

# 2024

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China Merchants Securities Co., Ltd Environmental, Social and Governance Report



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### **About this Report**

This report is the 9th Environmental, Social and Governance Report issued by China Merchants Securities Co., Ltd. ("CMS", the "Company" or "We") since 2017. It aims to disclose to the stakeholders the actions taken by the Company to fulfill its ESG concept and commit to sustainable development.

#### ■ Scope of this Report

The scope of this Report: CMS headquarters, 14 branches, 265 securities branches, and 5 wholly-owned subsidiaries. Reporting period: January 1, 2024 to December 31, 2024 (some contents are retrospective and prospective as appropriate). Reporting frequency: This is an annual report.

#### ■ Reference of this Report

The Report has been prepared with reference to the following guidelines and requirements: Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial) (hereinafter referred to as the "Guidelines"), Guide No. 4 for Self-Regulatory Supervision on Listed Companies of the SSE — Compilation of Sustainable Development Reports (hereinafter referred to as the "Guide"), Appendix C2 – Environmental, Social and Governance Reporting Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### Report Data Principles

Given the principle of importance, this Report identifies and responds to important ESG issues that affect the sustainable development of the Company based on data analysis and other work. See "Identification and analysis of material issues" herein for the process and results of significance analysis.

Given the principle of quantification, this Report discloses the Company's quantitative key performance in ESG. See "Appendix II Quantitative Performance Table" for details.

Given the principle of consistency, the indicators used herein for different reporting periods are consistent as far as possible to reflect the performance trend. For the performance indicators to be calculated, the relevant calculation basis and reference standards are indicated herein.

Given the principle of balance, this Report reflects objective facts and discloses positive and negative indicators.

#### Report Data Description

The data in this Report are mainly derived from the statistics on the actual operation of the Company. Unless otherwise specified, the financial data presented are denominated in RMB.

#### P Report Assurance Method

All information and data disclosed in this Report have been reviewed and approved by the Company's Board of Directors. The Company has made a public commitment to the trustworthiness and reliability of this Report, which is self-published and will be subject to third-party review when appropriate.

#### Access to this Report

This Report is published in digital form and can be downloaded from: The Hong Kong Exchange (http://www.hkexnews.hk) The Company's website (http://www.cmschina.com)



### **Board Statement**

As the largest securities company within the SASAC system. CMS firmly believes that corporate sustainable development is not only a fulfillment of social responsibility but also the cornerstone for creating long-term value. The year 2024 was a key year for achieving the goals and tasks outlined in the 14th Five-Year Plan, as well as the first year of the Company's new five-year strategy. The Company is committed to thoroughly studying the guiding principles of the Third Plenary Session of the 20th Central Committee of the Communist Party of China ("CPC"), and further implementing the arrangements from the Central Economic Work Conference and the Central Financial Work Conference. The Company has also focused on fulfilling the new "National Nine Articles" and other series of policy requirements, comprehensively integrating the ESG philosophy into its strategic planning and business management, and making positive progress in serving major national strategies, driving green financial innovation, safeguarding the rights and interests of customers and employees, and practicing social welfare.

#### P Strategic Leadership: Strengthening the Foundation for Sustainable Development

The Board of Directors places high importance on the establishment of an ESG governance system, continuously improving the full-process management mechanism of "top-level design - institutional safeguards - execution supervision." In 2024, the Company released its new five-year strategic plan, which clearly integrated national strategies such as the "dual carbon" goals, technology finance, and inclusive finance into the business layout. The plan also established a high-guality development path centered around five key initiatives of finance. Additionally, the Company conducted special training for the China Merchants Securities ESG Strategic Plan released, defining ESG tasks and implementation paths for each department. By optimizing the functions of the specialized committees of the Board of Directors, the Company strengthened the review and decision-making processes of major ESG issues to ensure steady progress in all ESG practices.

#### P Responsible Practices: Demonstrating the Mission of Finance for Good

In terms of serving the real economy, the Company has supported the transformation and upgrading of the economic structure by providing high-quality investment banking services and capital market solutions to real-economy enterprises, thus helping the real economy grow stronger and more competitive. In practicing inclusive finance, the Company has offered micro, small, and medium-sized enterprises ("MSMEs") integrated financial services through the "Gazelle Incubator Project". By building an inclusive

finance product system of "public funds + insurance + fund advisory" and launching "insurance + futures" services, the Company has expanded its inclusive financial offerings and met the financing needs of MSMEs and the wealth preservation and appreciation needs of residents. In contributing to rural revitalization, the Company has created new financial models, such as "Futures + Insurance" and the issuance of rural revitalization-themed bonds, to empower rural development. It has also actively engaged in industrial assistance and rural talent cultivation. In terms of the innovation of green finance, the Company has introduced several domestic first-of-their-kind green financial derivatives, including "Cold Wave and Precipitation Index Insurance + Weather Derivatives," "Cold Wave Index Weather Derivatives," as well as ESG product series indices to promote the effective allocation of capital in the green resources sector. In fulfilling its social responsibility, the Company has continuously improved its occupational safety and health system, safequarding employee rights, enhancing employee training and development, and increasing employee satisfaction and sense of belonging. At the same time, the Company has actively participated in public welfare initiatives, leveraging its public welfare foundation to carry out various charity projects and contribute to the harmonious development of society.

#### Governance Upgrades: Strengthening Risk Prevention and Control

The Board of Directors has continued to strengthen the Company's comprehensive risk management capabilities. In line with the Company's operational requirements, the Board has established a modern, five-tiered risk management structure and determined a system of three lines of defense for precise risk identification, scientific assessment, and effective response. With a comprehensive compliance risk prevention system, the Company has remained committed to a bottom-line mindset, conducting regular compliance risk inspections and focusing on key business areas. This year, the Company has further enhanced legal and compliance reviews and validations for major decisions, new products, and new business solutions, flagged against compliance risks, and provided targeted legal and compliance suggestions based on specific business requirements. By reinforcing compliance guidance and services, the Company has ensured robust support for well-regulated business operations.

Looking Ahead, CMS will continue to uphold its mission of "creating sustainable capital, supporting low-carbon transformation, enhancing technological empowerment, and improving the well-being of the people" in its ESG efforts. The Company will lead ESG initiatives with higher standards, turning its sustainable development philosophy and commitment to stakeholders into tangible actions and innovative practices. By continuously strengthening its ESG management and building core competitiveness for high-quality growth, CMS aims to achieve its own high-quality development while serving high-quality economic and social growth, thereby contributing to national progress and revitalization.

This Report provides a detailed disclosure of the Company's progress in the management and practices of material ESG issues. It was reviewed and approved by the Board of Directors in March 2025.





# **About the Company**

Overview

Core Business and Services

Annual ESG Highlights

Awards and Honors



#### CHINA MERCHANTS SECURITIES



About the Company

# D 招商证券

## **About the Company**

#### **Overview**

Founded in Shenzhen in August 1991, China Merchants Securities Company Limited, as the core financial enterprise under the century-old China Merchants Group, is the largest integrated securities company operating within the system of the State Council's SASAC. In November 2009, the Company was listed on the SSE. In October 2016, the Company was listed on the Stock Exchange of Hong Kong Limited ("HKEX"), thereby becoming the seventh securities company in the industry to achieve listing of both A and H shares. In August 2020, the Company successfully completed the allotment of A+H shares. Since then, the Company has become the first securities company to implement the allotment of A+H shares, with a net asset size of over RMB 100 billion.

CMS boasts a scientific and reasonable risk management structure, stable and sustainable profitability, and comprehensive and professional service capability. It has also been persistent and steady in its operation. The Company, characterized by a balanced business structure and a solid foundation for overall development, has developed significant competitive advantages in the business areas of agency trading, custody outsourcing, bond and derivatives investment, etc. In addition, the Company has a solid foundation and growing competitiveness in the retail brokerage business, excellent comprehensive service capability in institutional client business, and steadily improving service capability in the whole industry chain for corporate client business. After more than 30 years of development, the Company has gradually grown into a first-class comprehensive listed brokerage firm in China, with its overall strength leading the industry.

The Company has a multi-tiered customer service channel, with 14 branches and 265 securities branches located within the Chinese mainland, as well as subsidiaries in Hong Kong SAR, the United Kingdom, and South Korea. The Company has five wholly-owned subsidiaries, including China Merchants Securities International Company Limited ("CMSI"), China Merchants Futures Co., Limited ("CMF"), China Merchants Securities Asset Management Co., Ltd. ("CMS Asset Management"), China Merchants Securities Zhiyuan Capital Investment Co., Ltd. ("CMS Zhiyuan Capital") and China Merchants Securities Investment Co., Ltd. ("CMS Investment"). The Company also holds an equity interest in Bosera Asset Management Co., Limited and China Merchants Fund Management Co., Ltd., to build a comprehensive securities service platform with integrated domestic and international business.

With the mission of "serving the nation's technological self-reliance and strengthening, and helping to preserve and increase the value of social wealth", CMS abides by the core values of "National Identity, Responsibility of the Times; Pursuit for Innovation and Strength, Commitment to Practice" and is committed to building "the leading investment bank in China with distinctive features, innovation and leadership, quality first, and excellent contribution". The Company will achieve customer value growth with excellent financial services, promote the progress of the securities industry, and strive to become an outstanding enterprise with customer trust, employee pride, shareholder satisfaction and social respect.

**1991** Founded in Shenzhen

2016

Listed in the Hong Kong Stock Exchange Successfully completed the allotment of A+H shares.





Listed in the Shanghai Stock Exchange



Since then, the Company has become the first securities company to implement t he allotment of A+H shares

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Wealth

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business

Investment banking business

Investment managemer

nvestment and trading

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### **Core Business and Services**

#### **Overview of the Main Business of CMS**

- The Company trades stocks, funds, bonds, futures and derivatives on behalf of our clients and provides them with other value-added services such as investment consultancy, investment portfolio recommendation, sales of products, account assessment and asset allocation;
- Provides capital-based intermediary services (including margin financing and securities lending as well as stock pledge repo) to clients;
- Provides investment research, sales and trading, prime brokerage and other services for a variety of institutions such as funds and insurance companies
- The Company provides one-stop domestic and international investment banking services to corporate clients, including domestic and international equity financing, debt financing, structured financing, over-the-counter ("OTC") listing, financial advisory and other services.
- The Company provides investment management services, including collective asset management, separately managed accounts, specialized asset management, futures asset management, equity investment fund management, and public fund management.

• The Company engages in trading and market-making business in relation to equity and fixed-income securities, commodities, foreign exchange, alternative investment and other derivatives as well as OTC financial products.

# **Annual ESG Highlights** Economic Environmental Compared to 2023, the total diesel **22.51%** consumption decreased by Compared to 2023, office waste 72.97% produced decreased by Coverage of employee training **100%**



#### **Awards and Honors**

Awards/Honors	Awarding institution
ESG of Listed Companies Controlled by Central Enterprises Pioneer 100 Index	Bureau of Social Responsibility, SASAC
2024 Top 100 Chinese Listed Companies for ESG Practices	WIND
2024 Best ESG Practice Award for Chinese Listed Companies	WIND
2024 Outstanding Sustainable Development Practice Cases of Listed Companies	China Association of Public Companies ("CAPC")
2024 Outstanding Green Finance Cases in the Guangdong-Hong Kong-Macao Greater Bay Area	Greater Bay Area Green Finance Alliance
Green Financial Governance Model Award Green Financial Product and Service Innovation Award	Shenzhen Green Finance Association
2024 ESG Excellent Enterprise	China Times
ESG Finance Annual Award	Cailian Press
2024 Securities Industry ESG Golden Bull Award	China Securities Journal
Securities Firm ESG Pioneer Award	National Business Daily
2024 Outstanding Securities Firm Social Responsibility Demonstration Case	China Fund
2024 Best Research Institute for ESG Practice	Securities Times and New Fortune
Best ESG Practice Investment Bank	New Fortune
2023 Shenzhen Green Finance Supporting the Real Economy Excellence Award	Shenzhen Special Economic Zone Financial Association
2024 Securities Company Culture Development Golden Bull Award	China Securities Journal
2024 Top Ten Golden Bull Securities Companies	China Securities Journal
🕐 2024 Golden Bull Wealth Management Team	China Securities Journal
2024 China's Security Award for All-Around Wealth Broker	Securities Times
China's Security Award for All-Around Digital Transformation	Securities Times · Brokerage China
Annual Excellence in Digital Application	Qianfan.tech
2024 China's Security Award for APP Operation Team	Securities Times

Av	wards/Honors	
	24 China Securities Firms Yinghua Demonstra Itstanding Securities Firm APP Demonstration	tion Case – Case
	J "Financial Intelligence Award" – Intelligent F cellent Case	inance
Ta "Ca	aring Company" 5 years+	
	arket Data Awards: p Breakthrough Securities Data Vendor 2023	
The Year	ong Kong Green and Sustainable Finance Awa	rds 2024
-	24 Best Research Institute for ESG Practice -	
The She Aw	enzhen Financial Innovation Awards: Contribu vard (First Prize)	ition
Pub Pub	st Fund Custodian Broker of the 25th Anniver blic Funds – Best Fund Custodian Institution A	sary of Award
P Out Inst	itstanding Private Fund Custodian Broker Der titution	nonstration
Pin Out	nghua Award "ETF 20th Anniversary Special S Itstanding ETF Custodian"	election –
	itstanding Private Fund Custodian Broker Der titution	nonstration
🖤 Out	Itstanding Case for Serving the Real Economy	
P Out Rea	itstanding Case Award for Financial Futures S al Economy	erving the
Pov	novative Practice Case for Building China into werhouse	a Financial
🖤 Тур	pical Case for Boosting Agriculture Through F	inancial Sup
¶ Gua Out	langdong-Hong Kong-Macao Greater Bay An Itstanding Case Pioneer Award	ea Green Fi
P Chi Gre	ina Excellent Corporate Risk Management Ca eat Wall" Award	se "Financia
🏆 Chi	ina's Security Award for Innovation Pioneer F	utures Com



# Sustainable Development Governance

Stakeholder Identification and Communication Identification and Analysis of Material Issues Sustainability Governance System Sustainable Development Strategy Managing ESG Risks and Opportunities



#### CHINA MERCHANTS SECURITIES

#### 01 Sustainable Development Governance

#### **1.1 Stakeholder Identification and Communication**

The Company identified and analyzed its stakeholders from six dimensions: "Responsibility", "Impact", "Accessibility", "Dependency", "Representativeness", and "Policies or Strategies". Based on the results, the Company determined its major stakeholder groups as follows: Government and regulatory authorities, shareholders and investors, clients, employees, suppliers and partners, communities, etc.



