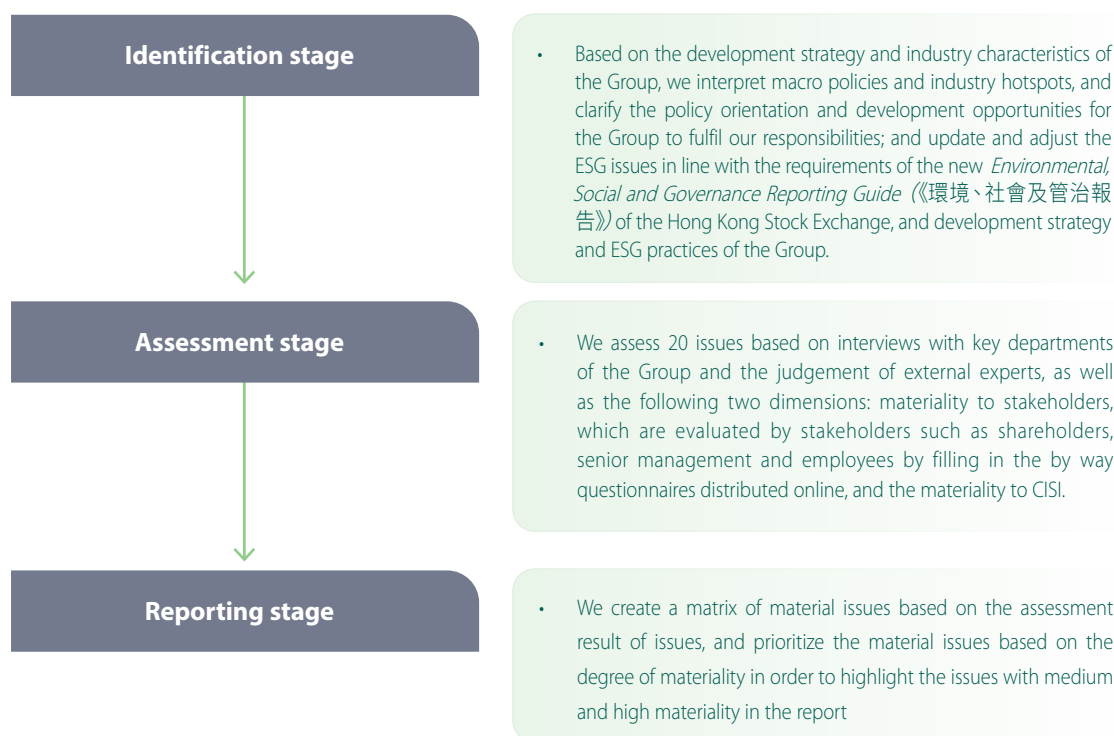
Stakeholder	Issue focused	Communication and response
Employees	Employee recruitment and employment Employee rights and benefits Employee training and development Employee health and safety Diversity and equal opportunities	Participate in "Innovating Hong Kong – Global Talent Carnival" Conduct employee care events Put training and promotion system into place
Government and regulators	Legal and compliant operation Anti-corruption Responsible marketing Intellectual property protection	Regulate information disclosure Establish an anti-corruption system Launch anti-corruption training Intellectual property protection
Suppliers and partners	Supplier management Intellectual property protection	Tender and procurement Establish procurement management system Co-operation and exchange
Community representatives and charitable organisations	Community investment Responding to climate change Environment and natural resources Waste management	Participate in charitable activities Control climate change risks Promote low-carbon operation Proper disposal of waste Issuance of green bonds

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3 Identification and Analysis of Material Issues

The Group identifies, assesses and reports on material issues on an annual basis to identify issues that are material to the Group and stakeholders, and the Board ultimately reviews and confirms the results of the identification of the Group's material ESG issues to ensure that they are covered so that the report better responds to the demands and expectations of the stakeholders.

Material Issue Analysis Process



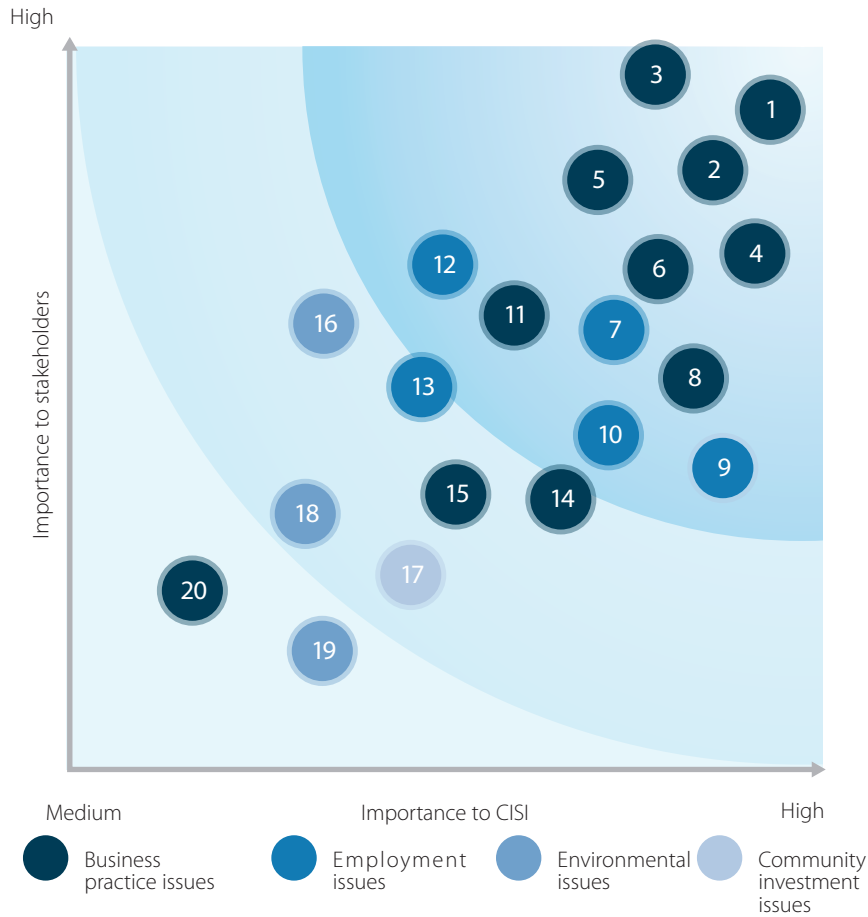
Key Changes in Material Issues of the Group in 2023

Description of change	Material issues in 2023	Material issues in 2022	Interpretation of issues
New issue	Employee recruitment and employment	--	Management system, management measures and achievements of the Group with respect to compliant employee recruitment, dismissal, prohibition of child labour and forced labour, etc..
	Diversity and equal opportunities	--	Accessibility of employees of different genders, ages and regions to equal employment and development opportunities.
Expression enhancement	Employee training and development	Employee development and training	The Group has established a hierarchical and categorised training system, formulated a comprehensive appraisal and evaluation mechanism, and provided employees with promotion opportunities to enhance their satisfaction and reduce their turnover.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Material Issues Matrix of the Group for 2023



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Ranking of Material Issues of the Group

No.	Title of issue	No.	Title of issue
High-material issue		Medium-to-high material issues	
1	Risk management	13	Employee health and safety
2	Legal and compliant operation	14	Responsible marketing
3	Data security and customer privacy protection	15	Intellectual property protection
4	Anti-corruption	16	Responding to climate change
5	Serving the real economy	17	Community investment
6	Green finance and ESG investment	Medium material issues	
7	Employee training and development	18	Waste management
8	Customer communication and complaint management	19	Environment and natural resources
9	Employee recruitment and employment	20	Supplier management
10	Diversity and equal opportunities		
11	Investor education		
12	Employee rights and benefits		

Note: High material issues are those that have a significant impact on activities and business of the Group, and represent an key part of the Group's ESG management for 2023; and medium-to-high material issues and medium material issues are those that are important to the Group and would remain the focus of the Group even if the relevant problems were largely resolved.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ECONOMIC AND OPERATIONAL RESPONSIBILITIES

3.1 Sustainable Finance

CISI has always attached great importance to the development of sustainable finance and has been actively implementing the Group’s ESG strategy by incorporating ESG concepts in various business areas and promoting ESG capital facilitation through multiple arrangements in green financing, responsible investment and services for the real economy.

Green Financing

In respect of green debt financing, the Group explores green financial opportunities in offshore bonds by increasing the volume and expanding the scope of its operations, and drives enterprises of the Group to issue green bonds to reduce financing costs by guiding customers to select excellent investment projects. In recent years, the Group has made continuous efforts to implement a number of offshore green bond projects, and has effectively promoted the issuance of green bonds by our enterprises to reduce financing costs, expand financing channels and improve financing efficiency.

In 2023, the Group supported 16 green bond and sustainable bond projects with an underwriting size of approximately HK\$584 million; and supported the equity financing of one green enterprise with a financing size of approximately HK\$126 million.



Case

Facilitating local state-owned enterprise to issue its first green offshore bonds

On 11 December 2023, Pingtan Comprehensive Pilot Zone City Development Group Co., Ltd. * (平潭綜合實驗區城市發展集團有限公司) ("Pingtan CDG") successfully issued dim sum bonds of RMB580 million with CISI serving as the joint global coordinator, joint lead manager and joint bookrunner. The bond issuance amounted to RMB580 million at 5.6%, with a maturity of three years. The bond represents the first dim sum bond issued by local state-owned enterprise in Fuzhou region and the first offshore green bond issued by local state-owned enterprise. The bond is a green bond certified by the Hong Kong Quality Assurance Agency ("HKQAA") and has been assigned by Lianhe Global the rating BBB with stable outlook. The proceeds will be used for project construction and replenishment of liquidity.

Regarding green equity financing, the Group evaluates green enterprises against the *Evaluation Criteria of Industrial Securities for Green Finance Business (2019)* (《興業證券綠色金融業務評價標準》(2019)) of Industrial Securities, the parent company of CISI, which comprises two dimensions, namely, corporate green business evaluation (industry dimension) and corporate green performance evaluation (ESG performance dimension), and sets specific evaluation criteria and indicators under the two dimensions in a characteristic manner.

Evaluation Criteria of the Group for Green Enterprises

Dimension	Criteria description
Green business evaluation	The green industries set out in the <i>Guiding Catalogue of Green Industries (2019)</i> (《綠色產業指導目錄(2019)》) are mapped to the four levels of industry classification specified in the national standards, and the green industries that meet the definition of green are identified.
Green performance evaluation	The ESG evaluation system is selected with reference to the "Negative Screening Strategy" in the ESG investment strategy, focusing on the veto indicators that have a significant impact on the non-financial risks of enterprises.

* For identification purpose only

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Case

Supporting the listing of Huaibei GreenGold on the Main Board of the Hong Kong Stock Exchange

On 20 January 2023, Huaibei GreenGold Industry Investment Co., Ltd.* (淮北綠金產業投資股份有限公司) (“Huaibei GreenGold”) was successfully listed on the Main Board of the Hong Kong Stock Exchange, with CISI serving as the joint bookrunner and joint lead manager for the IPO (Initial Public Offering).

Huaibei GreenGold is a building materials supplier committed to achieving low-carbon emissions and sustainable development.



Global offering poster of Huaibei GreenGold

To carry on the sponsorship business, the Group engaged a professional intermediary team to conduct due diligence on clients’ ESG performance through ESG data collection and questionnaire surveys with key stakeholders, and to make ESG-related improvement recommendations to customers. By doing so, the Group gained an in-depth understanding of the ESG risks of our clients and based on that, prepared the ESG chapter to be disclosed to public investors in the prospectus.

Key ESG Improvement Areas Proposed by the Group to Customers

Dimension	Key improvement areas
Environment	Emissions, use of resources, climate change and carbon emission management, etc.
Social	Employment management, employee health and safety, development and training, labour standards, supply chain management, product responsibility and community investment, etc.
Governance	Anti-corruption and governance structures, etc.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In step with efforts to create economic value, the Group actively doubles learning, interaction and exploration efforts in green finance field to enhance our ESG capabilities and also implements all-round co-operation to further establish a sustainable finance ecosystem.



Case

Signing Strategic Co-operation Memorandum with HKQAA

On 13 March 2023, the Group and HKQAA held an exchange seminar to sign a memorandum of understanding on strategic cooperation, announcing the establishment of a long-term partnership to jointly promote development of green and sustainable finance. The Group actively organised staff to learn about the ESG requirements of the Hong Kong Stock Exchange and the development of its ESG policy. The Group kept abreast with the latest ESG policies, applied ESG in the daily business processes and urged issuers to strictly comply with the latest ESG regulations and disclosure requirements of the Hong Kong Stock Exchange.