The Company has always attached importance to communication with various stakeholders, and has established a comprehensive stakeholder service and communication system, formulated corresponding key performance indicators ("KPIs") and adopted effective communication methods and actions in response to the concerns of stakeholders. Additionally, the Company has regularly updated the list of its stakeholders based on business changes, policy adjustments, and emerging trends (such as climate change).

Stakeholder category	Demands and concerns	Commu
Government and regulatory authorities	Tax compliance Robust and compliant operations Disclosure transparency Support national strategies	Meetings and government ar Project cooper governmer Reg
Shareholders and investors	Corporate governance Risk management Business ethics Protect the rights and interests of minority shareholders	Exchanges' other d "Investor R the Compa General Mea Inves Investo
Clients	Privacy and information security Client service improvement Diversified products and services Practice responsible investment Investor education	95565 Clients' Client sa Official we account, Cl services plat versions), Investor e
Employees	Protect employees' rights and interests Equal and diversified employ- ment Career training and development Work and life balance Physical and mental health	The Compa Tr Mobi O, E-lear
Suppliers and partners	Integrity and compliance Cooperation in finding win-win solutions	Procurer m Industry
Communities	Climate change response Support community development Launch public welfare and charity programs	Public Commu

#### nunication channels

nd training organized by and regulatory authorities eration between the local ent and the Company egular reports

s' official websites and designated media channels Relations" section on pany's official website leeting of Shareholders estor conference cors-related survey IR E-mail

65 client hotlines s' demand research satisfaction survey vebsite, official Weibo CMS Zhiyuan financial latform (PC and mobile s), and other channels r education activities

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account Trade union obile Office App OA platform earning platform

ement and supplier management y networking events

ic welfare activities nunity research and training

#### Responses

Improve the corporate governance structure Improve information disclosure policies Support the development of the real economy Develop green finance

> Improve the corporate governance structure Improve the risk control system Facilitate investor communication

Conduct business in compliance with the law and regulations Implement suitability management Protect clients' privacy Improve the complaint mechanism Create innovative products and services Improve the responsible investment system

Create an equal and diversified workplace Create a healthy and safe working environment Enrich employees' spare time Build a multi-level training system

Participate in industry research and standards development Improve the supplier management policies

Green operation Support rural revitalization Charity donation

#### **1.2 Identification and Analysis of Material Issues**

In the preparation of this Report, the Company, in accordance with the requirements of the Guidelines, has referenced the methods provided in the Guide. Considering industry characteristics, development stages, business models, and the value chain, the Company has identified the issues that may significantly impact the Company's development strategy, business model, operations, financial status, operating results, cash flow, financing methods, and costs in the short, medium, and long term (i.e., issues of financial materiality), as well as the issues where the Company's performance may have a significant impact on the economy, society, and the environment (i.e., issues of impact materiality).

Through the identification and analysis of ESG issues from two dimensions: Financial materiality and impact materiality, the Company has determined the disclosure framework for this Report. The Company has disclosed relevant issues in accordance with the SSE's information disclosure requirements to address stakeholders' concerns and continuously enhance its sustainable development management practices.



- Understand the Company's activities and business relationships: Analyze the Company's business plans, strategies, financial statements, and other investor information; examine the Company's activities, products, services, and geographic locations; and create a business relationship map that covers both upstream and downstream value chains and relationship types.
- Understand the external objective environment: Analyze relevant laws and regulatory policies; review public documents such as media reports, industry standards, and research papers.



- Policy analysis: Analyze relevant national macroeconomic policies, industry policies, and industry trends.
- Rule and standard benchmarking: Review and analyze the requirements related to corporate social responsibility, ESG governance, and disclosure from entities such as the SSE, HKEX, the SASAC's ESG Special Report for Listed Companies Controlled by Central Enterprises, and MSCI ESG ratings.
- Peer Analysis: Reference the material issue determination methods and ranking results of four industry peers with long-term excellent performance in sustainable development, and select key issues that deserve attention based on this comparison.



- Distribute surveys to gather feedback from stakeholders on whether the ESG issues identified by the Company hold financial materiality or impact materiality.
- Based on the stakeholder feedback, invite experts to confirm the materiality of the identified issues.



• The Board of Directors of the Company reviews the annual material ESG issues to confirm that the issues accurately reflect the Company business and management status, and will instruct and monitor these identified issues seriously. Disclose the analysis procedures and results for issue materiality.

#### Procedures for Assessing Issues of Impact Materiality



#### Procedures for Assessing issues of Financial Materiality



- Scoring range:

ict, scale (degree of impact), scope (extent of the lity of occurrence), irremediability (difficulty of offset- amage). al to large)
orm of a questionnaire.
ity scores for each issue.
um)

• Assessment factors: The likelihood and degree of impact on the Company's revenue. ✓ Likelihood: Rare-Unlikely-Likely-Highly likely-Almost certain ✓ Impact degree: Minimal (<2%)-Small (2%≤ impact degree <4%)-Moderate (4%≤ impact degree <6%)-Large (6%≤ impact degree <8%)-Very large (≥8%)

#### Sustainable Development Governance



#### ■ Assessment results for material issues of the Company

Assessment Results and Corresponding Response Strategies of CMS for Material Issues in 2024

Туре	lssue	Disclosure requirements	Disclosure response in this Report
lssues that have neither financial materiality nor impact materiality	Technology ethics, supply chain security, pollutant discharge, waste disposal, ecosystem and biodiversity protection, energy utilization, water resource utilization, circular econo- my, public welfare and charity, equal treatment of SMEs, and responsible procurement	No disclosure required.	Technology ethics, supply chain security, and ecosystem and biodiversity protection are not applicable to the industry to which the Company belongs. All other issues have been disclosed in accordance with the require- ments of the Guidelines.
Issues that have impact materiality but do not have financial materiality	Environmental compliance manage- ment, stakeholder communication, protection of minority shareholders' rights, combating climate change/cli- mate strategy, serving the real econo- my, innovation-driven development (including digital finance), due diligence, corporate governance (including internal control and audit), business ethics (anti-commercial brib- ery, anti-corruption and anti-unfair competition), operational eco-efficien- cy, financing environmental impact, responsible investment, pension finance, green finance, prudent opera- tion, inclusive finance, human capital management, and tech finance.	Disclosed in accordance with the requirements of the Guidelines.	All issues have been disclosed in accordance with the requirements of the Guidelines.

Туре	lssue	Disclosure requirements	Disclosure response in this Report
Issues that have financial mate- riality but do not have impact materiality	None	Disclose the four elements under this issue: Governance, strat- egy, impact, risk and opportunity manage- ment, and metrics and targets, as well as the specific requirements for each issue according to the Guidelines.	
Issues that have both financial materiality and impact materi- ality	Product and service safety and quality (including protection of previous customer rights), and data security and customer privacy protection (including protection of previous customer rights).	Disclose the four elements under this issue: Governance, strat- egy, impact, risk and opportunity manage- ment, and metrics and targets, as well as the specific requirements for each issue according to the Guidelines. If the Company has established an overall governance structure and internal systems, it may provide an integrated disclosure for related content in accordance with the Guidelines.	Disclose in an integrated manner in accordance with the requirements of the Guidelines.

While identifying material ESG issues, the Company also identified and prioritized the potential impacts, risks, and opportunities associated with these issues, which have been disclosed in this Report. The specific content is as follows:

#### Sustainable Development Governance

#### Potential impacts of material issues on the Company (examples)

- > Business development: Issues such as green finance, digital transformation, and pension finance may offer new business growth opportunities to the Company
- Risk management: issues such as climate risk, data and privacy protection, and the protection of minority shareholders' rights may set stricter requirements for the Company's risk management.
- Reputation and brand: By practicing the ESG philosophy, the Company can enhance its brand and reputation and strengthen its market competitiveness.

#### Potential ESG risks identified by the Company (examples)

	ESG-related risks
Business risks 🔻	Operational risks 🔻

#### Policy and legal risk

With the increasing global focus on climate change and sustainable development, governments around the world are introducing stricter environmental regulations and "dual-carbon" policies. CMS' s clients and investment targets may face regulatory penalties, financial losses, and other risks due to tightening policies, which could be transmitted to the Company, leading to increased management costs.

#### Market risk

In the context of the low-carbon transition, the demand for high-carbon products and services may decrease, and the cost of certain raw materials and services may increase. Some of CMS' clients and investment targets may face rising production and operational costs, asset depreciation, or even default due to changes in market conditions, which could affect the Company's business development strategy and risk management systems.

#### Credit risk

In financing and credit-related business, such as financing securities and stock pledge repurchase business, CMS should assess clients' credit risks while fully considering ESG-related risks. Clients operating in high-pollution and high-emission industries may face increased credit risk due to changes in environmental policies or societal pressure.

#### • Industry concentration risk

CMS had a relatively high concentration in certain high-pollution and high-emission industries (such as thermal power, steel, cement, etc.), which may face systemic risks due to the overall ESG risk exposure in these industries.

If CMS fails in ESG risk management, it could damage the Company's reputation, reduce customer attractiveness, and subsequently impact the Company's business development and market value management.

#### Operational risk

Reputational risk

During ESG risk management, operational mistakes may occur due to flawed internal procedures, insufficient staff training, or system flaws. For example, failing to adequately identify ESG risks during project due diligence or risk assessments may result in the approval of projects with potential risks.

#### Technology risk

During the digital transformation, CMS may face challenges such as short-term increases in operational costs and higher operational costs for clients and investment targets due to technological upgrades.

#### Climate risk

The Company should manage the physical and transition risks brought about by climate change in its climate risk management efforts.

#### Potential ESG opportunities identified by the Company (examples)

#### **ESG-related** opportunities

#### Business opportunities V

#### Green finance and low-carbon transition

With the global focus on climate change and the advancement of the "dual carbon" goals, the green industry is experiencing rapid growth, leading to substantial investment and financing demands. CMS provides financial services to low-carbon enterprises through green finance business such as green bond issuance and green project financing, supporting industrial upgrading and creating new business growth opportunities.

#### • Sustainable finance and product innovation

ESG investment has become a global trend, with the scale of domestic ESG mutual funds continuing to expand, although there is still significant growth potential. CMS can meet investor demand for sustainable finance by managing ESG-themed funds and developing ESG financial tools, and investment strategies, thus further pushing its business boundaries and enhancing market competitiveness.

#### • Valuation system with Chinese characteristics and State-owned Enterprise ("SOE") reform

The ESG philosophy aligns well with the Valuation System with Chinese Characteristics, revealing the intrinsic value of sustainable development in enterprises from multiple dimensions. By supporting the quality and efficiency improvement and resource optimization and integration of Central SOEs and SOEs, CMS has participated in the development of the Valuation System with Chinese Characteristics and identified related investment opportunities.

#### · Pension finance and population aging

As the aging population increases, there is a growing demand for the pension industry and related financial services. By improving its pension finance product system, CMS has promoted the preservation and appreciation of pension funds, met the financial needs of the elderly, and found new directions for its business expansion.

#### Operation opportunities V

• Digital finance and cost reduction and efficiency enhancement By increasing investment in technological research and development, CMS is driving the digital transformation of its business, aiming to enhance its operational efficiency and reduce operational costs. At the same time, digital transformation supports the expansion of the Company's online business and the improvement of its client experience.

#### • Green operations and cost savings

The Company has implemented green office practices, optimized the energy efficiency of its data centers, and reduced resource consumption and carbon emissions during operations, resulting in operational cost savings.

#### Risk management and compliance advantage

Incorporating ESG factors into the risk management system helps CMS better identify and address potential risks, enhance compliance management, and reduce reputational risks arising from environmental, social, and governance issues.

#### 1.3 Sustainability Governance System

The Company has always placed a high priority on ESG governance, establishing and authorizing a dedicated sustainability governance framework responsible for the establishment, implementation, maintenance, and improvement of the ESG management system. Under the guidance of the Company's policies, the sustainable development governance framework has been continuously improved. By integrating the ESG philosophy into day-to-day operations and governance procedures, the Company has promoted the deep integration of sustainable development philosophy with business development. Additionally, it has strengthened internal systems and control measures to ensure various ESG governance measures and specific actions are in place.

Currently, ESG governance has been deeply embedded within the corporate governance structure, forming an effective top-down reporting mechanism where "the Board of Directors decides on ESG strategy, the Management implements it, and departments and subsidiaries collaborate to promote it". This ensures that the supervisory role runs throughout the entire process of the Company's strategy and operations, continuously driving the achievement of the Company's sustainable development goals.

Organizational structure	Functions/Tasks
Board of Directors	Supervision and guidance: 1.Evaluate the potential impact of ESG efforts on the Company's business model, provide recom- mendations for risk mitigation, and guide the direction of opportunities. 2.Listen to the annual ESG report and comprehensively supervise the Company's sustainable development affairs, including reviewing the annual ESG report, by approving strategies, setting goals, monitoring the effectiveness of execution mechanisms, reviewing performance, and ensur- ing transparent communication.
Strategy and Sustainability Committee	<b>Research and decision-making:</b> Conduct research and make decisions on significant matters related to CMS' ESG goals, plans, strategies, risks, and opportunities, supervise the progress of their implementation, and ensure that ESG functions are effectively integrated into the gover-nance structure of the Board of Directors.

Sustainability Leading Group

**Material issue assessment:** Evaluate material issues to provide analyses and recommendations for the decision-making level's discussions, integrate relevant content into the Company's mission, values, and business strategy, and ensure effective oversight by the Board of Directors.

#### Organizational structure

#### Functions/Tasks

management processes.

**Strategy formulation and review:** Formulate ESG governance guidelines and strategies, establish and update ESG-related goals and governance plans based on the Company's operational status, ensure their integration into the Company's strategy, and regularly report governance system performance to the supervisory level.



Sustainability Leading Group

....

Sustainability

Task Force

Monitoring governance system: Develop per

**Decision-making resource allocation:** Determine and manage the costs and resources (such as employees and technology) required to identify, mitigate, manage, and monitor the impacts, risks, and opportunities related to sustainable development.

**Annual disclosure:** Lead and coordinate ESG-related reporting projects and advance ESG information disclosure efforts.

**Overall execution:** Led by the manager of The Office, with heads of various departments of the Headquarters and wholly-owned subsidiaries as team members. An office is set up to coordinate resources based on the authority granted by the Board of Directors, in accordance with the annual ESG strategic goals and management plans developed by the Sustainability Leading Group, thus coordinating and driving specific tasks forward.

Work assessment: Clearly define the responsibilities for ESG-related management tasks, and coordinate and supervise the implementation of ESG-related work across departments and wholly-owned subsidiaries.

**Day-to-day operations:** Develop stakeholder engagement and communication plans, promote internal and external materiality assessments, coordinate the preparation of the sustainable development report, manage the collection and analysis of the Company' s sustainability-related practices and data, and communicate with investors and research institutions (e.g., MSCI).

**Training and awareness:** Organize and conduct internal training on ESG-themed professional knowledge and awareness campaigns related to sustainable development.

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**Policy and system formulation:** Lead the coordination and approval of the Company's ESG policies and systems, oversee responsibility performance, promote the effective implementation of ESG policies and ensure their integration into the Company's existing control procedures and

Monitoring governance system: Develop performance appraisal metrics related to ESG governance, conduct ongoing monitoring, measurement, and analysis, and promptly make corrections.

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ational cture	Functions/Tasks
	<b>Functional integration:</b> Integrate ESG-related responsibilities into the unit's functions and designate ESG points of contact within the unit.
uarters	Work implementation: Further implement various ESG tasks under the coordination and organiza- tion of the Sustainability Task Force, and regularly report progress to the Management.
ments y-Owned liaries	<b>Data governance:</b> Implement a regular ESG data collection mechanism, supporting the collection, consolidation, and reporting of data for the annual ESG report and other related ESG data.
	<b>External engagement:</b> Actively join ESG-related external organizations and initiatives, and participate in ESG-related forums, exchanges, and innovative discussions on material issues within the industrial chain.

The Company's Sustainability Task Force holds meetings on an irregular basis to organize ESG progress reporting and goal review by the Headquarters departments and wholly-owned subsidiaries. It also reviews major ESG-related matters and defines the key focus areas and specific arrangements for the next phase of ESG work. Additionally, the communication mechanisms within the Company between different levels are as follows: The communication frequency between the supervisory level and decision-making level, as well as between the decision-making level and the management level, is one to two times a year, and all communications are conducted through offline meetings.

#### 1.4 Sustainable Development Strategy

By the end of 2023, CMS had developed its ESG strategy with the goal of "boosting China's sustainable economic and social development through providing high-quality financial services, and being the leading investment bank that builds China into a financial powerhouse". The strategy outlines four

key missions: Creating sustainable capital, facilitating low-carbon transformation, strengthening science and technology, and improving citizens' well-being. It also focuses on four main areas of responsibility: Sustainable Finance, Climate Risk Response, Digital Transformation, and Social Value Creation. To ensure the strategy's implementation, the Company has formulated management, incentive, coordination, and appraisal mechanisms, and developed capacities and resources to fully support the implementation of the ESG strategy.



Based on the areas of responsibility, the Company has outlined 16 core tasks and established short-term goals (2024-2025) with measurable indicators, as well as medium- to long-term goals (2026-2028). These tasks have been assigned to the relevant departments and subsidiaries and the Company continuously implements the above-mentioned strategic core tasks.

#### Sustainable Development Governance



#### ■ Achievement of ESG strategic goals

For the purpose of confidentiality, this Report does not disclose the indicators for the goals, long-term goals, and detailed completion information. The following content will focus on the short-term goals and the progress made in 2024.

Area of performance	Core tasks	Short-term goals	Progress
	Continue to improve the system for responsible investment	<ul> <li>Establish a responsible investment organizational structure</li> <li>Release a responsible investment policy statement</li> </ul>	Completed
	Continue to serve the real economy	<ul> <li>Measure the economic and social benefits of projects</li> <li>Increase the proportion, scale, and social benefits of services for key sector companies year by year</li> </ul>	Completed. See "4.1.1 Serving the Real Economy" for details.
Sustainable finance	Improve the green financing service system	<ul> <li>Integrate ESG into the due diligence procedures and form policy documents</li> </ul>	Completed
	Develop green/ESG-related financial products	Relevant business departments complete product planning reports	Completed. See "3.2.3 Strengthening green finance practices" for details.
৻৻৵	Develop a climate risk management system	<ul> <li>Release an ESG risk management policy statement</li> <li>Improve climate risk management responsibilities</li> </ul>	Completed
Climate risk response	Build a financing environmental risk system	<ul> <li>Establish an organizational structure</li> <li>Develop management measures</li> <li>Release an ESG risk management policy statement</li> </ul>	Completed

Area of performance	Core tasks	Short-term goals	Progress
	Help clients cope with	<ul> <li>Increase the number and scale of enterprises served by relevant depart- ments year by year</li> </ul>	Completed. The Company has helped two companies respond to climate change.
Climate risk response	climate change	• Follow up on the application for carbon emission trading rights	Completed. The Company has applied for and received regulatory approval for proprietary carbon emission trading rights.
	Support business and service innovation using technology	<ul> <li>Increase the contribution of technologi- cal innovation to business growth year by year</li> </ul>	Completed. For details, see the 2.1.1 "Technological Innovation-Related Performance" table.
Digital	Digital transformation helps reduce costs and increase efficiency	<ul> <li>Achieve the phased goals outlined in the Company's digital transformation plan for 2024</li> </ul>	Completed. The phased goals for this year have been achieved.
	Improve the information security management system	<ul> <li>Release an information security and customer privacy protection manage- ment statement</li> </ul>	Completed.
	Protect customer rights	<ul> <li>Customer satisfaction continues to grow steadily</li> </ul>	The overall customer satisfaction rate for the year reached 99.74%.
	Promote employee sustainability	<ul> <li>Release an employee rights and talent development statement</li> </ul>	Completed.
Social value	Develop innovative pension finance services	<ul> <li>Relevant departments complete product planning reports</li> </ul>	Completed. See "4.1.3 Pension finance" for details.
creation	Continue to support rural revitalization	<ul> <li>Carry out relevant projects according to the implementation path</li> </ul>	Completed. Significant progress has been made in areas such as financial assistance, public welfare support, intellectual support, and consumption assistance. For details, please refer to "4.2.1 Supporting rural development.
	Sustainable development of the "Gazelle Incubator Project"	<ul> <li>The number of newly included companies in the "Gazelle Incubator Project" have maintained steady growth.</li> </ul>	Completed. See "4.1.2 Inclusive finance" for details.

#### 1.5 Managing ESG Risks and Opportunities

As global attention to climate change and sustainable development continues to grow, strengthening the management of ESG risks and opportunities has become an important strategic choice for enterprises. For CMS, this is not only a global responsibility but also a key factor in ensuring the long-term success and stability of the Company.

CMS has identified material ESG issues and their related impacts, potential risks, and opportunities (see the "Identification and Analysis of Material issues" section). Based on different time frames, the Company has established corresponding ESG strategic core tasks (see the "Sustainable Development Strategy" section), effectively integrating ESG risks and opportunities into business decision-making and risk management. This section focuses on how the Company has managed ESG risks and explored ESG opportunities.

#### Management measures against ESG risks

#### Establishing an ESG risk management framework:

The Company has developed a comprehensive sustainable development management system, covering the Board of Directors, management, and execution levels, forming a multi-level framework and management measures. As an important component of this framework, the ESG risk management structure is managed by the Risk Management Department, which is responsible for overall risk management and incorporating ESG factors into customer credit risk assessments. The financing business departments such as the investment banking, financing securities, and stock pledge repurchase business departments are responsible for implementing the Company's ESG risk management systems and procedures, with regular reports on their implementation.

#### Formulating restrictive policies for ESG high-risk industries:

In 2024, the Company's Investment Banking Committee (hereinafter referred to as "IBC") revised and issued the Guidelines of China Merchants Securities Investment Banking Committee on ESG Risk Management. The guidelines reguire special attention to environmentally sensitive and high-pollution, high-emission industries during the project initiation, due diligence, and project review stages of the investment banking business. The goal is to avoid projects with significant negative environmental impacts and control the concentration of high-risk industries. Based on these guidelines, the Company has developed project initiation standards for equity and fixed-income projects, specifying requirements for high-pollution industries and enhancing the review standards for environmental issues.

#### Enhancing the ESG risk identification and management mechanism:

The Company has required the IBC and other credit business departments to carry out ESG risk identification and incorporate ESG risk management into the business risk control procedures, setting corresponding management requirements. The specific measures are as follows:

	ESG RISK Management Mechanism
Investment banking business	<ul> <li>At the Project Initiation Stage: Through business restriction policies, carefully assess and strictly control the entry of projects from high-pollution, high-emission, and overcapacity industries.</li> <li>At the Due Diligence Stage: For equity financing and fixed-income financing business, specific due diligence guidelines should be established. In 2024, the IBC revised and issued Sponsor Work Memorandum No. 18—Due Diligence Guidelines for High-Energy-Consuming and High-Emission Industries, standardizing the project team's understanding and verification procedures regarding regulatory policies for related industries. Additionally, Working Paper Guidelines for Corporate Asset Securitization Business and Working Paper Guidelines for Corporate Asset Securitization Business and Working Paper Guidelines for Corporate Asset Securitization in overcapacity industries. Specific verification requirements were also set for industries such as coal and steel.</li> <li>At the Project Review Stage: The focus should be on reviewing whether the sponsored projects comply with national industrial policies, and whether the issuer's completed and in-progress projects have completed environmental impact assessments ("EIAs"). Particular attention should be given to whether the issuer has been subject to any environmental administrative penalties in the last 36 months and whether any significant violations have occurred. For corporate bonds and corporate asset securitization business, the focus should be on reviewing how overcapacity issues are being addressed.</li> </ul>
Other credit-related business	<ul> <li>At the Due Diligence Stage: Understand the intended use of project funds and whether they involve restricted or prohibited industries; investigate whether the listed company is involved in significant public opinion or announcement information in ElAs, government regulations, or penalties that could affect project eligibility.</li> <li>At the Business Review Stage: According to the State Council's Guidance Catalogue for Industrial Structure Adjustment (2019 Edition), projects in industries subject to elimination should not be approved. Negative information regarding the listed company's ElAs should be considered as a key area of focus.</li> <li>At the Post-Lending Tracking Stage: Regularly track announcements related to corporate social responsibility and other aspects issued by the listed companies whose pledged assets are used as collateral, as well as any relevant negative public opinion, promptly report any significant negative incidents and assess the associated risks.</li> </ul>

ESG Risk Management Mechanism

Through risk identification and management throughout the entire process, the Company has effectively controlled ESG risks, ensuring business compliance and sustainable development. (For more details, refer to the latest release on the official website: China Merchants Securities Policy Statement on Responsible Investment (2024 Revised Edition.).