Responsible Investment

Following the ESG investment philosophy, the Group continues to optimise its ESG-themed investment strategies by actively applying ESG investment strategies such as positive screening, negative elimination, norm-based screening, ESG factor integration, sustainability themed investing, and shareholder activism, etc. to conduct research on fundamental of industries and companies and in the course of investment decision-making, so as to create long-term and sustainable economic benefits, environmental benefits and social benefits.

In 2023, fund products of the Group invested a total of HK\$978 million in green bonds, including investments in green bonds issued by the Hong Kong SAR Government, Fujian Zhanglong and other entities, and the proceeds were used for financing or refinancing of enterprises in line with the green projects, etc., thus contributing to the country's carbon neutrality target and the development of green industries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Applications of ESG investment strategy of the Group

ESG investment strategy	Applications
Positive screening	Actively focus on renewable energy sectors such as photovoltaic, new energy vehicles, wind power, energy storage and hydrogen, and prefer to invest in companies with leading energy-saving technologies in construction and other industries.
Negative elimination	<p>Include a company into the blacklist of stocks on the basis whether such company experiences any significant negative event such as corruption;</p> <p>Carefully invest in companies that are experiencing significant ESG issues or issuers who previously experienced significant ESG issues such as governance or corruption issues, and have not yet proposed a viable solution;</p> <p>Carefully invest in enterprises that are subject to regulatory penalties for environmental non-compliances such as sewage treatment and geological damage.</p>
Norm-based screening	Assets that are in line with the minimum business standards are screened against international norms (such as those published by the OECD or the United Nations), and gambling sector, pornography sector and controversial regions are excluded from our investment.
ESG factor integration	In addition to referring to the external ESG rating database, the Group also explores and designs the internal ESG rating model, and strives to combine the analysis template of the universal ESG with the analysis template of the internal personalized ESG to identify the investment opportunities of customers with sustainable development capabilities.
Sustainability themed investing	The equity investment portfolio involves companies related to a variety of sustainable themes, including energy conservation, renewable energy, and energy storage.
Impact investing	Target investments to solve social or environmental problems such as micro finance, and investment poverty alleviation bonds, aiming to achieve a positive impact on society in addition to financial returns.
Shareholder activism	<p>Positively communicate with our investees to understand their ESG risk identification and assessment, and monitor their performance;</p> <p>In accordance with the <i>Management System of China Industrial Securities International Asset Management Limited for ESG Engagement Measures</i> (《興證國際資產管理有限公司ESG參與措施管理制度》), we communicate our investees on factors affecting ESG risks and opportunities, encourage them to improve their ESG practices and the quality of their information disclosure, and facilitate them to take proactive actions in respect of the identified ESG risks and opportunities.</p>



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Serving the real economy

Further, the Group continues to support enterprises with outstanding ESG performance to enter the capital market, helping them to serve the real economy while providing them with capital access.

In 2023, the Group underwritten 100 issuances of overseas bonds for Chinese enterprises with an underwriting amount of approximately HK\$9,525 million.

Key actions of the Group to serve the real economy in 2023

- CISI sponsored the listing of a vocational education enterprise in Hong Kong, with an estimated proceeds of approximately HK\$400 million. The enterprise contributes to China's strategy of transforming China into a world-leading manufacturing power by nurturing professionals in various fields such as cooking, caring, and aircraft repair, etc. for the manufacturing service industry.
- CISI applied for the listing of Xiamen International Investment Company Limited, with estimated proceeds amounting to approximately HK\$5 billion. The investment company financially supports many entities engaging in the real economy to contribute to development of the real economy.
- Acting as a compliance advisor to a natural gas company to be listed in Hong Kong, CICI help the company better meet the requirements of the Hong Kong regulator. Driven by the zero-coal policy of the local government, the natural gas operator promotes the coal-to-gas project clean energy village program to supply natural gas to the region and the surrounding villages to achieve low-emission and low-energy heating.

3.2 Risk Management

Comprehensive Risk Management

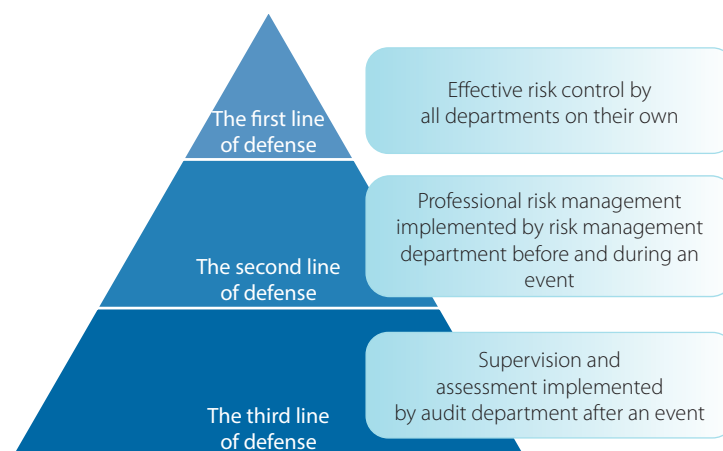
The Group is committed to establishing a strong internal control system and core competencies in risk management to ensure that we are able to measure, control and withstand risks, so as to facilitate the long-term sound development of our business and the realisation of strategic objectives.

In 2023, the Group formulated and published a risk appetite statement, reviewed and revised mechanisms and systems in terms of external regulatory requirements and business practicability, and further improved risk management systems for market risk, credit risk and operational risk so that all business lines are basically covered by the risk management system, ensuring that risks could be controlled in accordance with the established rules and regulations for all types of business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established a comprehensive risk management organisational structure comprising the Board, the management, the risk management committee, the risk management department and other departments, and has established the three lines of defence for risk management to effectively ensure the checks and balances and restraints on the rights and responsibilities in relation to risk management, and to ensure risk management is performed efficiently and effectively. The Group further enhanced risk management team by establishing a department risk controller mechanism to further implement the requirements of comprehensive risk management and to enhance multi-faceted risk control capabilities.

Three lines of defence of the Group for risk management



In 2023, the Group convened quarterly meetings of the risk management committee to discuss macroeconomic changes, and our quarterly operational risks and the next risk control work, and develop plans accordingly. The Group organised several risk management trainings to share practical experience in the risk management system improvement so that the frontline employees become more able to control risks, thus creating a sound risk control culture.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key control measures of the Group for business risks in 2023

Type	Description of control
Credit risk	<ul style="list-style-type: none">• Credit risk management was further improved by calculating expected credit losses, optimising the concentration limit control scheme for margin financing and collateralised securities, and identifying various risks in a timely manner;• We closely monitored risk changes in the market, based on which we prepared daily and monthly reports and special risk control reports such as the daily risk control report, monthly credit business risk assessment report, stress test report and related securities assessment report;• We put into place a mechanism to comprehensively investigate external risk and public opinion events, and introduced additional solutions for monitoring public opinion on stocks and subjects on platforms such as Wind and DM, thus improving the public opinion monitoring and risk management mechanism.
Market risk	<ul style="list-style-type: none">• Market risk monitoring and management were reinforced, internal management mechanism for equity fund investment and asset management business was improved, and the impairment model was optimised for bond business, so as to boost the development of financial derivatives business in synergism;• Further control was imposed upon proprietary bond and equity fund investment business by improving the market risk management mechanism of proprietary bond investment business and optimising the internal risk control index system in a timely manner;• Risk management mechanism for equity fund investment business was enhanced in terms of authorisation and post-investment management;• Pre-investment and post-investment management was further enhanced by promptly issuing daily and monthly reports on market risk management, monthly risk assessment report on bond investment business, stress test report and other daily and monthly reports and special risk control reports;• For asset management business, we adopted well-defined daily risk management measures for the existing products such as funds, RQFII accounts and separately-managed investment accounts, and optimised the risk control statement for asset management business.
Operational risk	<ul style="list-style-type: none">• A dedicated business continuity program was established, which covered brokerage business, big investment banking lines, and sales and trading business;• High-risk and high-frequency risk scenarios were identified and relevant contingency plans were revised accordingly;• Review and emergency drills were conducted with respect to the annual dedicated business continuity program, and the contact tree exercise was organised to ensure we would be sufficiently capable to respond to crisis.

The Group pursues technology-enabled risk management by building an automated risk control reporting system and deploying generative artificial intelligence to better enhance the efficiency and accuracy of risk alerts, risk identification and risk decision-making.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Technology-enabled risk management measures of the Group

- The establishment of the automated risk control reporting system facilitated standardised storage and convenient application of risk control data to enhance risk management efficiency and reduce the possibility of operational risks. As of the end of 2023, the system had become capable to automatically capture data for margin financing business, futures business, investment of own funds in securities-type products business and asset management business, and to automatically generate regular reports with respect to those businesses, significantly enhancing our capability and efficiency of risk monitoring.
- Deploying generative AI in the system could improve the efficiency of risk management as AI facilitates identification of potential risk areas, increases considerations in all aspects of risk management, and provides decision support, thereby further strengthening the risk management system.



Case

Organising risk management training for staff to enhance their risk management awareness

In December 2023, the Group launched a training seminar entitled *Learning of Risk Management Mechanisms and Sharing of Operational Risk Cases* for the frontline risk control managers, risk supervisors and other employees from various departments, covering risk management systems and policies such as risk appetite and risk limits, and control and management measures for credit risk, market risk and operational risk.



Training scene

ESG Risk Management

In accordance with the *Risk Management Measures of China Industrial Securities International Financial Group Limited for New Businesses* (《興證國際金融集團有限公司新業務風險管理辦法》), the Group paid attention to the ESG risks of its business during the preliminary engagement and due diligence process in relation to projects. In 2023, the Group amended the *Management Measures of China Industrial Securities International Financial Group Limited for Bond Pools* (《興證國際金融集團有限公司債券池管理辦法》) and the *Codes for Management of Bond Pools of Asset Management Business of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司資產管理業務債券池管理工作規程》), which require the day-to-day monitoring and control of the ESG risks within the asset management bond pools. During the Reporting Period, no ESG risk triggers occurred in any of the Group's business lines.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Investment and Financing Business Review committee of the Group is the top decision-making body for the management of the investment and financing business, and it is mainly to approve investment criteria and policies, investment processes, investment strategies and investment projects. As a part of the business review and approval process, the Group gives comprehensive consideration to project risks in the light of specific project situations. For companies or projects operating in industries with high ESG risks, the Group makes enquiries on a case-by-case basis and, if necessary, follows up on the changes in the ESG risks of the relevant clients after the review and approval, and reminds the project team of ESG disclosure of the relevant company by way of project review feedback to strengthen the relevant ESG due diligence.

The Group has established a comprehensive risk event escalation and risk information reporting mechanism. Potential or unexpected risk events identified in the business processes are reported to the management, the risk management department and the relevant departments, and risk mitigation or rectification measures are taken immediately.



Case

Conducting ESG trainings for employees to enhance their ESG risk management awareness and capability

In February 2023, the Group provided an online training on the theme of *Annual ESG Market Review and Characteristic Practices of Overseas Financial Institutions* for the members of the Risk Management Committee and other employees, which focused on the global and China's ESG development in 2022, ESG fund product review and characteristic practices of ESG in overseas financial institutions. The training was attended by 21 employees.

In November 2023, a total of 34 employees, including the management and directors, attended the training entitled *Trends of ESG Development in Financial Industry and Sharing of Excellent ESG Practices in the Industry*, which was provided by SynTao, an independent consulting firm. In the training, participants learnt about ESG definitions and development trends, and domestic and international mainstream ESG ratings as well as ESG practices shared by peers in the financial industry.

3.3 Compliant Operation

Legal and Compliant Operation

The Group strictly complies with the relevant laws, regulations, codes and guidelines such as the *Companies Ordinance (Cap. 622)* (《公司條例》(第622章)), the *Securities and Futures Ordinance (Cap. 571)* (《證券及期貨條例》(第571章)), the *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission* (《證券及期貨事務監察委員會持牌人或註冊人操守準則》) (the "Code of Conduct") and the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (《香港聯合交易所有限公司證券上市規則》) (the "Listing Rules"), in the course of business activities and day-to-day operations. In addition, the Company has been improving the effectiveness of compliance management by actively enhancing the compliance system and fostering a good compliance culture.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

International compliance management system of the Group

Type	Description
Management system level	The Group attaches importance to compliance management and strictly complies with applicable laws, regulations, codes and guidelines in the business activities and day-to-day operations, formulates management policies and procedures relating to compliance management and establishes a compliance management framework to provide solid protection for the Group's stable operations.
Management structure level	The Group has established a comprehensive compliance management framework with three lines of defence for compliance management. The compliance and legal department closely monitors the compliance operation of the Group's various businesses and urges business lines to strictly implement the relevant regulatory requirements.
Compliance enforcement level	The Group has established an independent compliance and legal department to take the lead in compliance management efforts such as compliance review, compliance inspection, compliance supervision, compliance consultation and compliance training to ensure that the Group prevents and handles various compliance risks in a timely manner.