#### - ESG opportunity exploration and responsible investment practices

In response to the various opportunities brought by ESG, CMS has deeply integrated the ESG philosophy into its core business. With responsible investment as the key focus, the Company has built a comprehensive responsible investment system that spans investments, investment banking, and asset management, promoting the alignment of business practices with sustainable development goals.

#### Establishing a responsible investment governance structure

The Company has employed a three-level management system—Decision-Making Level, Execution Level, and Supervisory Level—to ensure the effective implementation of ESG strategies, including responsible investment, through goal decomposition, process monitoring, and performance appraisal. The responsible investment governance structure is part of the Company's sustainable development system, providing a solid foundation for integrating ESG factors into investment management, investment banking, asset management, wealth management, and other business functions. (For more details, refer to the latest release on the official website: China Merchants Securities Policy Statement on Responsible Investment (2024 Revised Edition))

#### Optimizing the responsible investment mechanism

Based on China's industrial policies and development needs, CMS has built an ESG investment system that combines international standards with local characteristics. With the "dual carbon" goals as the guiding principle, the Company has focused on areas such as photovoltaics, new energy, and environmental management. It has also strengthened investments in social value creation, including infrastructure and public welfare enterprises, and applies stringent risk control dimensions—anti-corruption, anti-money laundering, and compliance governance—to ensure that the investment portfolio delivers environmental benefits, social value, and governance robustness. In 2024, the Company's ESG investment system made significant breakthroughs. The bond investment business prioritized assets with leading ESG ratings and upgraded its trading system to integrate ESG data modules. The asset management business innovatively introduced ESG entry criteria for equity investment pools and initiated the development of a customized assessment system. CMS Investment focused on cutting-edge fields such as chips & semiconductors, new energy & new materials, and healthcare, exploring paths for deep integration between technological innovation and ESG practices. (For more mechanism details, refer to the latest release on the official website: China Merchants Securities Policy Statement on Responsible Investment (2024 Revised Edition))

#### Advancing the implementation of responsible investment

#### 1.Strengthening ESG training for all employees

In 2024, CMS carried out a multi-level and multi-business area ESG management enhancement training program aimed at improving employees' understanding and practical capabilities in the ESG investment philosophy. At the Company level, a special training session on ESG strategic planning and the implementation plan was held for senior leaders. Additionally, CMS introduced five ESG and green finance courses developed by professional external institutions. These courses covered topics such as ESG investment under the "dual carbon" goals, ESG risk management, and climate risk management. At the business department level, relevant departments of the Company organized several ESG training sessions for its secondary departments. In July 2024, the Fixed Income Department's relevant business personnel participated in the 2024 Equity Asset Securitization Seminar and Rooftop Solar-PV Industry Integration Conference and attended a special presentation on ESG assessment for infrastructure real estate investment trust ("REIT") projects. In September, the Bond Sales Department organized a training on ESG Framework and Practical Exploration, which was attended by all its members. The Financial Products Department has hosted over 10 sessions of the "Public Welfare Recruitment for Good - Fund Advisory Series" public welfare wealth management service training, providing a detailed introduction about the application of public welfare wealth management in corporate ESG scenarios. By actively leveraging internal and external resources, the Company has guided wealth for good and supported the development of national philanthropic and public welfare efforts. At the subsidiary level, the training activities were similarly diverse. CMF conducted 20 ESG training sessions in 2024, including both online and on-site formats, with a frequency of one to two sessions per month. The training covered employees, clients, university students, and partners, reaching approximately 2,000 participants. CMS Asset Management actively organized employees to attend lectures such as "Interpretation of ESG Development Strategy and Corporate Strategy" by China Merchants Public School.

#### 2.Continuing in-depth research in ESG fields

In 2024, the Company's Research and Development Center undertook 23 commissioned projects from institutional clients, covering various areas such as ESG factor analysis, ESG investment strategies, and sustainable investments. In the same year, CMS Asset Management initiated feasibility studies on ESG-related product development and published a report titled ESG-Themed Product Research. The report provided a detailed analysis of the origins of ESG, its assessment systems, investment strategies, product development status, index conditions, and product development strategies.

#### 3.Supporting the ESG compliance management for listed companies

In 2024, the Company's Hong Kong Investment Banking division strictly adhered to the HKEX's ESG guidelines, further enhancing ESG compliance services for companies preparing to go public. Regarding governance, it assisted companies in establishing ESG governance frameworks and supporting mechanisms, clarifying board responsibilities, and promoting deeper involvement. In terms of information disclosure, the division customized ESG compliance sections for the prospectuses of all companies preparing for an HKEX listing, focusing on governance measures and risk control (such as in the cases of T.S. Lines Limited and Dmall Inc.). Through professional support, the division ensured that the companies met ESG governance requirements and improved their recognition in the capital markets.

#### 4. Developing sustainability-related financial products

CMS has been continuously deepening its efforts in promoting sustainability-related financial products, actively aligning with national financial policies to foster ESG investment development and provide more ESG investment channels for investors, allowing them to share in the benefits of ESG investments.

In terms of the custody business, in 2024, CMS continued to promote ESG-themed fund custody outsourcing services, providing operational outsourcing services for Fidelity Low Carbon Growth Hybrid Securities Investment Fund, which mainly invests in high-quality companies related to the low-carbon theme.

In public fund distribution, the Financial Products Department introduced more than 50 ESG-themed funds in 2024. By the end of 2024, the number of ESG funds sold by CMS had increased by over 27% compared to 2023.

#### ESG Product Distribution by CMS as of 2024

Total number of ESG-themed products	254
Proportion of ESG-themed products in total products (%)	1.50
Total assets under management ("AUM") of ESG-themed products as of the end of 2024	RMB <b>530</b> million

#### **Case** Distributing ESG fund products with top annualized yield rates among similar products.

CMS places great emphasis on the research, screening, and exploration of high-quality ESG-themed products, incorporating the Southern Fund's Southern Dongying FTSE Asia Pacific Low Carbon Select ETF (QDII) into its key sales pool. As of December 31, 2024, this product has achieved an annualized return of 26.65% over the past two years, ranking at the forefront of ESG fund returns. Meanwhile, the product's maximum drawdown is 14.30%, and the Sharpe ratio reaches 0.30, demonstrating an excellent risk-adjusted return compared to other ESG products. With its long-term investment advantages and potential, this product not only meets investors' diverse investment needs but also provides them with a high-quality investment experience.

#### ESG Portfolio Fund Advisory Business of CMS as of 2024

Total number of ESG portfolio funds in advisory business
Proportion of ESG portfolio funds in total fund advisory portfolios
Total AUM of ESG portfolio funds

#### **Case** Launch of the First Inter-Broker ESG Fund Portfolio for Charitable Investment Advisory

To guide wealth for good and uphold ESG development, CMS introduced and launched the "Fuxiang Currency+" fund advisory portfolio for public wealth in educational support on September 9, 2024. Simultaneously, the existing "Fuxiang Bond Fund" was incorporated into the public welfare portfolio series. By leveraging inclusive finance channels, CMS has enriched social welfare resources and enhanced public awareness and participation in public welfare efforts. As of December 31, 2024, the cumulative signing scale of the ESG fund portfolio for charitable investment advisory is RMB 753 million, and the cumulative number of signed clients is 779.

In proprietary business, the Company's proprietary bond investments (including bonds and asset securitization products) in ESG concepts reached a total year-end balance of RMB 3.521 billion. Additionally, the Company provided liquidity market-making services for 21 ESG-themed funds, covering areas such as new-energy equipment, low-carbon economy, carbon neutrality, environmental protection, and green electricity.



#### Lase Creation of the First ESG Concept Perpetual Credit Bond Basket in the Interbank Market

On July 22, 2024, the "China Merchants Securities AAA Corporate ESG Perpetual Bond Basket", created by the Company, was successfully launched on the China Inter-Bank Market Trading System ("CIBMTS") platform of the China Foreign Exchange Trade System ("CFETS"). On its first day of launch, the basket attracted significant investor attention and achieved transactions. This product is the market's first ESG concept perpetual credit bond basket, with the sample bonds covering sectors such as utilities, environmental protection projects, and more. It complies with the classification of green debt financing tools as outlined by the National Association of Financial Market Institutional Investors ("NAFMII"). In total, the Bond Sales Department participated in the bidding of ESG bonds amounting to RMB 17.919 billion, with 219 bids placed.

The "bond basket" business was officially launched by CFETS at the end of June 2023 as an innovative trading model designed to meet both domestic and international investors' needs for basket bond allocation and trading. This one-stop quoting and trading service allows investors to execute strategy trades more conveniently by trading a basket of bonds. In response to market demand, the Financial Market Investment Headquarters integrated ESG concepts such as green finance and inclusive finance into its investment strategies. By observing whether the funds raised by the target bonds align with green and environmental protection principles, the "dual carbon" goals, or are used for rural revitalization and relief purposes, and considering the investment return potential of the bonds, the Financial Market Investment Headquarters selected perpetual bonds issued by AAA-rated companies as high-quality assets with excess yield spreads. The bonds meeting these standards were included as the components of the basket. This strategy aligns with the national economic structural transformation and upgrading strategy, offering market investors more diversified participation options.



In addition, CMS Asset Management officially obtained public offering business qualifications in 2024 and conducted in-depth research and feasibility studies in the ESG field. It plans to selectively develop broad ESG strategy funds, ESG-themed funds, and ESG index funds.

Other identified ESG opportunities, such as "green finance," "inclusive finance," and "pension finance," will be described in detail in other sections of this Report.



# Achieving Customer

Digital Finance Empowerment Data and Privacy Protection Protecting Clients' Rights and Interests Contribution to Public Investor Education



#### CHINA MERCHANTS SECURITIES

# Value

#### 2.1 Digital Finance Empowerment

CMS aligns with both internal and external trends and has deeply recognized that developing digital finance and leveraging financial technology to create new quality productive forces is an inherent requirement and an important focus for driving the Company's high-quality business development.

#### 2.1.1 Comprehensive upgrade of the digital strategy

At the strategic planning level, the Company has actively responded to China Merchants Group's "AI + Finance" strategic layout by building the "CMS Tianqi Large Model System" tailored to both industry standards and the Company's characteristics. The Company has set the vision of transforming CMS into an "AI-powered Securities Company" and has fully upgraded its "14th Five-Year" digital strategy to an intelligent digital strategy. The goal is to vigorously drive the AI transformation of the business development model, operational management mechanisms, and technological platform architecture, using AI to drive business forward and embark on a new journey of high-quality innovation and intelligent transformation.





In terms of financial technology investment, the Company has focused on key areas such as wealth management, institutional services, and investment banking. It has continued to increase IT investment and support for technological innovation and has specifically established a Fintech Innovation Fund to support the development of technological innovation projects, fully promoting the implementation of its intelligent digital strategy. As of the end of 2024, the Company has accumulated 12 valid patents.

#### Technological Innovation-Related

Indicator	Quantity	Unit
Information technology investment	1.583	RMB Billion
Information technology investment and its proportion in core business revenue	7.58	%
Number of information technology employees	2,200	Person
Proportion of information technology employees	16	%
Number of invention patents applied to core business	4	Items
Number of invention patents applied for	7	Items
Number of invention patents granted	4	Items
Number of valid patents	4	Items
Number of trademarks	4	Units
Number of copyrights	56	Items
Number of software copyrights per RMB million in revenue	0.003	Items

In 2024, CMS received widespread recognition for its financial technology innovation:



- The FPGA-based Market-making Trading System for Shanghai and Shenzhen Stock Options was awarded the "2022 Financial Technology Development Prize - Second Prize" by the People's Bank of China in 2024.
- The Comprehensive Cloud-Native Digital Infrastructure Construction Project for Securities was awarded the "2023 Financial Technology Development Prize – Second Prize" by the People's Bank of China in 2024.
- The "Tianyan Platform" Next-Generation Intelligent Investment Research Platform was awarded the "2023 Financial Technology Development Prize – Third Prize" by the People's Bank of China in 2024.

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ghai and Shenzhen Stock Options was awarded d Prize" by the People's Bank of China in 2024. struction Project for Securities was awarded the rize" by the People's Bank of China in 2024. ment Research Platform was awarded the "2023 me People's Bank of China in 2024.

# 2.1.2 Enhancing the digital and intelligent development of businessto improve customer service quality and efficiency

In 2024, CMS focused on three client segments: Retail clients, corporate clients, and institutional clients. The Company aimed to enhance customer experience, increase the business scale, innovate business models, and reduce costs while improving operational efficiency. Targeting areas such as wealth management, large institutions, large investment, large investment banking, large-scale operations, three major middle platforms, and subsidiaries, CMS promoted the implementation of several Company-level digital and intelligent strategic projects, optimizing business scenarios and enhancing service quality and efficiency.

#### Large wealth management

In the wealth management business segment, CMS has adhered to the philosophy of "bringing warmth to the APP and empowering people through the platform". By leveraging data-driven insights and platform development, CMS has striven to optimize customer investment transactions and wealth management experiences, professionalize advisory services, and integrate online and offline marketing and operations. Specifically, while expanding the market share, CMS has placed its focus on the existing market, building a digital and intelligent service system that covers the entire customer lifecycle. The CMS app's average monthly active users ranks fifth in the industry according to third-party data from Qianfan.tech. The next-generation digital and intelligent wealth management platform was redesigned, achieving an efficient collaboration model with platform leadership, helping key business areas such as business management, customer service, product sales, and T0 operations to achieve significant growth.

#### Large institutions

In the institution business segment, CMS has established the "One CMS" view for external clients, accelerating the integration of the Company's institutional customer service capabilities. The unified Company-level institutional service brand, "CMS Intelligent", was created. Internally, it empowers institutional client managers and accelerates the development of the institutional customer relation-ship management ("CRM") platform. The research segment has been comprehensively upgraded to the "Al Research Institute", with the launch of the unified research service brand "CMS Intelligent Research". Using Al technologies such as large models, the Company has created an all-in-one intelligent research assistant. It has also established three investment research bases: A knowledge base, a database, and a framework base. In custody services, CMS has capitalized on opportunities in private equity assessment and analysis, upgrading the Intelligent · Bole Private Equity Fund Analysis Platform to serve over 300 investors across the channel, providing them with private equity selection, risk monitoring, and performance analysis services.

#### Large investment

In the investment business segment, CMS has leveraged digital platforms to achieve professional internal control management, large-scale fund management, and trading capabilities. The focus was on upgrading the next-generation OTC derivatives platform to support the rapid development of the OTC options business. Full lifecycle management was achieved for equity and interest rate OTC options business, resulting in a 39% year-on-year growth in the cumulative contract value for interest rate options. Additionally, generative AI technology was innovatively used to analyze inquiry conversations and automatically generate quotes, improving quoting efficiency by more than 10 times.

#### P Large investment banking

In the investment banking business segment, CMS has implemented the "Integrated Investment Banking" strategy, focusing on intelligent contracting and constructing nearly 90 industrial chain maps to depict the complete industry landscape and the upstream and downstream processes of enterprises, covering the full lifecycle service needs of companies across the industrial chain. Additionally, an investment banking project implementation support platform was built to standardize and digitalize the seven core due diligence procedures and over 100 due diligence steps for IPO projects. This has created an advanced integrated and complete front-office operation support system within the industry. Regarding corporate CRM, the "Intelligent Management System for Corporate Client Groups" was developed, which covers the entire process, full chain, and all functions.

#### Large-scale operations

In the operations business segment, CMS has continued to focus on "cost reduction and efficiency improvement" as its goal, with "capability accumulation" as the core driver. Steady progress has been made on Phase III of the next-generation core trading system, following a phased approach of "proprietary before clients" for systematic rollouts—starting with proprietary trading clients, followed by batch launches at branches. The Company has implemented internal and regulatory real-time supervision requirements by creating a related-party transaction management system. For employees, CMS has developed the "Zhao Xiao Ju" one-stop administrative service assistant, covering business scenarios such as travel services, meeting management, and knowledge Q&A.

#### ■ Three major middle platforms

The three major middle platforms have strengthened cross-business collaboration, accumulated shared digital and intelligent service capabilities, and built Company-level platform capabilities. The Company-level "Tianxiang" platform has helped with customer insights and differentiated marketing services. The Jingong research platform has innovated research capabilities and research service productization. The content platform has driven the transformation of the creation model to AI-generated content ("AIGC") and empowered frontline operations. Additionally, the Company successfully completed the construction of the cloud-native base and the first available zone of the data middle platform, achieving seamless integration between cloud and on-premise environments and a pilot cloud deployment. The Tiangong R&D management platform was upgraded, exploring a BizDevOps collaboration model between business, products, and development, and the AI middle platform was enhanced to build a layered, decoupled, open large model framework and a "one leader, multiple competitors" large model layout.

#### Subsidiaries

Subsidiaries have accelerated digital transformation. CMSI built a unified service portal for international business, achieving the development of four key centers: Accounts, processes, systems, and monitoring. CMF developed a one-stop platform for digital marketing services, offering comprehensive and refined management of futures client business scenarios. CMS Asset Management has built a Manager of Managers ("MOM") business investment management system and QDII investment trading process system, opening new models for asset management outsourcing business and new overseas market investment business type.

# 2.1.3 Embracing technological innovation anddeploying large model applications

The Company has accelerated its adoption of emerging technologies such as cloud-native architecture and generative AI, leading the Company's intelligent digital development with breakthroughs and providing strong support for various business systems.

#### Deeply embracing cloud-native technology

The Company has followed the trend of cloud migration and accelerated the cloud-native transformation. By implementing a three-step approach—decentralized piloting, centralized development, and scaling up cloud adoption—the Company has fully embraced cloud-native technology. It has built an Infrastructure as a Service ("IaaS") platform, a Platform as a Service ("PaaS") platform, and a data middle platform, establishing a unified cloud-native foundation. Additionally, the Company has developed a "one cloud, multiple cores" innovation resource pool to form a complete, full-stack, self-controllable cloud-native digital infrastructure, gradually pushing applications to the cloud. The "China Merchants Securities Cloud-Native Digital Infrastructure Construction Project" has won several prestigious awards, including the Second Prize of the Financial Technology Development Award from the People's Bank of China, the Cloud-Native Benchmark Case from the CAICT, and the Financial Insights Innovation Awards.

#### Exploring the application of generative Al and other frontier technologies

The Company has actively responded to the China Merchants Group's "AI + Finance" strategy, combining the characteristics of the securities industry and its own digital transformation status. It has formulated the China Merchants Securities Artificial Intelligence Application Plan, focusing on the "3+2+1" scenario development strategy, which includes three core business scenarios: Investment research, investment banking, and investment; two key workforce groups: 1,000+ investment advisors and 1,000+ IT professionals; and one supporting platform: Zhao Xiao Ju (internal smart office assistant). In the investment research field, the Company has launched AI financial report commentary and research report writing copilot for researchers, enhancing the report publishing efficiency during the annual report season, serving 30% of the Company's researchers. For fund research services, an AI assistant for fund research services was launched in its test version, open to a small number of external institutional clients and internal clients, with 20% of pilot users actively engaging with it. In the institutional service field, the Company has launched a pilot custody customer service assistant, supporting intelligent Q&A in areas such as valuation, share registration, and information disclosure, thereby improving customer experience.

#### **2.2 Data and Privacy Protection**

CMS places a high emphasis on information security, and is dedicated to constructing a more robust and efficient information protection system. The Company has continued to focus on data and system security, and striven to establish a safer and more reliable information environment for its clients and business operations.

#### 2.2.1 Maintaining information security

Through multi-dimensional measures such as institutional development, technological empowerment, collective governance, and intellectu al property protection, CMS has achieved significant results in maintaining information security, providing a solid foundation for the Company's digital transformation and sustainable development.

In September 2024, the Company released the Guidelines for Technical Data Security Protection by the Fintech Center, which outline technical standards and departmental responsibilities for data collection, transmission, and storage. At the same time, the Company improved supporting policies such as the Cybersecurity Incident Emergency Management Measures and the Measures for Tiered Management of Information Systems, forming a "1+N" data security system matrix (details can be found in the latest release of the Statement on the Management of Information Security and Customer Privacy Protection (2024 Revised Edition) on the official website).

In terms of technical protection, the Company has innovatively introduced an attack surface management platform, ensuring "knowable, visible, and controllable" security assets. There were zero major cybersecurity risks throughout the year. By using an automated security operations platform capable of dynamically responding to threats, the Company has optimized application programming interface ("API") traffic monitoring and abnormal behavior identification capabilities, ensuring business continuity and data integrity.

In data governance, the Company has built a security protection system covering the entire data lifecycle. By relying on a unified data middle platform, it configured over 5,600 quality management rules and established a "quality warning – issue tracing – knowl-edge accumulation" closed-loop mechanism. Additionally, the Company has strengthened classification and grading controls, implemented sensitive data lineage tracking, and differentiated data masking strategies within the data portal system. There were no information security or data and privacy breaches throughout the year.

In terms of information security auditing, the Company has conducted specialized internal audits every three years. In 2024, based on problems discovered in the internal audit, the Company has implemented improvement measures in endpoint security, development security, and data security to continuously strengthen security management to reinforce the Company's information security management. The Company has obtained an Information Technology Internal Control Evaluation Report issued by BDO Certified Public Accountants, continuously strengthening its internal control system.

In terms of enhancing employees' security awareness, the Company has formulated the China Merchants Securities Co., Ltd. Information Technology Emergency Plan and Drill Management Measures, and has conducted annual security awareness training and examinations, covering areas such as cybersecurity and data security, for all employees to enhance their awareness and capabilities in information security. At the same time, using the "Cybersecurity Awareness Week" as a platform, the Company has carried out employee training focused on five key areas: "high-risk vulnerability exploitation, data security, password security, system security, and personnel security". The training combined online courses with practical drills, achieving 100% coverage of security awareness education.



In terms of intellectual property protection, CMS has established a dual-drive mechanism of endogenous innovation + external compliance. In 2024, the Company revised its Intellectual Property Management Measures to optimize the entire process of intellectual property declaration and maintenance. In the field of independent innovation, the Company has obtained 56 computer software copyrights throughout the year, covering core business such as wealth management and big data. In the technical procurement process, the Legal and Compliance Department has rigorously reviewed contract clauses regarding intellectual property to ensure the legitimacy of purchased systems. During the digital transformation process, the Company has implemented unified management of software and system legitimacy for all externally purchased software and conducted product initiation for a Terminal Software Store. Through standardized white/blacklist management, the Company has mitigated infringement risks. It has also planned to integrate internal download channels and expand the range of software available in the store, aiming to build a secure and controllable software ecosystem. Through these initiatives, CMS has not only effectively protected its intellectual property but also provided legal safeguards for financial technology innovation. This has promoted steady development in the Company's digital transformation and further strengthened its innovative advantage in the financial technology field.

#### 2.2.2 Protecting customer privacy

The protection of investor information is crucial for safeguarding their legitimate rights and interests. To this end, the Company has established a dedicated management structure. A special leading group for investor personal information protection has been set up, handling overall planning, task assignment, and guidance on major collaborative matters concerning investor personal information protection. Under this group, there is a specific working group responsible for organizing and implementing all aspects of investor personal information protection, including the review of systems, processes, and institutional building, as well as training and self – inspections. In 2024, the Company revised the Investor Personal Information Protection Management Measures and the Investor Personal Information Protection Special Leading Group Deliberation Rules of China Merchants Securities Co., Ltd. to further standardize the responsibility division and working requirements for handling investor personal information protection by various units. It also organized a self-inspection for the 2023 annual investor personal information protection and conducted relevant training for all employees to enhance the effectiveness of this work.

Meanwhile, CMS has always prioritized customer privacy protection in its corporate governance. It strictly complies with laws and regulations, such as the Personal Information Protection Law of the People's Republic of China and the Data Security Law of the People's Republic of China. Based on high-frequency APP usage scenarios, the Company conducts systematic privacy protection governance initiatives. In 2024, the Company completed 15 scenario – based function upgrades, covering key aspects including institutional norms, technical protection, access control, and product experience, to establish a comprehensive privacy protection network.

At the institutional level, the Company has established a dynamic and iterative compliance management mechanism, closely monitoring changes in business innovation and regulatory requirements. During the year, privacy policies were updated, with a particular focus on adding content related to personalized recommendation services. The Company has also published supporting documents such as the Personal Information Collection List and the Third-Party Shared Information List, ensuring the effective implementation of users' rights to be informed and to make choices.

In terms of technical protection, for scenarios involving the transfer of sensitive customer data, the Company has reconstructed the end-to-end data encryption transmission mechanism, meeting customers' customized data service needs while ensuring security protection throughout the entire lifecycle of the data.

In the user interaction layer, CMS has strictly adhered to the principle of "minimum necessity", ensuring that in highly sensitive scenarios such as account opening, document uploads, and communication permission requests, users were dearly informed about the scope of data collection, the purpose of use, and storage duration before each information collection, with a secondary confirmation pop-up window to reinforce the validity of user consent.

In product experience optimization and innovation, the Company was the first in the industry to introduce the "privacy-friendly access mode", allowing users to browse basic information services as guests without agreeing to the privacy policy. This design has not only protected users' information autonomy but also balanced the inclusiveness of financial services.

Through these multi-dimensional and continuous efforts, CMS has successfully integrated the philosophy of privacy protection into the entire product service chain, forming a privacy protection model that combines legal compliance, technical protection, and user experience. For the complete technical specifications and management guidelines of the Company's privacy protection system, please refer to the Statement on the Management of Information Security and Customer Privacy Protection (2024 Revised Edition) published on the official website.

#### 2.3 Protecting Clients' Rights and Interests

To ensure dients' trust and satisfaction with CMS' services, the Company has been committed to protecting and safeguarding dient interests at every stage of service: before, during, and after.

#### 2.3.1 Standardizing marketing practices

The Company strictly follows the regulatory requirements, such as the Regulations on the Management of Securities Firms' Agency Sales of Financial Products and the Measures for the Supervision and Management of Publicly Offered Securities Investment Fund Sales Institutions, building a dynamically updated institutional support system. The Company has comprehensively revised and improved the Management Measures for Financial Product Agency Sales Business, focusing on optimizing the full-chain risk control mechanism in business processes, darifying compliance standards for critical processes such as product admission, risk assessment, and information disclosure.