The Group ensures the timely prevention and handling of various legal risks through the close collaboration between in-house full-time legal staff and external legal advisers.

In order to evaluate the operating results of each business unit comprehensively, objectively and fairly, the Group improved the performance appraisal, evaluation, incentive and constraint mechanism. In this regard, the Group conducted three appraisals for the business units in 2023, and one comprehensive compliant appraisal for each management department, with a view to clarifying the responsibilities of each of the Group's management departments and to strengthening their awareness of responsibilities and sense of service.

In order to further implement the compliance culture concept of "Compliance, Integrity, Professionalism and Prudence", the Group actively creates a favourable atmosphere for the compliance culture and launches various compliance and business trainings, with over 1,000 participations in total.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Case

Compliance trainings were provided by an external organisation to enhance employees' understanding of ESG and regulatory requirements

On 31 July 2023, the Group invited KPMG to organise a training on the theme *ESG – ISSB (International Sustainability Standards Board) Readiness*. In the training, KPMG elaborated on the need to consider the specific implications of the forthcoming ISSB standards on sustainability disclosure of the Group in the current financial market, covering the history of ESG reporting development in Hong Kong, the new climate disclosure requirements of the Hong Kong Stock Exchange and the transitional requirements. A total of 112 employees participated in the training.

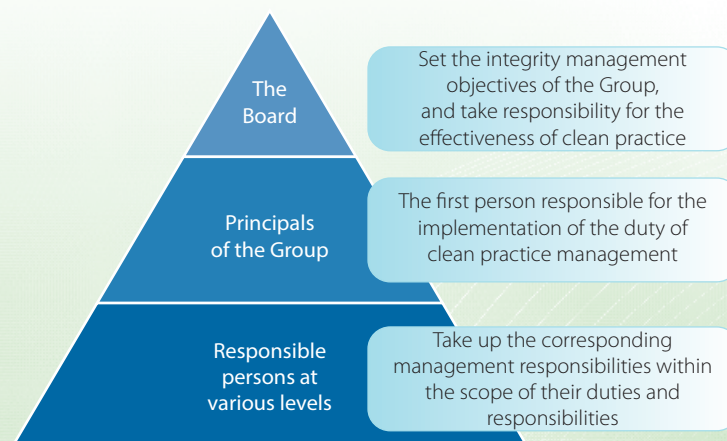
On 12 December 2023, the Group invited Linklaters to organise a compliance training seminar on the theme of *Training on the SFC Ordinances and Special Studies* for the relevant employees to enhance their understanding of the *Code of Conduct* (《《操守準則》》) of SFC and other regulatory requirements, and also improve their conduct and standard of practice. As a part of the training, the trainer introduced the general principles of regulation, and explained the consequences of non-compliance with regulatory frameworks on the basis of market misconduct cases such as insider trading and market manipulation. The seminar also involved the regulatory framework briefing, including book-keeping, suitability assessment, market sounding, and regulatory focuses related to brokerage business. A total of 66 employees participated in the training.

Anti-corruption

The Group strictly complies with the *Provisions on the Integrity of the Securities and Futures Agencies and Their Employees* (《證券期貨經營機構及其工作人員廉潔從業規定》) and *Implementation Rules on Integrity Practices of the Securities and Futures Agencies and Their Employees* (《證券期貨經營機構及其工作人員廉潔從業實施細則》), and has formulated internal management regulations such as the *Regulation on the Integrity of Employees of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司員工廉潔從業規定》) and the *Anti-Corruption and Bribery Policy of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司反貪污及賄賂政策》), which prohibit employees from transferring undue benefits to other persons or seeking undue advantages, and prohibit any form of bribery, corruption, extortion and fraudulent activities in the course of conducting business.

The Group has clearly defined the responsibilities and obligations of the Board, principals of the Group and responsible persons at various levels in respect of clean practices.

Integrity Management Structure of the Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established a complaint reporting and handling mechanism for employees to report any non-compliance. Upon receipt of a report, the Group will investigate the concern and keep the identity and relevant information of whistleblower in strict confidence, and report the concern to the Independent Commission Against Corruption ("ICAC") and the relevant regulatory bodies within five business days if necessary.

Measures of the Group to build a integrity business culture

- Conduct integrity culture publicity activities and organise a cartoon competition about integrity culture;
- Organise training and seminars on integrity practices and anti-corruption;
- *Monthly Report on Compliance and Anti-money Laundering Publicity* (《興證國際合規與反洗錢宣導月報》) is prepared on a monthly basis, and is distributed to each employee, containing cases published by SFC and ICAC on non-compliance with clean business practices;
- New employees are required to study the compliance handbook, which contains compliance requirements relating to integrity practice, such as partition walls, prevention of conflict of interest, confidentiality, and acceptance of gifts or benefits;
- All employees of the Group are required to read the *Compilation of Cases of Non-compliance with Integrity Practice in the Securities Industry* (《證券行業違反廉潔從業規定案例彙編》), which is sent to them by email, and they are organised to read the *Notice Concerning Further Improving Conduct and Enforcing Corporate Disciplines* (《進一步加強紀律作風建設的通知》) and *Typical Cases of Non-compliance with Integrity Practice* (《違反廉政從業典型案例》) prior to the upcoming significant festivals in order to reinforce their awareness of integrity practice.

During the Reporting Period, there were no litigation cases or non-compliances related to bribery, corruption, extortion, and fraud against the Group or our employees.



Case

Trainings on integrity practices and anti-corruption

- In April 2023, ICAC was invited to provide corruption prevention and integrity promotion seminar training for directors, licensed staff and securities brokers of the Group, which was attended by 126 participants;
- In September 2023, online internal training on anti-corruption was launched to improve employee's conduct and further enforce disciplines, with a total of 38 participants;
- From September 2023 to October 2023, we interpreted the *Implementation Rules on Integrity Practices of the Securities and Futures Agencies and Their Employees* (《證券期貨經營機構及其工作人員廉潔從業實施細則》) and provided trainings on integrity practices through online course learning and examination, with a total of 211 participants.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

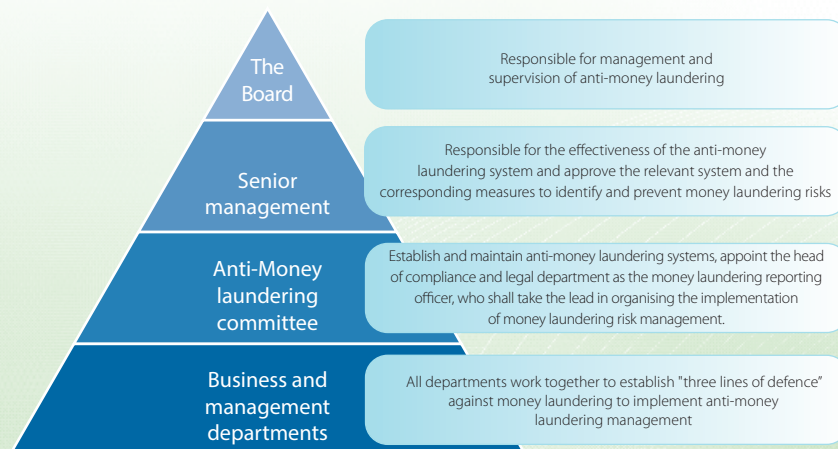
Anti-money Laundering

In strict accordance with the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615)* (《打擊洗錢及恐怖分子資金籌集條例》(第615章)), the *Guideline on Anti-Money Laundering and Counter Financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers)* (《打擊洗錢及恐怖分子資金籌集指引 (適用於持牌法團及獲證監會發牌的虛擬資產服務提供者)》), the *Prevention of Money Laundering and Terrorist Financing Guideline issued by the Securities and Futures Commission for Associated Entities of Licensed Corporations and SFC-licensed Virtual Asset Service Providers* (《證券及期貨事務監察委員會發出適用於持牌法團及獲證監會發牌的虛擬資產服務提供者的有聯繫實體的防止洗錢及恐怖分子資金籌集的指引》), and other laws, regulations, codes and guidelines, the Group establishes a systematic and comprehensive anti-money laundering regime entitled the *Anti-Money Laundering and Counter-Terrorist Financing Requirements of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司打擊洗錢及恐怖分子資金籌集工作規定》), which is applicable to CISI and its subsidiaries.

In 2023, the Group amended its internal regulations such as the *Operating Procedures for the SAS Anti-Money Laundering Transaction Monitoring System of China Industrial Securities International Financial Group Limited (as amended in March 2023)* (《興證國際金融集團有限公司SAS反洗錢交易監察系統操作規程 (2023年3月修訂)》), the *Emergency Response Plan for Money Laundering Risk Incidents of China Industrial Securities International Financial Group Limited (as amended in May 2023)* (《興證國際金融集團有限公司洗錢風險事件應急預案 (2023年5月修訂)》), the *Assessments of Anti-money Laundering Risks in Jurisdictions of China Industrial Securities International Financial Group Limited and Operating Procedures for Assessments for Equivalent Jurisdictions (as amended in May 2023)* (《興證國際金融集團有限公司司法管轄區洗錢風險評估以及對等司法管轄區評估操作規程 (2023年5月修訂)》), the *Rules of China Industrial Securities International Financial Group Limited for Anti-money Laundering and Counter-terrorist Financing (as amended in June 2023)* (《興證國際金融集團有限公司打擊洗錢及恐怖分子資金籌集工作規定 (2023年6月修訂)》) and other internal regulations to ensure that the Group has measures in place to minimise the risks of money laundering and terrorist financing, and to ensure that its business operations are conducted in compliance with the relevant legal and regulatory requirements.

The Group has established a money laundering risk management framework comprising the Board, senior management, the anti-money laundering Committee, and business and management departments to fulfil its anti-money laundering obligations.

Anti-money laundering management framework of the Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group will attach greater importance to anti-money laundering management and promote the deepening of anti-money laundering work. We will make further systematic improvements in anti-money laundering, vigorously improve and optimise anti-money laundering system, enhance control mechanism, and reinforce monitoring, warning and check of risks to create an anti-money laundering culture.

During the Reporting Period, the Group did not have any non-compliance related to money laundering.

Key anti-money laundering measures in 2023

Type	Description of measures
Systematic improvements	<ul style="list-style-type: none"> Reviewed such regulations as the <i>Rules for Anti-money Laundering and Counter-terrorist Financing</i> (《打擊洗錢及恐怖分子資金籌集工作規定》), the <i>Rules of China Industrial Securities International Financial Group Limited for Anti-money Laundering and Counter-terrorist Financing</i> (《興證國際金融集團有限公司司法管轄區洗錢風險評估以及對等司法管轄區評估操作規程》), the <i>List of Money Laundering Risk Levels in the Jurisdiction</i> (《司法管轄區洗錢風險級別名單》), the <i>Operating Procedures for the Anti-money Laundering Trading Supervision System SAS</i> (《SAS反洗錢交易監察系統操作規程》), and the <i>Operating Procedures of China Industrial Securities International Financial Group Limited for the Monitoring and Management of Unusual Transaction Behaviour of Customers</i> (《興證國際金融集團有限公司客戶異常交易行為監控管理操作規程》).
System optimisation	<ul style="list-style-type: none"> Promoted the rectification and optimisation of abnormal transaction system Kingstar. By optimising the approval chain and scenario thresholds, establishing interactions and strengthening training, we continuously enhanced the quality and cleanliness of anti-money laundering data, and achieved significant improvement in the quality and efficiency of alert handling. More than ten functions and approval processes of the system were upgraded, and two monitoring scenarios thresholds were calibrated, resulting in a more accurate monitoring capability of the system.
Control mechanism enhancement	<ul style="list-style-type: none"> Organised four quarterly meetings of anti-money laundering committee. A total of six customised anti-money laundering training sessions were provided for different audiences, including one annual training for all employees, four trainings for the anti-money laundering committee and one thematic training for business departments. Those trainings were conducted in a combination of online and offline formats, with a cumulative 550 participations.
Effective warning and checks of risks	<ul style="list-style-type: none"> A total of nine suspicious transactions were reported to the regulator and the relevant risk level adjustments and stringent due diligence processes were completed. We examined and checked a total of 7,056 abnormal transaction alerts and 795 SAS alerts, demonstrating that we applied a strong combination of stringent monitoring and technological empowerment.
Cultural atmosphere improvement	<ul style="list-style-type: none"> Tracked and analysed various regulatory developments in a timely manner, issued 210 compliance reminders through emails and IBM must-read reminder system, and prepared and issued 12 monthly publicity reports on compliance and anti-money laundering.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual Property Management

The Group strictly complies with the *Copyright Ordinance* (《版權條例》), the *Trade Marks Ordinance* (《商標條例》), the *Patents Ordinance* (《專利條例》) and other laws and regulations, and strictly examines the contents of its publications to comply with the relevant requirements for the protection of copyright, trademarks and other intellectual property rights. In order not to infringe the intellectual property rights of other parties and to ensure the effective protection of our own intellectual property rights, the Group has dedicated legal staff to conduct legal review of the signed contracts to guard us against the legal risks related to intellectual property rights. Based on that, our legitimate rights and interests in respect of intellectual property rights were effectively protected without infringing the intellectual property rights of other parties.