In the financial product marketing process, the Company has established full-scenario information disclosure standards, requiring sales personnel to strictly adhere to the "Three Sufficient" principle—fully disclose product contract parties, product prospectuses, and other statutory documents; fully disclose credit risk, market risk, and liquidity risk characteristics; and fully fulfill the suitability matching obligation.

In response to the demand for wealth management service upgrades, the Company has innovatively constructed a "institution+ technology + humanism" three-in-one service standard system. The original Wealth Advisor Client Service Guidelines for Securities Branches were

#### Achieving Customer Value

upgraded to the Wealth Advisor Client Service Management Measures for Branches, with a new chapter on digital service standards added, clarifying the boundaries for the use of intelligent advisory tools and ethical requirements for algorithms. At the same time, compliance-related requirements of the Personal Information Protection Law of the People's Republic of China were integrated, establishing a full-lifecycle protection mechanism for client information security. Notably, an innovative chapter on "Senior-Friendly Services" was added to safeguard the rights of vulnerable groups.

CMS has conducted monthly compliance marketing training, covering key areas such as compliance promotion and guidance, product sales compliance, case warnings regarding customer service quality complaints, investor suitability management, and personal information protection. A total of 12 training sessions were held throughout the year, with approximately 1,500 participants per session. Additionally, two compliance training sessions were held for new employees, covering about 200 people, with a focus on compliance in business development, accountability management, and compliance concerns. Through systematic training, the Company has effectively enhanced the compliance awareness and professional skills of marketing personnel, providing solid support for the steady development of the business.

#### 😫 Case Institutional and Corporate Client Manager Training

In 2024, the Company organized eight compliance training sessions for institutional and corporate client managers at its branch offices, with over 1,000 participants. The training covered topics such as code of conduct for employees during practice and compliance management in the sale of various products, and marketing activities.



#### 😩 Case **IB Business Contact Person Training of Branch Institutions**

In 2024, the Company also held two compliance training sessions for contact persons of the IB business at its branches, with 350 participants.



#### 2.3.2 Building the service team

The Company has consistently adhered to the service philosophy of "customer-centric" and the service principle of "investor education first". It has implemented a "pre-investment demand analysis, solution matching during the investment, and continuous post-investment tracking" advisory service model. Wealth advisors, based on their thorough understanding of investors' needs, provide investment consultation, asset allocation, capital intermediation services, and other services, in compliance with suitability and relevant regulatory requirements.

The Company has developed the Measures of China Merchants Securities Co., Ltd. for the Management of Wealth Advisor Client Service at Branches to regulate the service behavior of wealth advisors. These measures require wealth advisors to focus on aspects such as service attitude, service skills, service quality, and service coverage to provide in-depth customer service and warm customer care, thereby enhancing customer satisfaction.

In terms of team selection, the Company has used a variety of approaches, including campus recruitment, social recruitment, and internal development. Through strict selection standards, tiered empowerment strategies, and optimized assessment systems, the Company has continuously trained professional wealth advisors. It has established a "new recruits - key staff - elites - leaders" tiered training system, focusing on cultivating wealth advisors' expertise in understanding client needs, asset allocation diagnosis, and post-investment management, ensuring that wealth advisors deliver high-quality services from the client's perspective. In terms of service quality training and education, the Company has continuously improved wealth advisors' ability to handle complaints and their professionalism by conducting monthly complaint training and targeted training sessions, and communicating typical cases through the team management monthly report. This effort has further reduced the complaint rate. At the same time, the Company has supervised branches to conduct customer service quality improvement activities, ensuring the

implementation of the "customer-centric" service philosophy. It has reviewed wealth advisors' service behavior, strengthened compliance awareness, standardized service standards, improved professional capabilities, and reduced customer complaints. Additionally, the Company has required branches to provide tiered and categorized services to clients, enhance personalized service records, and avoid inefficient handover that could lead to customer complaints.

In 2024, the wealth management team was widely recognized, winning the following awards:

• 2024 Top Ten Golden Bull Securities Companies — China Securities Journal

- 2024 Golden Bull Wealth Management Team China Securities Journal
- 2024 China's Security Award for All-Around Wealth Broker Securities Times
- Excellent Publicity Team for Preventing Illegal Fundraising Yichang Municipal Office of the Steering Group for the Prevention and Disposal of Illegal Fundraising

#### 2.3.3 Upgrading the interactive system

As the official mobile client, the CMS app has been designed as a comprehensive wealth management platform for users to engage in stock trading and fund investment, with a focus on three key areas: Stock Market Strategies, Wealth Management Services, and Smart Investment.



To enhance the stock trading experience, the CMS app has provided a series of stock market strategy tools such as Intelligent Stock Selection, Intelligent Market Monitoring, Magical Nine Turns, Stock Risk Radar, and IPO Subscription Reservations. These features have helped clients participate in stock trading more efficiently, delivering a smooth trading experience.



To optimize wealth management services, the CMS app has created various wealth management service scenarios and features, such as Public Fund Selection, Conditional Fund Selection, Popular Investment Tracks, Intelligent Automatic Investment, and Signature Fund Managers. It has upgraded the traditional product display model to a wealth management channel guided by investment philosophy, improving the full-process wealth management service experience.



To advocate rational investing, the CMS app has promoted rational investment by continuously providing educational content and functional guidance. It helps investors understand essential investment knowledge and time-tested investment philosophies, encouraging users to make informed investment decisions and establish the correct investment mindset.

The CMS app has built a multi-dimensional, layered digital and intelligent service system, using digital and intelligent technologies to enhance service efficiency and user experience. In 2024, the CMS app served over 128 million service visits, marking an 87.80% year-over-year increase.

#### 2.3.4 Strengthening the feedback mechanism

CMS has consistently upheld the "customer-centric" service philosophy, with customer satisfaction as its core value driver. The Company has built an all-channel, full-process customer rights protection system. It has implemented a long-term mechanism for "complaint intake – closed-loop resolution – root cause rectification" and enforced a standardized service commitment of "three-day initiation, ten-day resolution". Transparent complaint channels are available across eight major platforms, including the Company's website, the CMS App, and business outlets. Moreover, an intelligent customer service system has been in place to provide 24/7 service across all business scenarios.

In 2024, the Company comprehensively upgraded its investor complaint management system, revised the Customer Complaint Handling System, and established three key mechanisms: Cross-departmental collaboration, bi-weekly joint meetings, and review of typical cases. Through digitalization, the Company has shortened the complaint handling period by 38% and achieved an overall customer satisfaction rate of 99.74% for the year. The mobile service performance was particularly notable—the CMS app's monthly active user count remained among the top five in the industry, and its daily usage duration continued to rank first in the brokerage application category (source: Qianfan.tech).

#### 2.4 Contribution to Public Investor Education

CMS has thoroughly implemented the guiding principles of the Central Financial Work Conference, with the goal of "Finance for the People". The Company has built a multi-level and targeted inclusive finance and investor education service system. Through an "institutional foundation + scenario innovation" dual-drive approach, CMS has revised core systems such as the Management Measures for Investor Education Work of China Merchants Securities and the Management Measures for Investor Education Base of China Merchants Securities Co., Ltd., conducting 1,646 investor education activities throughout the year, reaching over 44.1 million investors. The Company has created an investor education ecosystem that covers the "entire lifecycle + all scenarios".

In the area of youth and young adult financial literacy development, CMS has pioneered the "course integration + practical experience" model. Collaborating with 22 schools, the Company has created 83 hours of customized courses, developed textbooks such as Young Financial Advisors, and integrated financial literacy education into school curricula. For university groups, CMS has launched a series of advanced courses, including Capital Market Practice, and provided hands-on learning opportunities at the Shenzhen Stock Exchange ("SZSE"), along with immersive VR-powered experiences. These initiatives have given 12,000 teachers and students a fresh perspective on industry-education integration.

In terms of investor capability building, CMS has developed a differentiated service system. Specifically, the Company has innovated the "Investment Made Easy" online quiz, which attracted 1.79 million participants. It also established the "Investment Star Academy" brand, guiding investors in visiting listed companies on-site. Through the "Elderly Enjoyment" initiative, the Company has created a knowledge barrier to prevent fraud for the middle-aged and elderly. In collaboration with CMF, the Company has organized 40 professional training sessions that attracted 7,000+ participants to improve corporate risk management capabilities.

In 2024, the Company produced over 700 original investor education products, including microfilms and comics. The total clicks on electronic products exceeded 40.86 million, forming a comprehensive "online + offline" and "knowledge + practice" communication matrix. As a central enterprise, CMS has led the industry's investor protection efforts, driving innovative breakthroughs in developing inclusive finance from concept to practice.

Additionally, CMF, in collaboration with the Shenzhen Futures Association, Southern University of Science and Technology, Harbin Institute of Technology, Shenzhen, and Shenzhen Polytechnic University, hosted the 6th "China Merchants Futures Cup" Futures Training Camp, with 209 participants this session. Since its launch in 2021, the futures training camp program has enrolled a total of 619 trainees, with 106 receiving scholarships, and has provided trainees with abundant internship opportunities. This program has represented an innovative effort in Shenzhen's capital market to integrate investor education into the national education system.

#### In 2024, CMS achieved remarkable results in investor education promotion:

Number of persons the online and offline investor education promotions reached

44,102,492 Persons

Number of investor education activities

1,646 Activities

#### In 2024, CMS achieved remarkable results in investor education promotion:

Number of investor education products distributed by head ters and branches
Average monthly opening hours of the investor education ba
Total hours of investor education activities at the investor edu
Customer satisfaction at the investor education base
Average number of public visits served by the investor ed every month
Average number of participants in online and offline su investor education base every month
Original content rate of the investor education base

The Company's efforts and achievements were widely recognized and honored with the following awards:

Awards	Awarding institution		
Excellence Award at the Fourth National Investor Education Animation Contest	SZSE, Cartoon Weekly (Cartoon supplement of People's Daily), and Securities Times		
Shareholders Are Coming [2024] Investor Rights Knowledge Competition Shenzhen Division "Outstanding Contribution Award"	Shenzhen Securities Association and Shenzhen Securities Investor Services Center		
2024 Outstanding Investor Education Team Award	Shenzhen Securities Investor Services Center		
2024 Excellent Investor Education Base in Shenzhen Area	Shenzhen Securities Investor Services Center		



# **Practicing Green** Development

Response to Climate Risks **Developing Green Finance** Practicing Green Operations



#### CHINA MERCHANTS SECURITIES



#### **3.1 Response to Climate Risks**

To effectively manage climate risks in business development and operations and seize climate opportunities, the Company actively identifies, evaluates, and addresses climate risks in accordance with the guidelines of the Shanghai Stock Exchange (SSE). It continues to improve CMS' climate risk management level.

#### 3.1.1 Governance

The climate-related governance structure is part of the Company's sustainable development system and serves as a sub-component of the Company's sustainable development efforts. Its governance structure, personnel composition, information reporting mechanism, reporting methods and frequency, as well as its supervisory mechanisms, are aligned with and executed in parallel with the Company's sustainable development framework.

In terms of responsibilities, the Strategy and Sustainability Committee under the Board of Directors is responsible for researching, making decisions, and overseeing the implementation of significant matters such as climate-related risks. Other matters are arranged according to the powers and responsibilities defined within the sustainable development governance framework.

As investor attention to climate-related risks and opportunities increases, the Company's climate-related governance bodies and personnel will continue to enhance their professional skills and capabilities in executing and supervising the impacts, risks, and opportunities related to climate change.

#### 3.1.2 Strategy

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CMS identifies the risks and opportunities it faces in three major categories: transition risks, physical risks, and opportunities, and further assesses their impacts.

#### Identifying and responding to physical risks "Acute" physical risk Description disasters, and the severity of their impacts. • Short-term impacts: Impacts increased operating costs. Medium-term impact: customers and investment targets, and may even lead to bankruptcy and other risks. to resist physical risks caused by climate change. Measures considers the impact of physical risks on its customers and investment targets. drills and training, etc., to improve emergency disaster resilience capabilities. "Chronic" physical risk Description

#### Long-term impacts:

Impacts

Measures

- comfort of employees' work:
- investment targets, affecting the Company's strategic positioning and business direction.

#### technologies to enhance energy efficiency in workplaces and to reduce operational costs. mental and climate-related factors into the investment process to increase asset volatility sensitivity.

#### Practicing Green Development



#### Identifying and responding to transition risks

#### Policy and legal risks Since China proposed its carbon peak and carbon neutrality targets, the country has successively introduced policies,

Description

regulations, and relevant standards to address climate change. If the Company fails to strictly comply with and implement the requirements for climate risk management and related information disclosure, it may face the risk of being ordered to correct, fined or sued by regulatory authorities. China is promoting the establishment of a "1+N" policy system for carbon peak and carbon neutrality, and the Company's customers and investment targets are also subject to the "carbon peak and carbon neutrality" policy and regulations.

#### Medium- and long-term impacts:

• The Company itself may face the risk of rising operating costs;

Impacts • The Company's customers and investment targets may also face regulatory penalties and financial losses due to the tightening of policies, resulting in increased management costs for the Company.

> 1.Continuously monitoring the policies and regulations: To effectively respond to the policy and regulatory requirements related to the "carbon peak and carbon neutrality" targets set by the country and regulatory authorities, the Company should comprehensively study the legal and regulatory content related to climate change and green finance.

Measures

Description

Impacts

2.Developing green finance: The Company implements the spirit of the Central Economic Work Conference, develops low-carbon strategic plans, and provides high-quality financial services for green projects, making substantial efforts in areen finance.

3.Strengthening information:Keeping pace with policies, the Company regularly discloses environmental information and improves the quality of environmental information disclosure.

#### Market risks

To achieve the carbon peak and carbon neutrality targets, China is promoting energy conservation, carbon reduction, and green transformation through energy efficiency constraints, firmly curbing the blind development of high-energy-consuming and high-emission projects. This may affect the views of investors and consumers, leading to market changes such as a decline in demand for high-carbon products and services and an increase in costs for some raw materials and services.

#### Medium- and long-term impacts:

- Some of the Company's customers would prefer services and products with environmental attributes;
- Some of the Company's customers and investment targets may face an uncertain market environment, resulting in increased production and operating costs, asset depreciation, and default risks, which may be transmitted to the Company through the business chain;
- Such risks will affect the Company's business development strategy and risk management system.

1.Increasing investment in green industries: When making investment decisions, the Company should fully consider such risks, increase investment in green industries, and gradually reduce financial support for high-carbon industries. Measures 2.Strengthening risk prevention measures for enterprises with high energy consumption and emission: The Company conducts risk review and monitors the risk effectively.

#### Technology risk

Some cutting-edge and disruptive technologies may may lead to cost reductions, enterprise obsolescence, Description Some of the Company's customers and investment ta and environmentally friendly technologies during the p

#### Medium- and long-term impacts:

- The digital transformation may increase the Company's operating using energy-saving and emission-reducing technologies in data
- Technology upgrading may increase the operating costs of some

#### Measures

Impacts

#### 1.Increasing investment in technology R&D:The Com control the process of digital transformation and adopt 2.Monitoring the industry technology updates: The Co strong technical R&D and iteration capabilities, and

#### **Reputation risk**

Description

Impacts

Measures

#### Medium- and long-term impacts:

In the context of a low-carbon trend, more customers p friendly concept. On the opposite, failure in managing lose attraction to the customers, thereby affecting busin

#### 1.Actively participating in ESG-related activities and

#### Practicing Green Development

Technology risk
Some cutting-edge and disruptive technologies may face the risk of investment failure. Rapid technological iteration may lead to cost reductions, enterprise obsolescence, etc. Some of the Company's customers and investment targets may face challenges in upgrading their energy-efficient and environmentally friendly technologies during the process of technological transformation.
Medium- and long-term impacts:
The digital transformation may increase the Company's operating costs in the short term, such as the cost of staff training, the cost of using energy-saving and emission-reducing technologies in data centers, etc.; Technology upgrading may increase the operating costs of some of the Company's customers and investment targets.
<ol> <li>Increasing investment in technology R&amp;D: The Company will increase investment in business digitalization to control the process of digital transformation and adopt advanced low-carbon technologies in operations.</li> <li>Monitoring the industry technology updates: The Company will support enterprises with high R&amp;D investment, strong technical R&amp;D and iteration capabilities, and keen market insight. The Company will also consider the technology risks associated with low-carbon transformation when making investment decisions.</li> </ol>
Reputation risk
Negative comments from stakeholders, caused by the institution itself, its employee behavior, or external events, may harm the Company's brand value, adversely affect its normal operations, and even impact market stability.
Medium- and long-term impacts:
In the context of a low-carbon trend, more customers prefer to cooperate with companies with the environmentally friendly concept. On the opposite, failure in managing climate change could harm the Company's reputation and lose attraction to the customers, thereby affecting business development and market value management.
<ol> <li>Actively participating in ESG-related activities and initiatives: The Company will disclose its ESG investment practices and performances to customers to maintain the Company's branding and reputation.</li> <li>Establishing reputation risk monitoring and public opinion response mechanisms: The Company keeps an eye on the negative public opinion and potential risks related to its environmental impact, establishes a timely public opinion response mechanism, and actively communicates with stakeholders.</li> </ol>

#### Practicing Green Development

#### Identifying and responding to the climate opportunities



Medium-term impact:

Impacts • With the development of green enterprises and the market, demand for green products and services keeps increasing and leads to the income growth

1. Green financial products innovation: The Company will increase green financial services for climate-friendly enterprises, and empower the high-quality development of energy-saving and carbon-reducing industries while Measures generating investment returns. It will study business opportunities in carbon emissions, electricity, weather derivatives, and other related sectors.

2.Developing green finance + technology: Achieve automation, intelligence, and precision in financial services.

	Market opportunities
Description	Innovating climate-friendly products and services unde reputation and creates revenue growth opportunities.
Impacts •	Medium-term impact: A competitive edge in the green and low-carbon industrie be seized.
Measures	Intensifying green investment and financing green investment and financing projects, issue rights futures and derivatives.
¢m?	Adaptability
Description	Active response to climate adaptation can avoid futur earnestly identified.
Impacts •	Long-term impact: The Company's strategic direction will be affected, and benefits.
Measures	Seizing the industry trends: The Company seizes industry in green industries.

#### Practicing Green Development

der a low-carbon economy enhances the Company's
ies will be gained, and market opportunities and shares will
g efforts:The Company will actively promote ue green bonds, and develop carbon trading
ure losses. Environmental and social benefits will be
ure losses. Environmental and social benefits will be

#### Climate adaption

In order to assess its adaptability to varied climate change scenarios in the future and identify the potential influence of climate risk on its operations, CMS conducts climate risk scenario analysis. The Company referenced the Network for Greening the Financial System (NGFS) scenario analysis framework, selecting the "Nationally Determined Contributions (NDCs)" and "Below 2°C" scenarios. Specifically, the "NDC" scenario assumes that all countries take action based on the current undertakings, while the setting of the "Below 2°C" scenario is implement stricter climate policies. These scenarios are key references for climate risk analysis by international financial institutions and regulatory authorities, covering a range of possibilities from orderly transitions to a world of extreme greenhouse gas emissions. CMS, based on the relevant assumptions of these scenarios, assesses the potential influence of climate risk on its business,

#### Climate Risk Analysis Scenario Categories and Relevant Assumptions

Scenario categories	Relevant assumptions				
NDCs	Countries implement their respective climate policies based on commitments, with moderate policy efforts. Global carbon emissions continue to rise, potentially leading to a global temperature increase of 2.3°C or more compared to pre-industrial levels.				
Below 2°C	Global climate policies are gradually strengthened and effectively implemented, with a 67% probability of limiting the long-term global temperature rise to below 2°C compared to pre-in- dustrial levels.				



In the climate risk scenario analysis, considering that the direct potential influence of physical risks on the Company is little, the scenario analysis focuses on the transition risk faced by the Company's investment and financing business, and considers the influence of future climate-related policy adjustments, technological advancements, market or reputation changes on risk entities in the high-energy-consuming industries, which may lead to the widening of relevant bond spreads and downgrading of the credit ratings of these entities, thus reducing the market value of the assets held by the Company in its investment and financing business and increasing exposure to credit default risks. The relevant assumptions include the stability of the future macroeconomic environment, the unchanged climate-related investment and financing strategies and scale proportion of the Company, and no significant technological advancements by entities in addressing climate change.

Based on the investment and financing holdings of the parent company during the Reporting Period, and referring to global financial asset-related statistical data under various climate scenarios (such as bond spreads for high-carbon emission industries, credit rating changes, carbon trading prices, etc.), and combining both quantitative and qualitative assessments, the Company comprehensively implements the climate risk scenario analysis. The analysis results are as follows:

ltem	NGFS' NDCs scenario			NGFS' Below 2°C scenario		
	Short-term (10Y)	Medium-term (20Y)	Long-term (30Y)	Short-term (10Y)	Medium-term (20Y)	Long-term (30Y)
Potential climate risk losses in investment and financing of key emitting industries as a percentage of net assets	0% ~ 0.1%	0.1% ~ 0.2%	0.1% ~ 0.2%	0.1% 0.2%	0.2% 0.3%	0.3% 0.5%

The climate risk scenario analysis results indicate that the impact of climate risks on the Company's investment and financing business is generally low, with the potential losses as a percentage of net assets being small under all scenarios. Overall, climate risks are manageable. The scenario analysis enables the Company to better identify and assess climate risk, gradually optimize investment and financing strategies related to climate, and maintain good resilience against climate change.

<sup>1</sup>A green fund is a fund whose fund name, performance benchmark, or investment strategy includes at least one of the terms "sustainable development," "environmentally friendly low-carbon," "new energy," or "green development".

#### 3.1.3 Impact, risk, and opportunity management

CMS has taken a series of proactive measures in climate risk management, integrating climate risks into the overall risk management framework for its investment banking business. In the project initiation phase, the Investment Banking Committee of the Company classifies IPOs and mergers and acquisitions (M&A) business of high-pollution industries as prudent projects. Through offline project initiation reviews and a collective decision-making mechanism, related projects are cautiously advanced, guiding internal departments to prudently undertake high-pollution industry projects at the front end. In due diligence, the Company guides project teams to fully understand the regulatory policies and due diligence requirements for "two-high" (high energy consumption and high pollution) projects, increasing sensitivity to environmental risks in products and production processes, and standardizing the verification procedures.

#### 3.1.4 Metrics and targets

To address climate-related impacts, risks, and opportunities, CMS focuses on the actual business needs of each department and feedback from business calculations during strategic formulation and major decision-making processes. Based on the assessment results, the Company formulates corresponding strategic goals, plans, and performance metrics.

In alignment with the analysis of climate risk impacts, the Company has drafted a 14th Five-Year Plan "Carbon Peak and Carbon Neutrality" special strategic plan. It places climate risk management as a key priority, clearly defining both short-term and long-term strategic goals for green finance.

At the business level, CMS is deeply engaged in green finance, supporting the green transformation of society. The Company actively responds to the national "3060" carbon peak and carbon neutrality strategy goals, incorporating the concept of green development into its medium- and long-term development strategy. The Company is strategically positioning itself in important technological tracks such as new energy, and has established specialized teams in multiple business departments to provide high-quality financial services for green and low-carbon projects.

At the operational level, CMS focuses on low-carbon operations and promotes environmentally friendly office activities. Using 2019 as the baseline year, the Company plans to continuously reduce energy and resource consumption in its office operations by 2025, while improving the effectiveness of green and low-carbon operations.

#### **3.2 Developing Green Finance**

#### 3.2.1 Implementing the green finance strategies

#### Strategic goals

CMS actively implements the Group's carbon peak and carbon neutrality action system, and integrates the green development concept into the Company's medium and long-term strategic goals. The Medium and Long-term (2024-2028) Development Strategy and Plan of China Merchants Securities includes the green development concept in the medium- and long-term development goals, regards the new development concept of "innovative, coordinated, green, open and shared development" as a guide-line, accelerate the building of the ESG system, and drive sustainable and high-quality development.

The Company actively responds to the spirit of the Central Financial Work Conference, using the "five major tasks" as an important focus to achieve the vision of becoming "China's leading investment bank", with green finance listed as a key chapter. CMS has made forward-looking investments in green technology sectors such as new energy, integrating the "dual carbon" goals into the "14th Five-Year" sub-plan for investment banking business. After years of development, green finance has become a normalized business within the investment banking sector.

Looking ahead, CMS will continue to deepen its green finance services, leverage the Group's industrial resource advantages, and play a role as an industrial and capital intermediary. The Company aims to introduce emerging industries into traditional industry scenarios, helping the group create "two curves". CMS will contribute to the low-carbon transformation of the real economy by increasing green investment and financing, proposing new green financial products, enhancing green research, participating in industry discussions, and reflecting the green orientation in performance assessments, while exploring innovative applications of green finance to promote its high-quality development.

#### Action plan

**Investment banking business:** CMS clearly defines the direction for the green "dual carbon" transformation, focusing on three core sectors: digital technology, green technology, and life sciences. These sectors will provide high-quality financial services to CMG's "third entrepreneurship". Meanwhile, in risk management, the Company has established a strict green project screening mechanism, with special attention to high-pollution and high-emission industries, standardizing due diligence requirements, and effectively controlling environmental risks.

**Investment business:** CMS actively utilizes the advantages of private equity fund managers and its own capital. Through the establishment of green equity investment funds, investment in green equity, and the development of new energy infrastructure real estate business, the Company supports the green transformation of enterprises. In proprietary investment, CMS focuses on green financial assets in bond investments, introducing third-party data services to improve investment decision accuracy. In stock investments, the Company strictly evaluates and dynamically tracks investments based on green standards.

**Innovative business:** CMS actively applied for and received approval from regulatory authorities to engage in carbon emission rights proprietary trading, exploring new models for carbon finance. CMF launched several industry-first green financial derivatives this year, including "Cold Wave and Precipitation Index Insurance + Weather Derivatives", providing weather risk management tools for farmers; "Cold Wave Index Derivatives", helping the power industry deal with extreme weather and ensuring stable energy supply; and an ESG-related commodity index series, promoting the effective allocation of capital in green resources.