The Group requires employees to sign the *Regulations on Integrity of Employees* (《員工廉潔從業規定》) upon joining the Group and on a regular basis after joining the Group, in which the employees shall undertake that they will comply with the laws, regulations and provisions on intellectual property rights, including but not limited to “protect the intellectual property of the Group, and do not use, transfer or permit a third party to use the intellectual property rights of the Group at will; do not infringe the intellectual property of the Group, other entities or individuals; use the intellectual property of the Group, other entities or individuals that have been mastered only within the scope permitted by law; and bear the corresponding liability for compensation for the damage caused to the Group due to the infringement of intellectual property”.

3.4 Supplier Management

The Group follows the principles of fairness, impartiality and openness in its procurement work, develops and continuously improves the internal supplier management system such as the *Measures for Procurement Management of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司採購管理辦法》), the *Rules for Selection of Qualified Suppliers for Decoration of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司裝修管理辦法》) and the *Norms on Management of Information Technology Supplier of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司信息技術供應商管理規範》) and establishes a complete supplier review, classification, assessment and rating and risk management system to strengthen the management and supervision of procurement activities and enhance the effectiveness of the use of procurement funds.

In terms of anti-corruption and integrity management of suppliers, the Group requires all employees involved in procurement and supplier review to sign the *Letter of Commitment on Procurement Integrity* (《採購廉潔從業承諾書》) to prevent any bribe-taking. Meanwhile, in order to effectively put an end to any collusive bidding, fraud, bribery and other illegal acts, the Group requires all suppliers to sign a letter of commitment on bidding during the bidding process to strictly prevent any bribery.

The Group continuously optimises procurement process so that all procurements are conducted through OA process and all relevant materials are approved online. In 2023, the majority of the Group’s procurement reviews were conducted by way of online meetings, and procurement review materials were distributed online by means of emails and corporate WeChat, so as to reduce the use of materials for meetings and save paper consumption.

The Group actively promotes green procurement, and clearly stipulates in the *Measures for Procurement Management* (《採購管理辦法》) that the selection criteria for purchased goods should align with the energy conservation and environmental protection and green concept. In the procurement of office equipment, the Group gives priority to products that are more environmentally friendly, and are affixed with the energy efficiency label, and to materials that can be recycled with less unnecessary packaging.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. FINANCIAL PRODUCTS AND SERVICES RESPONSIBILITIES

4.1 Data Security and Customer Privacy Protection

The Group strictly complies with the *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission* (《證券及期貨事務監察委員會持牌人或註冊人操守準則》), the *Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading* (《降低及紓減與互聯網交易相關的黑客入侵風險指引》) and other ordinances, formulates regulations such as the *Data Security Management Measures of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司數據安全管理辦法》), and amended the *Information Security Management Measures of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司信息安全管理辦法》) in 2023 to regulate the management of information and data, and protects information security and customer privacy through the formulation of information security contingency plans, regular internal audits and risk assessments, and organisation of staff training on information security.

In respect of market development and customer services, the Group clearly stipulates in the *Guidelines on Market Development and Services* (《市場拓展及服務工作指引》) that the relevant business personnel shall be responsible for the integrity and confidentiality of the data and information of the customers and shall not disclose any information of the customers to any third party without the approval of the Group.

During the Reporting Period, the Group did not experience any leakage of customer information and privacy data.

Measures of the Group to protect information security and customer privacy

Data access management	<ul style="list-style-type: none">Viewing, adding and modifying customer data and transaction data are subject to process-based approval and are reviewed on a quarterly basis.
System database management	<ul style="list-style-type: none">All core trade settlement system databases are protected by real-time monitoring systems and co-location disaster recovery to ensure data security, with daily scheduled backups, quarterly data recovery checks, and annual contingency drills. In 2023, the Group built 1:1 production and disaster recovery facility, which successfully underwent annual stress tests for our major trading systems. The Group also amended annual contingency drills and contingency plan for each of core systems.
Internal audit and training for information security	<ul style="list-style-type: none">Regular internal audits and risk assessments related to information security were conducted, and employees were provided with information security in 2023, with all employees being required to participate in the training and pass the examination.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.2 Customer Communication and Complaint Management

Under the service philosophy of “Customer Focus”, the Group remains committed to providing customers with high-quality, forward-looking, customised and comprehensive one-stop financial services. The Group complies with the *Hong Kong Investor Identification Regime* (《香港投資者識別碼制度》), the *Over-the-counter Securities Transaction Reporting Regime* (《場外證券匯報制度》) and other ordinances, and amended the *Detailed Rules for Management of Customer Account Opening and Enquiry Services* (《客戶開戶及查詢服務管理細則》), *Detailed Rules for Management of Customer Identification Information and Coding* (《客戶識別信息及編碼管理細則》) and other regulations. By proactively responding to the policy and regulatory requirements, implementing the digital operation strategy and enhancing the efficiency of telephone answering, etc., the Group optimises customer service processes to continuously enhance customer services.

Key measures of the Group to optimise customer services in 2023

- | | |
|---|--|
| Satisfying policies and regulatory requirements | <ul style="list-style-type: none">• The Group implemented the real-name registration regime for Hong Kong stock investors by following up the personal information collection statements of customers and then updating their identification information. The back-end system has successfully passed the required tests. In 2023, the Group did not have any customers who experienced transaction problems as a result of the implementation of the new regime.• Pursuant to the amendments to the rules issued by the China Securities Regulatory Commission, Shanghai Stock Exchange and Shenzhen Stock Exchange in relation to the restriction on the participation of mainland investors in the trading of the SH/SZ-HK Stock Connect, the Group reviewed the identification information of securities customers and restricted those identified mainland investors from buy-in through the SH/SZ-HK Stock Connect. |
| Implementing digital operation strategy | <ul style="list-style-type: none">• Based on the business requirements, the Group optimised the customer account opening process and system, and improved the functions of online account opening and backend management.• Additional 24 FAQs (Frequently Asked Question) were added to the intelligent dialogue robot, and 741 questionnaire keywords were optimized. As of the end of 2023, the FAQ database accommodated a total of 638 questions and their answers, covering a wide range of areas such as account opening, trading operations and activation of new features.• Integrated Business Management System (IBM) processes was developed for telephone service quality monitoring to continuously improve service quality. |
| Enhancing the efficiency of enquiry services | <ul style="list-style-type: none">• The Group have provided customers with one-stop service experience relying on customer enquiry channels such as customer hotline, email, and online customer service based on the Hong Kong Call Centre, the smart cat intelligent assistant system (機智貓), the online customer service function of applications Xinggangtong (興港通) and Jiaoyibao (交易寶). In 2023, the Group handled 7,704 customer enquiries, comprising 2,701 enquiries received from customer hotline, 4,457 enquiries from customer email, and 546 enquiries from online customer service. |

The Group continuously standardised the customer feedback and complaints handling process by formulating relevant regulations for handling customer complaints such as the *Regulations on Complaint Processing* (《投訴處理工作規定》), applied the opinion and complaint management approach characterised by “centralised management, hierarchical handling, specialised personnel, and escalation”, and established a smooth channel for customer making enquiries and complaints to improve the quality of customer services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, the Group amended the *Detailed Rules for Processing Customer Opinions and Complaints of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司客戶意見及投訴處理細則》) to further optimise the customer feedback forms and held two meetings of the customer complaints handling task force to optimise the relevant contents in the customer account opening forms and website of the Group so as to increase customers' understanding of the channels through which they can give feedback and lodge complaints.

The Group has established a customer complaint handling task force, which is responsible for formulating the Group's complaint handling policies and implementation procedures, monitoring the various customer complaint handling processes and investigation results, and approving and deciding on the final resolution of customer complaints, so as to ensure that customer feedback and complaints are handled in an efficient and quality manner. In addition, the Group adopted a targeted approach in handling opinions and complaints based on the three types of opinions and complaints, and clarified the main responsibilities of the relevant departments in this regard.

Classification and handling approach of the Group for customer feedback and complaints

Classification of opinions and complaints	General opinions and complaints	Complaints through regulators	Material customer complaints
Responsible department	Customer service department to coordinate the handling and investigations	Compliance and legal department to coordinate the handling and investigations	Compliance and legal department to coordinate the handling
Handling method	Investigations should be completed with respect to the customer feedback and complaints within ten business days from the date of receipt and the procedures for response to the feedback and complaints should be communicated with the customer	Depending on the actual situation, the main responsible department, customer service department or compliance and legal department handle the complaint, and the results should be communicated with the customer	Depending on the uniqueness and seriousness of the customer complaints, the Group's senior management will appoint other professional departments or set up special working groups to take the lead in handling the complaints.
Major responsibilities of the coordinating department	<ul style="list-style-type: none"> To convene meetings with responsible department concerned to make arrangements for handling customer complaints To evaluate and analyse materials submitted by responsible department for investigation on customer complaints To assist responsible department in communicating with and explaining to customers To direct and supervise the responsible department to rectify the customer complaints based on the decision of the customer complaint handling task force 		

In 2023, the Group received one complaint from a customer and the resolution rate of the complaint was 100%.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.3 Responsible Marketing

To ensure the authenticity and integrity of financial products, the Group, in compliance with the requirements of the *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission* (《證券及期貨事務監察委員會持牌人或註冊人操守準則》) and other regulations, strictly enforces the *Due Diligence Guidelines of China Industrial Securities International Brokerage Limited for Introduction and Launch of Financial Products* (《興證國際證券有限公司金融產品引入盡職調查及上架操作指引》), *Guidelines of China Industrial Securities International Brokerage Limited for the Sales of Financial Products* (《興證國際證券有限公司金融產品銷售操作指引》) and other systems. In this regard, the Group specifies the responsible department for the due diligence and launch of non-exchange-traded financial products. The responsible department conducts due diligence and risk rating of financial products so as to provide investors with true and complete product information, recommend products appropriate to investors' risk tolerance based on their risk tolerance in order to safeguard the rights and interests of investors effectively.

In respect of product sales, the Group provides regular professional sales training for licensed sales staff to enhance their professionalism.

In respect of the regulation of Internet marketing and market development, the Group formulates regulations and rules such as the *Internet Media Management Measures* (《互聯網媒體管理辦法》), *Guidelines on Market Development and Services* (《市場拓展及服務工作指引》) and *Management Rules on Direct Marketing* (《直接促銷行為管理規定》) in accordance with the *Guidelines on Online Distribution and Advisory Platforms* (《網上分銷及投資諮詢平台指引》) and other laws and regulations of SFC to co-ordinate the planning and management of the Group's publicity through the Internet media and other channels and to ensure the compliance and effectiveness of the Group's business sales and market development.

During the Reporting Period, the Group was not involved in any information or label non-compliance for its products and services, or any violation of marketing and promotion regulations.

4.4 Investor Education

The Group proactively launches investor education in an investor demand-oriented manner. The investor education comprises online education and offline education. The Group conducts physical investor education events in the national base for investor education of Industrial Securities, the parent company of CISI. For online investor education, the Group integrates the investor education service into customer services through the application Xinggangtong (興港通) and WeChat official account of the Group. By doing so, the Group aims to enable investors to gain a correct understanding of financial products and knowledge, thus equipping themselves with the sense of reasonable investment and risk prevention.

The Group is committed to offering wealth management contents with CISI's characteristics. Relying on the Internet media platform, the Group has created a series of well-received wealth management features such as Bonds of Chinese Issuers (中資美元債), providing investors with the access to fundamental knowledge on and investment skills for overseas securities markets as well as different risk return profiles of stocks, bonds, funds and other investment products. In 2023, the Group held 85 live streaming sessions to provide online investor education content, which were relayed by 22 third-party platforms, with a total of more than 28,000 views.



Case

The Group organised investor education event

In September 2023, the Group organised a live streaming session on the theme *Dual Protections – The First Insurance for ESG Concepts* to provide investors with ESG education. A professional instructor from Sun Life was invited to introduce the concept of ESG insurance and the demand and development of the product, which was attended by a total of 66 employees. After the live streaming, the Group also distributed questionnaires to participants to deepen investors' understanding of ESG concepts.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. EMPLOYEE RESPONSIBILITIES

5.1 Employee Employment and Rights

Employee recruitment and employment

The Group is committed to providing equal employment opportunities for all employees. To this end, the Group follows the recruitment principles of “meritocracy, equal opportunities, respect for privacy and disqualification of relatives”, strictly complies with the *Employment Ordinance of Hong Kong* (《僱傭條例》), and formulates internal management rules such as the *Employee Handbook* (員工手冊), to establish a unified, standardised and professional recruitment system so as to select and recruit outstanding and suitable talents in reasonable manner.

In 2023, the Group continued to improve policies in respect of employee recruitment and talent introduction, further revised management systems such as the *Recruitment Management Measures* (《招聘管理辦法》), the *Interns Management Measures* (《實習生管理辦法》) and the *Implementation Rules for Internal Recommendation* (《內部推薦實施細則》), established a mechanism for introduction of professionals, and strengthened the introduction of talents through campus recruitment, social recruitment and internal recruitment. Meanwhile, the Group constantly improves recruitment plan for fresh graduates and retains excellent interns to continuously reserve fundamental talents.

In 2023, the Group further tapped on talent resources to implement the philosophy of “Focus on Value, Create the Future with Wisdom”. To be specific, the Group participated in the “Innovating Hong Kong – Global Talent Carnival”, and kept an eye on the development of youth in Hong Kong, providing a career development platform for excellent talents from Hong Kong.

In 2023, the Group introduced a total of 76 talents, including 8 high-end core talents. Thanks to our efforts to mobilise internal resources in the course of introducing talents, the Group introduced a total of 29 employees through internal recommendation channel, in 2023 accounting for 38% of the total introductions. The Group kept improving the recruitment plan for fresh graduates, with a total of 28 interns being introduced in 2023.



Case

The Group attended the “Innovating Hong Kong-Global Talent Carnival”

In April 2023, CISI participated in the 4th “Innovating Hong Kong – Global Talent Carnival 2023” to provide quality job opportunities for young people in Hong Kong and the Guangdong, Hong Kong and Macao Greater Bay Area.

The Carnival is the largest international talent summit in the Greater Bay Area, bringing together talents from around the world. At the booth, CISI provided front-end, middle-end and back-end employment opportunities to attract outstanding talents from Hong Kong and the Greater Bay Area, and CISI also answered job-haunting questions to help outstanding young people to obtain more career development opportunities and broaden their scope of career development.



Carnival scene



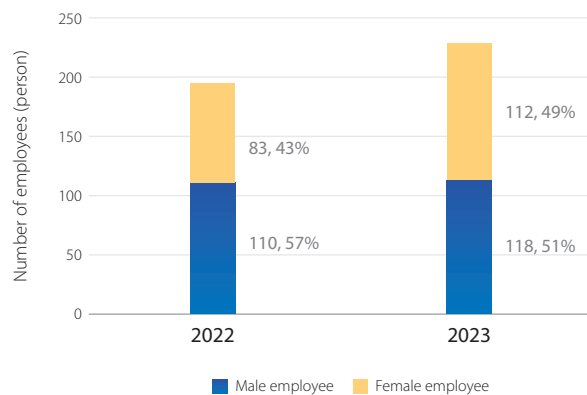
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly regulates the conditions and procedures of employee dismissal to protect the legitimate rights and interests of employees in relation to dismissal. The Group prohibits the employment of child labour and forced labour, strictly verifies the identity of employees, and regularly checks the labour intensity to ensure that there are no relevant incidents. During the Reporting Period, the Group neither had any legal disputes arising from the unlawful use of child labour or forced labour, nor did it receive any complaints.

Diversity and equal opportunities

The Group is committed to building a diverse and equal workplace, strictly complying with the requirements of relevant laws and regulations such as the *Sex Discrimination Ordinance* (《性別歧視條例》), the *Disability Discrimination Ordinance* (《殘疾歧視條例》), the *Family Status Discrimination Ordinance* (《家庭崗位歧視條例》) and the *Race Discrimination Ordinance* (《種族歧視條例》), regardless of the gender, age, nationality, race, belief, mental health, religion and other factors of employees, to ensure that every employee can obtain equal development opportunities in the Group. During the Reporting Period, the Group did not receive any complaint about discrimination cases.

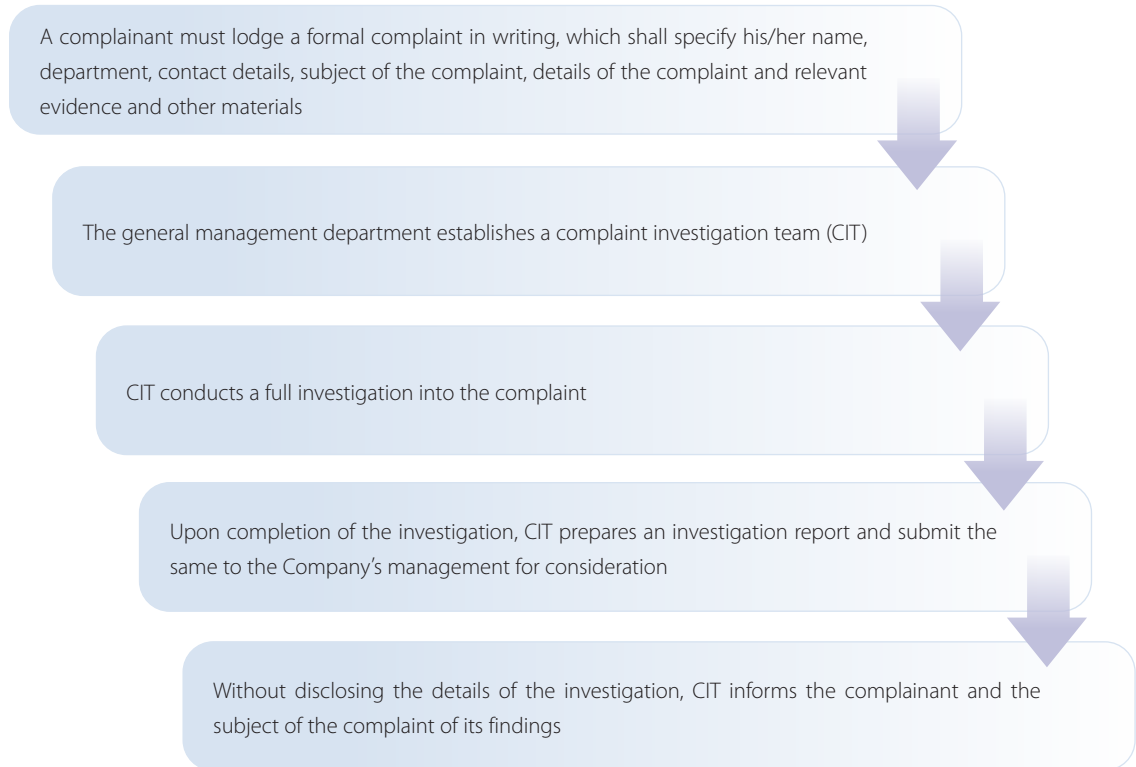
Number and Percentage of Employees by Gender in 2022 and 2023



The Group has established a fair, just, transparent and effective employee complaint handling mechanism to support employees to raise their complaint when they encounter problems such as discrimination, sexual harassment, or unreasonable treatment. After receiving the complaint information, the Group will set up an investigation team to investigate the complaint case and promptly feedback the investigation and handling results to the complainant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Complaint Handling Procedure of the Group



The Group prohibits retaliation against any employee who makes a complaint or reports an incident of harassment or discrimination in good faith. During the whole investigation process, the Group will strictly protect the privacy of the complainants and ensure the confidentiality of the contents of the complaint cases.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Rights and Benefits

The Group has formulated the *Salary Management Measures* (《薪酬管理辦法》), *Welfare Management Measures of China Industrial Securities International Financial Group Limited* (《興證國際金融集團有限公司福利管理辦法》) and other rules and regulations to clearly define the salary structure, allowances and subsidies, performance awards and benefits of employees, improve the employee welfare security system, and further improve employee satisfaction and happiness while ensuring that legal benefits are provided for all employees according to laws.

Employee Rights and Welfare of the Group

- | | |
|----------------------------|--|
| Compensation and Welfare | <ul style="list-style-type: none">• Employees are paid basic monthly salary regularly, and are entitled to statutory holiday pay, annual leave pay, severance pay and long service payment in accordance with the <i>Employment Ordinance</i> (《僱傭條例》) and the <i>Employment Contract</i> (《僱傭合約》);• The monthly basic wage rate is subject to adjustment from time to time based on the Group's overall performance for the year, the results of individual performance appraisals of employees, market indicators and other factors, and discretionary performance bonuses are granted at the discretion of the Group;• Employees are entitled to paid leave, long service payment, and statutory MPF scheme; |
| Working Hours and Holidays | <ul style="list-style-type: none">• In principle, employees work eight hours per day up to 40 hours per week;• Working hours for special posts will be fixed based on the actual work situation;• Employees are entitled to two rest days per week, public holidays, paid annual leave, maternity leave, marriage leave and other holidays, as well as the expanded funeral holiday; |
| Non-statutory welfare | <ul style="list-style-type: none">• Welfare for all employees: Employee group insurance, business travel insurance, employee compensation insurance, critical illness and accidental injury insurance, birthday gifts, Mid-autumn Festival benefits, Spring Festival condolence payments, retirement gifts, family member sympathy;• Special welfare: Rental tax discount scheme;• Employee care: 14-week paid maternity leave at 100% or 80% of basic monthly salary. Upon expiration of the probationary period, an employee becomes regular employee, and he or she will be allowed to participate in various studies upon approval by the Group and corresponding examination leave will be given as required. |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group attaches great importance to the work and life of employees. In order to enrich the spare-time life of employees, the Group organises various kinds of employee activities to enhance their cohesion and sense of well-being. In 2023, the Group organised gathering activities, sports competitions and staff birthday parties to further enrich the lives of employees and help them to strike a balance between work and life.



Bloomberg Charity Relay Run 2023



Quarterly birthday parties



The 5th Hong Kong Investment Banking Cup Basketball League

5.2 Employee Health and Safety

The Group values the health and safety of employees and provides medical insurance and annual medical examination benefits for all employees. The Group has prepared emergency plan documents such as the *Fire Control Plan* (《消防预案》), the *Earthquake Emergency Response Plan* (《地震应急预案》), *Typhoon and Rainstorm Emergency Response Plan* (《颱風及暴雨应急预案》) to ensure that in case of fire, earthquake, typhoon, rainstorm and other emergencies, the Group can take effective measures in time to ensure the life safety of all employees. In the past three years, the Group had no work-related employee fatalities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to providing a safe and healthy working environment for its employees. Employees are required to report any potentially unsafe or hazardous health conditions to their department heads or the general management department immediately. Meanwhile, to ensure the health and safety of employees, the Group encourages them to actively participate in regular fire drills to familiarise themselves with fire safety knowledge as well as evacuation and escape procedures.

In 2023, the Group provided employees with medical benefits, including coverage for traditional Chinese medicine and dental scaling, and organised seminars on cervical spondylosis prevention and sports rehabilitation.



Health seminar

5.3 Employee Training and Development

Employee Training

The Group pays close attention to the growth and development of every employee and firmly believes that employee growth is enterprise growth. To this end, the Group has formulated the *Employee Training Management Measures* (《員工培訓管理辦法》) and built a set of employee training system that takes into account the development of the Group and employees, to ensure the effective integration of the Group's business development and employee career development.

Training System of the Group

Type of training	Description of training
External training	<p>Induction training The Group organises induction training for new employees to help them become familiar with the environment and culture of the Group.</p> <p>On-the-job training On-the-job training is provided by the departments concerned to help employees to settle into their jobs as soon as possible and to enhance their skills on a continuous basis, both on arrival and in the course of their work.</p> <p>Special training Departments arrange special training courses or seminars for all or some of their members based on their business or work needs.</p>
	<p>The Group, based on the business or work needs, arranges for various relevant external trainings for staff, including but not limited to business skills, management skills, compliance and risk control, and ongoing trainings required for all relevant professional qualifications.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Case

Induction Trainings for New Employees

In 2023, the Group provided three induction training sessions for new employees on 8 May, 10 October and 13 December respectively, with a total of 62 participants.



Induction Trainings for New Employees 2023

Employee Development

The Group strives to building a career development platform that aligns with both the development objectives of the Group and the career objectives of employees. Following the standardised, professional and market-oriented principle, the Group amends the *Management Rules for Management Duties and Professional Ranks* (《管理職務與專業職級管理辦法》). The Group continuously improves the rationality and standardisation of the development paths of employees by devising a clear, specific and fair career development mechanism for professional and business employees respectively, thus promoting the steady upward mobility of employees.

The promotion of the Group's staff to professional ranks is based on a combination of factors such as job requirements, merit, level of responsibility, performance and qualifications, etc., reflecting our correct approach to employment.

The Group conducts annual individual performance appraisals for all employees, as well as appraisals of middle management and general employees in respect of their performance and compliance and risk control. The results of the annual individual performance appraisal serve as the main basis for appointing and changing management personnel of the Group, ranking and salary adjustments, allocation of discretionary performance bonuses, renewal and adjustment of employment contracts, and employee development.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Promotion Management System of the Group

Type of employee	Promotion requirements
Professional employee	<ul style="list-style-type: none">• Length of service: an employee is required to serve for the required length for the next rank at time of his or her promotion• Appraisal: annual appraisal results reach a certain level or above
Business employee	<ul style="list-style-type: none">• Length of service: an employee to be promoted shall be subject to the required length of service in the Group• Appraisal: Annual appraisal results reach a certain level or above• Performance: performance standards for each business line and each rank will be formulated separately

In order to further support the growth and development of employees, the Group amended the *Employee Handbook* (《員工手冊》) in 2023 to reimburse the relevant expenses incurred in obtaining the licenses/professional qualifications required for the job, including the registration, teaching materials, examinations, certification and renewal fees. Internally, the Group provided employees with “Continuous Professional Training” (CPT). An employee is entitled to apply for tuition fee of HK\$500 for each regulatory training activity category, and the maximum application limit per person per year is HK\$1000. The Group reimbursed such tuition fees for employees who have passed the “CPT registration application”.

In 2023, in accordance with the *Employee Handbook* (《員工手冊》), the Group provided additional examination leave for employees who were approved by the Group to attend various types of studies (including academic degree education, job title examinations, professional qualification examinations, and other job-related professional examinations), and granted corresponding refresh examination leave in accordance with the relevant regulations. In 2023, a total of 48 persons of the Group passed academic degree education, job title examinations, professional qualification examinations and other job-related professional examinations, with an investment of approximately HK\$110,000 in supporting employee development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. COMMUNITY RESPONSIBILITIES

6.1 Public Welfare and Charity

The Group has long been committed to engaging in public undertakings and creating shared values. The Group actively participated in Hong Kong social charity and public welfare activities, fulfilled corporate social responsibilities, and demonstrated the social responsibility of Hong Kong's Chinese funded financial institutions.

The Group has maintained long-term good cooperative relations with the Hong Kong Po Leung Kuk, the Hong Kong Council of Social Service, the Hong Kong Youth Symphonic Orchestra Charity Foundation and Friends of the Earth (Hong Kong), providing long-term support and assistance to Hong Kong youth and vulnerable groups, and contributing to the common prosperity and development of Hong Kong society.



Case

The Group supports the disadvantaged social groups in Hong Kong

In 2023, the Group donated HK\$10,000 to Hong Kong Po Leung Kuk. This amount will be used to finance the development of Po Leung Kuk's social services and education services, maintain the normal operation of Po Leung Kuk's various sponsorship programmes and support the disadvantaged social groups in Hong Kong. In addition, the Group purchased handmade biscuits made by disadvantaged groups from social enterprises operated by Po Leung Kuk to show our support for the disadvantaged groups.

In 2023, the Group was awarded the "Caring Company" Award by the Hong Kong Council of Social Service in recognition of our contribution to the Hong Kong community during the year.

In 2023, the Group's charity input amounted to HK\$51,300, the number of volunteers was 140 and the length of volunteer service was 8 hours.



"Caring Company" Honour



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.2 Environment-related Charitable Events

While focusing on our own business development, the Group has established long-term partnerships with a number of green organisations in Hong Kong and organises employees to participate in environment-related charitable events.

In 2023, the Group, together with the World Wide Fund for Nature Hong Kong (WWF), organised our employees to participate in the Island House Conservation Coastline Tour and Coastal Clean-up Volunteer Campaign. The Group also joined hands with the Hong Kong Green Council to successfully conduct the beach clean-up campaign on Kiu Tsui Island, Sai Kung, aiming to safeguard clear blue sea and sky of Hong Kong through practical actions.



Case

Coastline Tour Volunteer campaign enhances protection of natural environment

In February 2023, CISI, in collaboration with WWF, successfully completed the Island House Conservation Coastline Tour and Coastal Clean-up Volunteer Campaign in Hong Kong.

More than 60 volunteers, comprising management and key employees from various departments learnt how to achieve green development at the Island House Conservation Studies Centre of WWF. WWF provided an impressive environmental programme for our volunteers through presentations, beach clean-up and coastal waste upcycling workshops.



Coastline Tour Volunteer Team

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Case

Coastline Clean-up campaign raises awareness of marine environment protection

In December 2023, CISI joined hands with the Hong Kong Green Council to successfully complete a beach clean-up activity on Kiu Tsui Island in Sai Kung. The activity aimed to enhance employees' awareness of marine environmental protection, thus contributing to the protection of the global environment.

A total of 70 employees from CISI were carrying out coastline clean-up at Kiu Tsui Island Beach in Sai Kung. Under the guidance of the Green Council's instructors, our employees cleaned up the rubbish on the beach and the rocky beach by classifying rubbish into five categories, namely, common waste, fishing and fishing tools, packaging materials, personal hygiene products and other rubbish, contributing to the protection of the ecological environment of the blue coast.



Coastline Clean-up Volunteer Team

7. ENVIRONMENTAL RESPONSIBILITIES

7.1 Responding to Climate Change

- **Climate Change Management System**

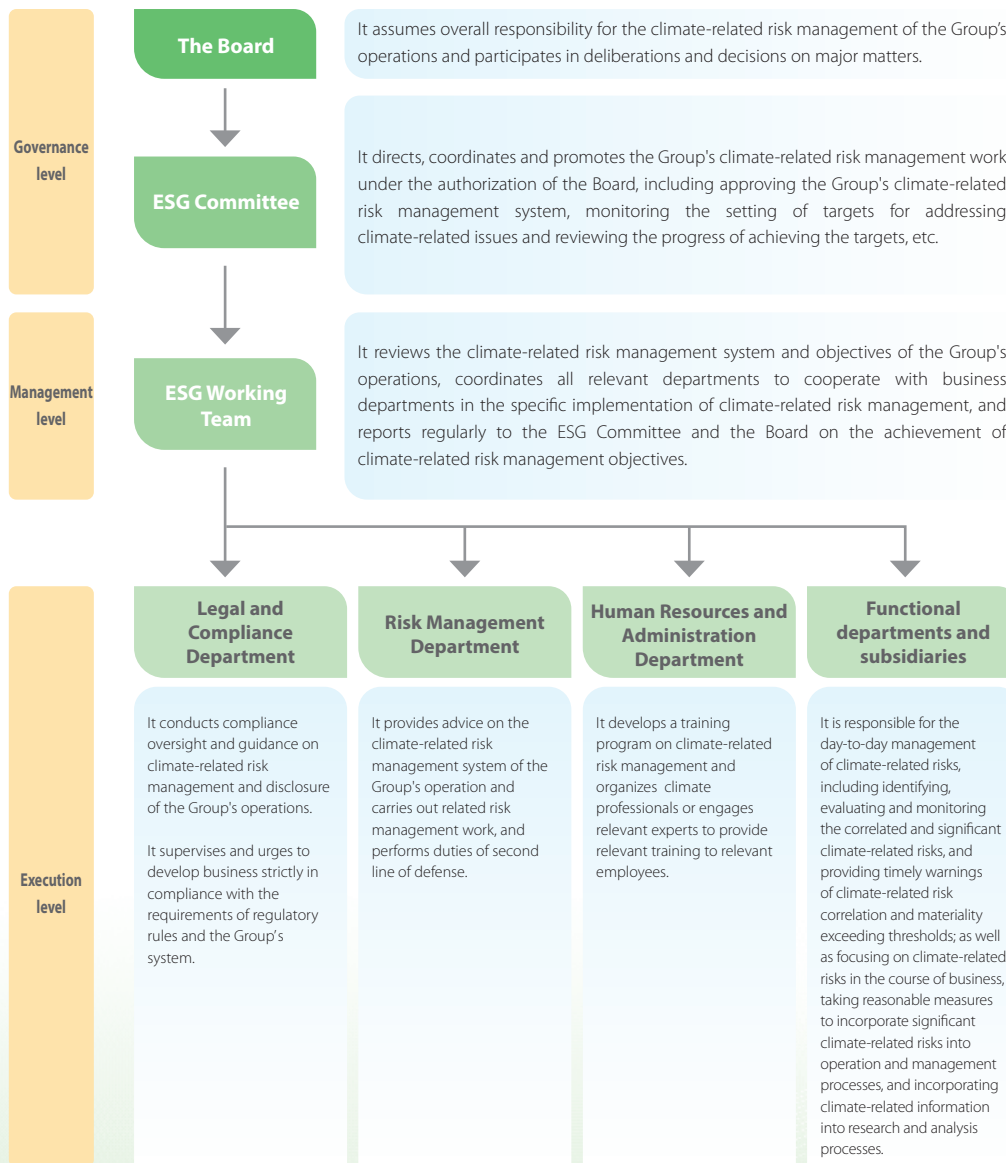
As an advocate and pioneer of green finance, the Group is fully aware of the impact brought by environmental and climate issues and has been firmly promoting and implementing the strategy of green development. To this end, the Group has formulated the *Climate-related Risk Management System for Asset Management Business of China Industrial Securities International Financial Group Limited* (興證國際金融集團有限公司資產管理業務氣候相關風險管理制度), accelerated the establishment of a climate-related risk management structure to help identify climate-related risks and opportunities in its own operations and business, and gradually incorporated climate-related risks into the Group's operation risk management process, so as to achieve comprehensive and systematic supervision, management and implementation of climate-related risk management.

In 2023, the Group amended the *Measures for Risk Management of Asset Management Business* (《資產管理業務風險管理辦法》) to incorporate climate risk into the regime, recognising climate risk as one of the main risks of the asset management business.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Risk Management Structure of the Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

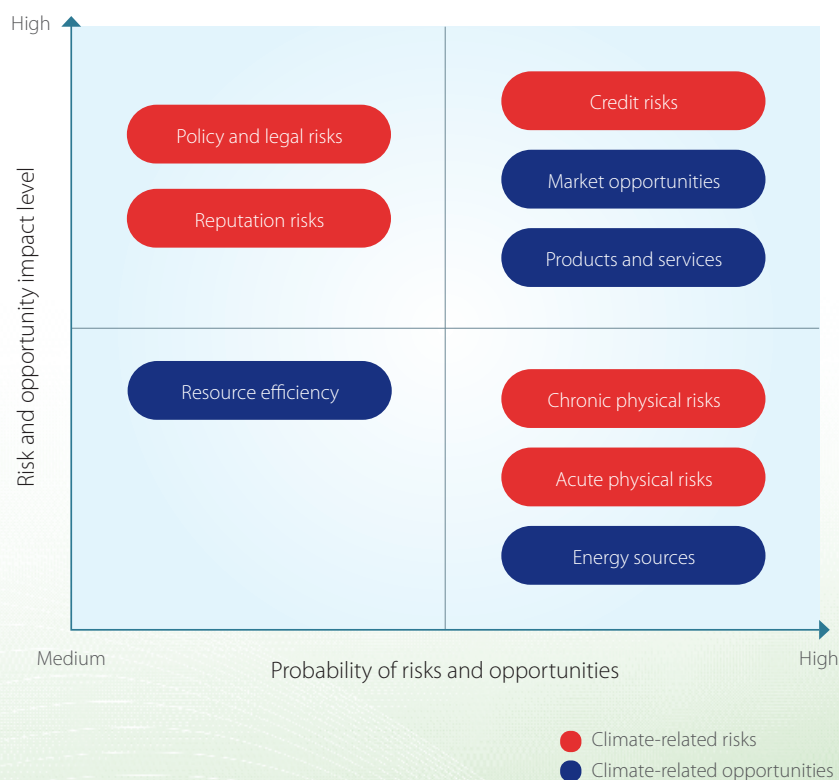
- Analysis of Climate-related Risks and Opportunities**

The Group is committed to actively and effectively identifying and responding to potential climate risk factors to create long-term investment returns for our customers.

In accordance with the requirements of the *Fund Manager Code of Conduct* (《基金經理操守準則》) issued by SFC in relation to climate-related risks and with reference to the recommendation framework of the Task Force on Climate-Related Financial Disclosures (TCFD), China Industrial Securities International Asset Management Limited, one of subsidiaries of the Group, published the *Report on Disclosure of Climate-Related Risk Management* (《氣候相關風險管理披露報告》).

Based on the *IFRS Sustainability Disclosure Standards 1: General Requirements for Disclosure of Sustainability-related Financial Information* (《國際財務報告可持續披露準則第1號：可持續發展相關財務信息披露一般要求》) (IFRS S1) and *IFRS Sustainability Disclosure Standards 2: Climate-related Disclosure* (《國際財務報告可持續披露準則第2號：氣候相關披露》) (IFRS S2) issued by the International Sustainability Standards Board (ISSB), the Group proactively identified climate risks and opportunities related to operations, investment and financing businesses of the Group and assessed their potential financial impact by taking into consideration of macro policies, conducting peer group benchmarking analysis and departmental interviews and receiving external expert opinions.

Matrix of the Climate-related Risks and Opportunities of the Group





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Potential Financial Impact of Climate-related Risks and Countermeasures of the Group

Major climate-related risks	Potential financial impact	Countermeasures
Transition risks	<p>Policy and legal risks</p> <p>With the tightening of the national environmental protection policy, the business qualification of the Group may be affected due to its failure to fulfil the policy and regulatory requirements, or the Group may be subject to events of default, penalty or litigation, etc.</p>	<ul style="list-style-type: none"> Establish a comprehensive business continuity management system and a business continuity management system, and to improve the mechanism for identifying, reporting, handling and following up unexpected incidents
	<p>Credit risk</p> <p>The introduction of low carbon policy will affect the market supply and demand structure, which may have an impact on the Group's business; or lead to higher credit risk due to the decline in solvency of customers/investee companies.</p>	<ul style="list-style-type: none"> All relevant functional departments and business segments to make addressing climate change one of their priorities to ensure legal and compliant operations Closely follow policy trends including policies on environmental and climate-related risks.
	<p>Reputation Risk</p> <p>If the Group is unable to provide a reasonable response to climate change, it will have an impact on the Group's reputation; and damage to the reputation of customers/investee companies may also lead to a decline in solvency, i.e. higher credit risk.</p>	<ul style="list-style-type: none"> Pay attention to climate resilience and climate-related risk management of the investee company in due diligence, project approval and decision-making, and subsequent management
Physical risks	<p>Acute physical risk</p> <p>The Group or the Group's customers/investee companies may be exposed to extreme weather events, such as typhoons, floods, storms, etc. resulting in property damage or operational disruption.</p>	<ul style="list-style-type: none"> Further identify climate risks and opportunities associated with the Group's operations based on the ISSB standards Properly respond to typhoons and rainstorms in accordance with the <i>CISI Typhoon and Rainstorm Contingency Plan</i> 《興證國際颱風及暴雨應急預案》
	<p>Chronic physical risk</p> <p>The Group or the Group's customers/investee companies may be affected by chronic weather events, such as rising temperatures and rising sea level, which affect normal production and operations.</p>	<ul style="list-style-type: none"> Formulate contingency measures against typhoons, earthquakes, rainstorms and other meteorological disasters

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Potential Financial Impacts of Climate-related Opportunities and Countermeasures of the Group

Major climate-related opportunities of the Group	Potential financial impact	Countermeasures
<p>Products & services</p> <p>If the Group provides investment and financing services to climate friendly companies that focus on developing and innovating low carbon products and low-carbon technologies, the Group will benefit from the healthy development of such customers/investee companies.</p>	Increase in operating revenue	<ul style="list-style-type: none"> • Provide financial services for energy conservation and environmental protection, new energy and other green industries.
<p>Market opportunities</p> <p>Against the backdrop of a low carbon economy, the market has become more favourable to climate-friendly financial products. The innovation and development of climate-friendly products and services will be conducive to enhancing the Group's reputation and bringing revenue growth areas.</p>	<p>Increase in operating revenue</p> <p>Increase in brand value</p>	<ul style="list-style-type: none"> • Practice ESG investment philosophy, and identify climate friendly industries and companies to provide investment and financing services for them.
<p>Resource efficiency</p> <p>To improve the efficiency of the use of resources such as energy and water resources in the course of the Group's operations, allowing the Group to cut resource expenses.</p>	Decrease in operating costs	<ul style="list-style-type: none"> • Improve ESG investment strategies and issue ESG or green-themed products • Reduce energy consumption and greenhouse gas emissions through LED lamp replacement and energy-saving retrofits.
<p>Energy sources</p> <p>The use of low carbon energy sources in the Group's operations facilitates the reduction of the Group's carbon underwriting costs in the medium to long term.</p>	Decrease in operating costs	<ul style="list-style-type: none"> • Rationalise the use of video conferencing systems to reduce the frequency of travel and reduce the greenhouse gas emissions generated by travel



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To further strengthen the implementation of the Group's climate risk management policy, the Group has focused on following up the major seven strategic emerging industries, including energy conservation and environmental protection, new generation information technology, new energy, new materials and new energy vehicles, and continued to increase its support and share for green business.



Case

Establishing business continuity management system to respond to climate risk events

The Group is concerned about climate risk changes and has established a sound business continuity management system. In terms of institutional systems, the Group has established a business continuity management system, continued to improve the mechanism for identifying, reporting, handling and following up on unexpected events, organised the relevant departments to establish the *Business Continuity Program* (《業務連續性專項計劃》), and established contingency plans for seven major risk scenarios, which cover risk scenarios of natural disasters caused by climatic changes such as typhoons, rainstorms and earthquakes, so as to gain a comprehensive and accurate understanding of the overall business continuity of the Group and ensure timely feedback on any potential risk situations or risk events and timely implementation of corresponding countermeasures.

In December 2023, the Group commenced an annual re-examination exercise on the *Business Continuity Program* (《業務連續性專項計劃》), and *Critical System Emergency Response Plan* (《重要系統應急預案》) to verify the effectiveness of the emergency response plan and the disaster preparedness system; and organised a liaison tree exercise in December 2023 to ensure the accessibility and timeliness of the emergency response liaison channels.

7.2 Environment and Natural Resources

• Energy Usage and Management

In 2023, the main types of energy involved in the Group's operations comprised purchased electricity, petrol consumed by our own vehicles and so on. In order to achieve energy conservation and utilisation efficiency improvements, as well as to reduce greenhouse gas emissions, the Group has adopted a series of energy-saving measures to minimise the impact of our operations on the environment.

Key Energy Saving and Emission Reduction Measures of the Group

- Automatic sensor lights are used, the devices are set to energy-saving mode in default, and employees are reminded of turning off unnecessary electronics during non-office hours;
- Office air-conditioners are set at a fixed temperature to maintain the average room temperature of the office between 24 and 26 degrees Celsius in summer to reduce the power consumption of air-conditioners;
- Reminders of water and electricity conservation are posted in the pantry and near the light switches;
- Priority is given to environment friendly electronic products with high energy efficiency ratings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has set a target for the greenhouse gas (GHG) emission and energy management with 2021 as the base year, which means that the GHG emissions per unit area and electricity consumption per unit area of the Group in 2025 will show a downward trend as compared with the base year of 2021, and the Group will regularly disclose the progress in achieving relevant target in the annual ESG report. From 2022 onwards, CISI, together with Industrial Securities, the parent company of CISI, has been promoting green and low-carbon offices, retrofits for energy saving and emission reduction and other carbon emission reduction activities. Besides that, CISI voluntarily promotes emission reduction projects to offset the carbon emissions generated from our operations, so as to realise net-zero greenhouse gas emissions. At the same time, the Group has conducted annual statistics and analysis of GHG emission data to assess the level of carbon emissions and energy management, and accordingly formulated improvement plans to promote energy conservation and emission reduction.

Progress in Achieving GHG Emissions and Energy Management Targets of the Group in 2023

Indicator	Unit	2023	Increase/decrease as compared with 2021
GHG emissions per unit area (Scope 1 and 2)	ton CO ₂ -e/m ²	0.07	-1.58%
Electricity consumption per unit area (Scope 1 and 2)	kWh/m ²	90.87	-3.03%

• Water Utilisation and Management

Routine office work is the main water-consuming segments of the Group, and the municipal water is the main source of water, so there is no problem in seeking water sources. To promote water conservation, the Group actively adopts a series of water conservation measures and encourage its employees to actively practice water conservation actions in their daily lives and work.

Key Water Conservation Measures of the Group

- Water-saving appliances are installed in the office and inspected at any time to avoid wastefulness;
- Water conservation slogans are posted in the pantry to encourage employees to use water efficiently and to guide them to develop a good habit of water conservation.

As the Group's office premises are leased offices, it is not possible to separate the water charges from the property management fees, therefore the total water consumption and density data cannot be calculated for the time being. However, the Group undertakes that we will gradually improve the conservation and management of water resources, achieve regular monitoring, statistics and analysis of water consumption as soon as possible, control water consumption per unit area to a lower level and disclose water consumption and density data in the annual ESG report.

In respect of wastewater management, the Group has strictly complied with the *Water Pollution Control Ordinance (Cap. 358)* (《水污染管制條例(香港法例第358章)》) of Hong Kong and discharged the domestic wastewater generated from the office premises to the municipal network after unified treatment to meet the standards, so as to minimise the impact of the Group's operation on the water environment.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7.3 Waste Management

The Group is committed to reducing the waste generated from its daily office and operations. The main waste includes non-hazardous waste, such as waste paper and cartons, and hazardous waste, such as toner cartridges and used computers. The Group strictly complies with the relevant provisions of the *Waste Disposal Ordinance (Cap. 354)* (《廢棄處置條例(香港法例第354章)》) to regulate the disposal of non-hazardous and hazardous waste to minimise the waste.

The Group undertakes to gradually improve the identification and statistics of the sources of non-hazardous and hazardous waste, and to control the generation of non-hazardous and hazardous waste to a low level.

Key Waste Reduction Measures of the Group

- The printer supplier recycled used cartridges every month, and a total of 48 cartridges were recycled during the year
- The printer status was adjusted to double-sided printing and ink-saving mode;
- A recycling box was placed next to the printer to collect single-sided paper for recycling, and single-sided papers were reused for printing and receiving faxes;
- The “Follow You” printing solution was adopted in the Hong Kong office in collaboration with printing solution provider to achieve better cost-effectiveness through smart printing;
- Employees were encouraged to reuse stationery, e.g. flipcharts, folders, and paper clips.

The Group actively advocates and implements a paperless office by implementing paperless operation through OA system approval and e-statements, producing electronic posters (e.g. Mid-Autumn Festival posters, and Spring Festival posters, etc.) for use by employees on festive occasions, encouraging employees to communicate with each other through electronic means (e.g. through emails, and corporate WeChat), and making presentations through the use of electronic scanning and electronic devices such as projectors, etc.

Performance of Results of Paperless Operation of the Group in 2023

Indicator	Unit	2023
Daily office paper consumption	ton	2.74
Total number of processes processed in OA system	piece	45,479
Imputed number of papers saved in OA system processing ^[Note 1]	sheet	227,395
Number of papers saved in processing customer statements through securities and futures settlement system	sheet	656,800

Note 1: The number of papers saved by the OA system is estimated at five sheets of A4 paper per process

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Data Performance Table

Anti-Corruption Performance Indicator

Indicator	Unit	2021	2022	2023
Number of concluded legal cases regarding corrupt practices brought against the Group and its employees	piece	0	0	0
Number of anti-corruption trainings conducted	times	1	2	3
Number of employees participating in anti-corruption-related trainings	person	120	205	208
Average hours of anti-corruption training per employee	hour	1.00	1.00	1.66
Number of directors participating in anti-corruption-related trainings	person	4	3	6
Average hours of anti-corruption training per director	hour	1.00	1.00	1.67

Supplier Performance Indicator

Indicator	Unit	2021	2022	2023
The PRC suppliers	quantity	–	–	18
Overseas, Hong Kong, Macao and Taiwan suppliers	quantity	–	–	68

Customer Performance Indicator

Indicator	Unit	2021	2022	2023
Number of customer enquiries^(Note 1)	case	25,681	11,354	7,704
Including: the number of complaints^(Note 2)	case	8	3	1
Percentage of complaints solved	%	100	100	100
Number of verified complaints about customer privacy infringement and losses of customer information	case	0	0	0

Note 1: The Group commenced to launch the intelligent dialogue robot online business centre in 2021, covering functions from account opening, deposit, withdrawal, APP functions, form downloads, IPO subscription, forgotten password to market closure notification, etc. After the launch and putting into operation of the intelligent dialogue robot online business centre, the number of online manual inquiry service of the Group has been reduced year on year.

Note 2: In 2023, the Group continued to optimise and revamp business processes to improve customer experience, therefore the number of complaints decreased significantly as compared to 2022.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Employment and Training Performance Indicator

Indicator	Unit	2021	2022	2023
Total number of employees	person	210	193	230
By gender				
Male	person	125	110	118
Female	person	85	83	112
By employment type				
Number of full-time contract employees	person	193	191	228
Number of full-time dispatched employees	person	15	0	0
Number of employees in other forms of employment ^(Note 1)	person	2	2	2
By age group				
> 50 years old	person	15	18	21
30 to 50 years old	person	152	143	159
< 30 years old	person	43	32	50
By geographical region				
Mainland of China	person	77	74	106
Overseas, Hong Kong, Macao and Taiwan	person	133	119	124
Employee turnover rate^(Note 2)	%	37.02	34.96	18.26
Employee training coverage^(Note 3)	%	–	100	100
By gender				
Male	%	–	100	100
Female	%	–	100	100
By employee level				
Senior management	%	–	100	100
Middle management	%	–	100	100
General employees	%	–	100	100
Annual average number of hours of training per employee for all employees^(Note 4)	hour	–	22.97	25.00
By gender				
Male	hour	–	22.97	25.00
Female	hour	–	22.97	25.00
By employee level				
Senior management	hour	–	22.97	25.00
Middle management	hour	–	22.97	25.00
General employees	hour	–	22.97	25.00

Note 1: Other forms of employment of the Group refer to contract employees.

Note 2: [Calculation method] Employee turnover rate = number of employee turnover during the year/number of employees at the end of the year. Due to the optimisation of welfare policy, the employee turnover rate in 2023 decreased as compared with that in 2022.

Note 3: [Calculation method] Employee training coverage for each category = number of employees of such category receiving training/total number of employees of corresponding category. The Group has compiled and disclosed the data related to the employee training coverage since 2022.

Note 4: [Calculation method] Hours of training per employee per year for each category = total number of hours of training received by employees of such category/number of employees of corresponding category. The Group has compiled and disclosed the data related to the annual average number of hours of training received per employee for all employees since 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Health and Safety Performance Indicator^(Note 1)

Indicator	Unit	2021	2022	2023
Number of work-related injuries	case	0	0	0
Lost days due to work-related injuries	day	0	0	0
Percentage of work-related fatalities	%	0	0	0

Note 1: The Group is a financial company which does not involve occupational hazards such as dust, noise, and radioactive materials, etc.

Environmental Performance Indicator

Indicator	Unit	2021	2022	2023
Total GHG emissions (Scope 1 and Scope 2) ^(Note 1)	ton CO ₂ e	240.45	222.63	226.33
Total GHG emissions in Scope 1 ^(Note 1)	ton CO ₂ e	23.63	7.88	13.87
Total GHG emissions in Scope 2	ton CO ₂ e	216.82	214.75	212.46
Total GHG emissions in Scope 3	ton CO ₂ e	10.94	10.93	13.15
GHG emissions per capita (Scope 1 and Scope 2)	ton CO ₂ e/person	1.15	1.15	0.98
GHG emissions per unit area (Scope 1 and Scope 2)	ton CO ₂ -e/m ²	0.07	0.07	0.07
Gasoline consumption of self-owned vehicles ^(Note 2)	litre	8,726.67	2,908.66	5,193.00
Total electricity consumption	kWh	314,000.00	313,000.00	313,500.00
Electricity consumption per capita	kWh/person	1,495.24	1,621.76	1,363.04
Electricity consumption per unit area	kWh/m ²	94.01	93.71	90.87
Hazardous waste: toner cartridges	box	63	48	45
Non-hazardous waste: paper consumption	ton	2.28	2.27	2.74

Note 1: [Calculation method] The direct energy used by the Group includes gasoline while indirect energy includes electricity. GHG emissions in Scope 1 include direct GHG emissions from gasoline consumption of the Group's own vehicles, GHG emissions in Scope 2 include indirect GHG emissions from purchased electricity, and GHG emissions in Scope 3 include GHG emissions from waste paper recycling and transportation to landfills, which are calculated based on How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange.

Note 2: Due to the easing of the pandemic in 2023, normal travel between Hong Kong and the PRC was resumed fully, resulting in an increase in business exchanges and a significant increase in the frequency of official vehicles compared with those in 2022.

Note 3: As the Group's office premises are leased offices, it is not possible to separate the water charges from the property management fees, therefore the total water consumption and density data cannot be compiled for the time being.

Community Investment Performance Indicator

Indicator	Unit	2021	2022	2023
Community investment amount	HK Dollars	369,625.00	152,500.00	51,346.19
Number of employee volunteers	person	61	0	140
Total hours of employee voluntary services	hour	6	0	8

Note: Following the end of the Covid-19, the Group decreased pandemic-related donations in 2023, therefore the amount of community investment was lower than that in the past two years.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT INDEX

Environmental, Social and Governance Reporting Guide of Hong Kong Stock Exchange

Part B: mandatory disclosure requirements

Mandatory disclosure items

Governance structure
Reporting principle
Scope of reporting

Section

Getting to Know CCSI and ESG Governance
Description of Report Preparation
Overview of Preparation

Part C: “Comply or explain” provisions

Aspects, General Disclosure and Key Performance Indicators

Section

A. Environment

A1. Emissions

A1.1
A1.2
A1.3
A1.4
A1.5
A1.6

ESG Data Performance Table
ESG Data Performance Table
ESG Data Performance Table
ESG Data Performance Table
ESG Data Performance Table
Environment and Natural Resources; and Waste Management
Environment and Natural Resources; and Waste Management

A.2 Use of Resources

A2.1
A2.2
A2.3
A2.4
A2.5

Environment and natural resources
ESG Data Performance Table
ESG Data Performance Table
Environment and Natural Resources
Environment and Natural Resources
This indicator is not applicable to the Group's products which are financial products only

A3. Environment and Natural Resources

A3.1

Environment and Natural Resources
Environment and Natural Resources

A4. Responding to Climate Change

A4.1

Responding to Climate Change
Responding to Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosure and Key Performance Indicators

B. Social

Employment and Labour Practice

B1. Employment

B1.1

B1.2

B2. Employee Health and Safety

B2.1

B2.2

B2.3

B. Development and Training

B3.1

B3.2

B4. Labour Standards

B4.1

B4.2

Operation Practice

B5. Supply Chain Management

B5.1

B5.2

B5.3

B5.4

B6. Product Responsibility

B6.1

B6.2

B6.3

B6.4

B6.5

B7. Anti-corruption

B7.1

B7.2

B7.3

Community

B8. Community Investment

B8.1

B8.2

Section

Employee Employment and Rights

Employee Employment and Rights; and ESG Data Performance Table

Employee Employment and Rights; and ESG Data Performance Table

Employee Health and Safety

Employee Health and Safety; and ESG Data Performance Table

Employee Health and Safety; and ESG Data Performance Table

Employee Health and Safety; and ESG Data Performance Table

Employee Training and Development

Employee Training and Development; and ESG Data Performance Table

Employee Training and Development; and ESG Data Performance Table

Employee Employment and Rights

Employee Employment and Rights

Employee Employment and Rights

Supplier Management

ESG Data Performance Table

Supplier Management; and ESG Data Performance Table

Supplier Management

Supplier Management

Responsible Marketing

This indicator is not applicable to the Group's products which are financial procedures only

ESG Data Performance Table

Compliant Operation

Responsible Marketing

Data Security and Customer Privacy Protection

Compliant Operation

ESG Data Performance Table

Compliant Operation

Compliant Operation; and ESG Data Performance Table

Public Welfare and Charity

Public Welfare and Charity; and Environment-related Charitable Events

Public Welfare and Charity; and ESG Data Performance Table



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DESCRIPTION OF REPORT PREPARATION

This report discloses to investors and other stakeholders the concepts that the Group upholds, the management approach that the Group has established, the work that the Group has implemented and the results that the Group has achieved in relation to ESG issues in the course of operations.

Scope of Reporting

The scope of this report covers China Industrial Securities International Financial Group Limited and its subsidiaries (“CISI”, the “Group”, “we”, “us” or “our”). Unless otherwise specified, the scope of this report is consistent with the scope of the consolidated financial statements of the Group (stock code: 6058.HK) for the same period.

Full name of subsidiary

China Industrial Securities International Brokerage Limited
China Industrial Securities International Futures Limited
China Industrial Securities International Capital Limited
China Industrial Securities International Asset Management Limited
China Industrial Securities International Wealth Management Limited
China Industrial Securities International Investment Limited
China Industrial Securities International Custody Limited

Abbreviation of subsidiary

CISI Brokerage
CISI Futures
CISI Capital
CISI Asset Management
CISI Wealth Management
CISI Investment
CISI Custody

Reporting Period

The Report covers the period from 1 January 2023 to 31 December 2023. Unless otherwise specified, the data in this report are all data for the period.

Basis of Preparation

The Report has been prepared in accordance with Appendix C2 “Environmental, Social and Governance Reporting Guide” (effective from 31 December 2023) of the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

Data Declaration

All data and cases in this report are sourced from the formal records of actual operations of the Group.

All financial data in this report are denominated in Hong Kong dollars. In case of any discrepancy between the financial data contained herein and those set out in the annual report of the Group, the annual report shall prevail.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Principles

- **Materiality:** The Group identified the operation-related material topics to the concern of stakeholders such as investors, which are highlighted in this report. While reporting the material issues, this report also focuses on the industrial features of the Group's operation and the geographical features of the region where it operates. For the analysis process and results of the material topics, please refer to the "ESG Governance" section for details. In addition, this report highlights the environmental, social and governance matters that may have a significant impact on investors and other stakeholders.
- **Accuracy:** This report ensures that the information is as accurate as possible. In particular, the measurement of quantitative information has been stated in terms of data caliber, calculation basis and assumptions to ensure that the margin of error in the calculation is not misleading to users of the information. The quantitative information and the accompanying information are detailed in sections of this report.

The Board guarantees that the contents of this report do not contain false statements, misleading statements or material omissions in material respects.

- **Balance:** The content of this report reflects objective facts and discloses both positive and negative information about the Group in an unbiased manner. The Group has conducted searches through the Shanghai Qingyue Credit Database for the subjects within the scope of this report and found no negative events that should have been disclosed but were not disclosed during the Reporting Period.
- **Clarity:** This report is published in Traditional Chinese and English. This report contains tables, model diagrams, and a glossary of terminology as an aid to understanding the textual content of this report. To facilitate quicker access to information for stakeholders, this report provides a table of contents and benchmarking index tables for ESG standards.
- **Quantification and consistency:** This report discloses key quantitative performance indicators and, to the extent possible, historical data. The manner in which statistics and disclosures of the same indicator are maintained in this report is consistent across reporting periods. If there are changes in the statistics and disclosure methods, they are fully explained in the notes to the report so that stakeholders can conduct meaningful analysis and evaluate the trend of the ESG performance level of the Group.
- **Integrity:** The scope of disclosures in this report is consistent with the scope of the consolidated financial statements of the Group.
- **Timeliness:** This is an annual report covering the period from 1 January 2023 to 31 December 2023. The Group strives to publish the report as soon as possible after the end of the reporting year to provide timely information for stakeholders' decision-making.
- **Verifiability:** The cases and data in this report are derived from the original records or financial reports of actual operations of the Group. As the Group manages ESG quantitative performance for the past years through performance management system HiESG, the source of the disclosed data and the calculation process are traceable and can be used to support the inspection by external assurance works.