**Research business:** CMS supports green finance research through "industry chain mapping", "think tank research", etc., and has been recognized for two consecutive years as the Best ESG Practice Research & Development Center by New Fortune. The Company implemented climate risk scenario analysis in 2024 to assess the potential losses of its investment and financing business under different climate scenarios, and continues to strengthen the research on climate risk policies and development trends. CMF has established the Research Institute of ESG Sustainable Development and a green finance research team, , creating a research platform for CMS's green derivatives, and regularly publishes the China Merchants ESG Derivatives Monthly Observation.

**Strengthening green finance assessment and incentives:** The Company leads various business departments to expand green finance businesses through strategies and performance appraisal. The Investment Banking Committee of the Company has built a comprehensive performance appraisal system, including practicing incentives for the business in the green and "dual carbon" fields, fully reflecting the orientation of green finance.

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#### **3.2.2 Developing green finance business**

CMS has deeply integrated the "carbon peak and carbon neutrality" work into the overall strategic planning of business development, provided comprehensive financial services to green enterprises, and supported their strategic layout optimization, business development, and industrial upgrading. The Company will continue to increase the scale of green investment and financing, promote green finance innovation, and contribute to high-quality and sustainable development of the economy.

#### Investment banking business

In 2024, CMS continued to devote resources in the green finance sector, using diversified financial tools to serve the low-carbon transformation of the real economy. The Company underwrote green bonds worth RMB 16.601 billion (with the total project financing amount reaching RMB 117.37 billion), with a year-on-year growth of 54%. In the equity business, CMS completed three green equity financing projects, raising a total of RMB 5.257 billion, including an underwriting scale of RMB 3.885 billion.

#### 😩 Case Assisting in the Issuance of the SPIC-Sichuan Guidufu Hydroelectric Infrastructure Asset-backed Special Plan (REITs-like)

On March 29, 2024, CMS assisted in the successful issuance of the "State Power Investment Corporation (SPIC) – Sichuan Guidufu Hydroelectric Infrastructure Asset-backed Special Plan (REITs-like)", with an issuance scale of RMB 423 million and a coupon rate of 2.85%. This issuance is the second time since 2022 that SPIC Sichuan Branch has issued a REITs-like product on the SSE. The project company is Sichuan Ya'an Guidufu Electric Power Co., Ltd., and the underlying asset is the Guidufu Hydroelectric Power Station located on the Qingyi River mainstream in Ya'an, Sichuan, with an installed capacity of 63MW. The power station has maintained stable electricity generation and project returns for many years, serving as an important power source in Ya'an and playing a significant role in the local economic development.

#### 🛓 Case

Assisting in the Issuance of the ABS with a Historic Low Cost Among REITs-like products in the market: SPIC-Jiangxi Branch Energy Infrastructure Investment Carbon Neutrality Green Asset-backed Special Plan (REITs-like)

On July 23, 2024, CMS, as the core promoter, assisted in the successful issuance of the "SPIC-Jiangxi Branch Energy Infrastructure Investment Carbon Neutrality Green Asset-backed Special Plan (REITs-like)" on the SSE, making a historic low in a priority expected yield rate of 2.28% among REITs-like products. With an issuance scale of RMB 1.704 billion, the product is granted the highest green level G1 certification. The underlying asset is the four wind power projects and three distributed photovoltaic projects of SPIC Jiangxi Branch. It reduced CO2 emission by 439,200 tons and saved standard coal of 200,300 tons in 2023, indicating significant environmental benefits. The issuance not only helped SPIC Jiangxi Branch reduce the asset-liability ratio by 1.54%, but also provided equity funds to the branch's new clean energy project investment. Additionally, the project serves as an innovative financing channel for green power development and reflects CMS' professionalism and responsibility in green finance. E Case Assisting in the Issuance of Zhuhai's First High-end Intelligent Manufacturing Supply Chain Green ABS - Hengqin Financial Investment-Supply Chain Finance Phase II Green Asset-backed Special Plan (Greater Bay Area High-end Intelligent Manufacturing)

On November 26, 2024, CMS assisted in the successful issuance of the "Hengqin Financial Investment–Supply Chain Finance Phase II Green Asset–backed Special Plan (Greater Bay Area High–end Intelligent Manufacturing)" on the SZSE. This special plan is Zhuhai's first high–end intelligent manufacturing supply chain green ABS, with an issuance amount of RMB 284 million, further driving the development of a green, modern industrial system in the Guangdong–Hong Kong–Macao Greater Bay Area.

#### Self-Proprietary Investment Business

Our proprietary investment business actively allocates resources to high-quality green assets. By the end of 2024, we had invested RMB 2.737 billion in green special bonds and RMB 110 million in green asset – securitized products. This has established a green financial ecosystem driven by both equity and fixed income, steadily advancing our "green finance" work.

#### Asset management business

In the current year, China Merchants Asset Management held green bonds with a total market value of assets of RMB 4.201 billion at the end of the Reporting Period, accounting for 98.11% of the total value of green investment assets. The green asset-backed securities held had a total market value of assets of RMB 81 million, accounting for 1.89% of the total value of green investment assets.

#### Equity investment business

CMS Investment has deeply embraced the concept of green investment, and continuously optimized its investment strategies with a focus on strategic areas such as "dual carbon", green technology, new energy, and high-end manufacturing. In 2024, it further increased its research investment in the green and low-carbon sectors, with new energy and new materials as core investment directions. The Company reviewed nearly ten green low-carbon projects throughout the year, with a total review amount of approximately RMB 100 million. As of the end of 2024, CMS Investment held green enterprises (equity and securities) with a total market value of assets of more than RMB 440 million.

#### Private equity fund business

**In the green fund <sup>2</sup>sector,** CMS Zhiyuan Capital established one green investment fund this year, with a total subscription scale of RMB 3 billion. This fund primarily invests in six major industrial chains: high-end equipment manufacturing, new energy and new materials, 5G communications and electronic information, nuclear power and nuclear technology applications, smart integrated home systems, and high-end fasteners, along with strategic emerging industries and future industries. As of the end of 2024, the accumulated subscription scale of the green fund reached RMB 9.3016 billion.

**Regarding green portfolio enterprises,** in 2024, the funds managed by CMS Zhiyuan Capital completed a green equity investment of RMB 622 million.

#### Futures business

This year, CMF actively built a multi-level green futures product system and explored research into derivatives such as carbon finance. It innovatively launched and improved the country's first commodity ESG index, helping capital effectively allocate in the green resource field. CMF also advanced the design and practice of weather derivatives, and assisted industries such as agriculture and power to improve risk management systems.

<sup>2</sup>A green fund is a fund whose fund name, performance benchmark, or investment strategy includes at least one of the terms "sustainable development," "environmentally friendly low-carbon," "new energy," or "green development".

#### 3.2.3 Strengthening green finance practices

#### Strengthening green finance capability training

In 2024, CMS held a series of professional training and capacity-building activities to strengthen employees' understanding and awareness of green finance and ESG risks, enhancing the professional capability of all employees in green finance. First, the Company fully leveraged internal expert resources, researched business needs, and conducted targeted ESG investment and green finance training. Second, five ESG and green finance courses developed by external professional agencies were introduced, totaling 8.5 hours, covering topics such as opportunities and challenges for Chinese enterprises in the context of ESG, ESG investment under the "dual carbon" goals, climate risk management, transformation finance standards, domestic and international product innovation, carbon trading, and carbon finance product innovations and cases. Third, the Company invited external experts to conduct training. CMS Zhiyuan Capital invited external experts to offer special training of Introduction to the Hydrogen Energy Industry and New Energy Vehicle Industry Investment and Product Innovation, to improve employees' professionalism in green investment segments. Fourth, the Company actively participated in external activities. CMS attended the China Bond Market Forum organized by the International Capital Market Association (ICMA), listening to discussions on green finance from experts such as the Director of the Research Bureau of the People's Bank of China (PBOC) and the Chairman of the Green Finance Professional Committee of the China Finance Society. CMS also participated in the 2024 Equity Asset Securitization Seminar and Rooftop Solar-PV Industry Integration Conference, where experts gave special lectures on ESG evaluations for infrastructure REIT projects.

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#### CMS Holds the Special Training of "ESG Investment Practices and Green Finance Derivatives" for "Li Xin Talent"

On August 30, 2024, two senior analysts from the Research and Development Center of the Company and the Industry Research Business Headquarters of CMF presented an in-depth training session on the latest trends in ESG investment practices and green finance derivatives, providing more than 400 attendees both onsite and online with an enriching learning experience on green finance.

The two experts delved into various aspects of ESG investment, including investment overview, information disclosure, evaluation systems, and ESG risk management. The ESG Investment Research Leader from the Research and Development Center focused on sharing the ESG investment research framework and highlighted the growing global emphasis on sustainable development, positioning ESG investment as a mainstream investment trend. The expert from the Industry Research Business Headquarters of CMF provided insights from the perspective of green finance derivatives, discussing the crucial role of the futures market in promoting green economic and social development. This training deepened employees' understanding of ESG investment philosophy and inspired ideas on how green derivatives and investment banking can be integrated into business practices.

#### Green financial products innovation

The Company is committed to implementing the sustainability concept, continuously advances the in-depth development of its business in the ESG field, actively explores green finance innovations, and helps enterprises avoid or manage ESG-related risks.

1 Case Launch of China's First "Cold Wave and Precipitation Index Insurance + Weather Derivatives"

In January 2024, CMF launched China's first "Cold Wave and Precipitation Index Insurance + Weather Derivatives" in Qichun, Hubei. This project uses the "Central Meteorological Observatory - Dalian Commodity Exchange Temperature Index" as the underlying asset, cleverly combining weather indices with financial markets. By organically linking the insurance and derivatives markets, the project utilizes derivatives to transfer and hedge weather risks, helping tea farmers in Qichun, Hubei, cope with the adverse effects of climate change. The project was a collaborative effort involving the Dalian Commodity Exchange, CMF, insurance companies, and professional companies in weather forecasting and analysis. It not only provides farmers with a new risk management tool but also makes a valuable contribution to exploring innovative financial solutions to support agriculture in China.



#### 🛓 Case

Winter cold waves and low-temperature weather have brought significant uncertainty to the Guangdong electricity market. The cold wave not only leads to a sharp increase in electricity demand but also intensifies electricity price fluctuations, posing risks to the routine operations of private electricity sales companies. Under the guidance of the Dalian Commodity Exchange, CMF closely collaborated with professional companies in the field of weather forecasting and analysis, leveraging their expertise in derivatives development and risk management. Together, they launched the "Cold Wave Index Weather Derivatives" over-the-counter (OTC) options business project. The project uses the "Central Meteorological Observatory - Dalian Commodity Exchange Temperature Index" as the underlying asset and provides a new risk management tool for private electricity sales companies through OTC derivatives. The project aims to help private electricity sales companies mitigate cold wave risks and stabilize their operations.

#### Launch of "Cold Wave Index Weather Derivatives" to Help the Power Industry Address Extreme Weather
#### ■ In-depth research on green finance

#### ESG and green finance sector

In 2024, the Company's Research and Development Center published 25 ESG-related reports, covering topics such as portfolio carbon accounting and carbon attribution, ESG investment strategies, green and low-carbon industry analysis, and pension product analysis. Specialized reports included in-depth analyses of the hydropower industry and the waste incineration industry. Additionally, the Research and Development Center undertook 23 commissioned projects for institutional customers, focusing on ESG factor analysis, ESG investment strategies, and sustainable investments. Sensitivity analysis was conducted over wind and solar project returns. The internal rate of return (IRR) was calculated for pumped storage power stations. Meanwhile, wind and solar installations and absorption were studied. The Research and Development Center also conducted a new round of research on electricity market reforms, including topics such as carbon quota trading and green electricity certificate trading.

#### Climate risk sector

This year, in the climate risk field, the Research and Development Center continued to publish several research reports on climate risk themes. One of the key reports, Carbon Accounting and Carbon Attribution in Investment Portfolios, developed a carbon accounting model for investment portfolios based on the carbon accounting standards for financial institutions' investment and financing businesses. It studied the carbon emissions and carbon intensity of investment portfolio financing. Building on international experience, the report further deconstructed carbon emissions changes in portfolios into a three-layer tree structure using a carbon attribution model, making new attempts at promoting the quantitative practice of carbon identification in investment portfolios. Another important report, Impact of CBAM on China's EITE Industries and Response Strategies, focused on the impact of the European Union's Carbon Border Adjustment Mechanism (CBAM) on China's energy-intensive export industries (EITE) and explored China's countermeasures.

#### Green futures sector

CMF actively conducts research on green futures products, for instance, new energy varieties like lithium carbonate and industrial silicon, innovatively conducts researches of weather, electricity and carbon emission, maintains close tracking of carbon finance derivatives, regularly publishes the China Merchants ESG Derivatives Monthly Observation, and builds a green investment research platform for commodities and derivatives by leveraging research resources across the China Merchants' system.

#### Active participation in green finance activities

In 2024, CMS actively engaged with domestic and international green finance industry associations and initiatives. By participating in industry exchanges, sharing professional insights, and promoting the formulation of green finance standards, the Company significantly enhanced its influence in the green finance sector.

#### Invited to industry forums for keynote speeches

Analysts from the Company's Research and Development Center were invited as keynote speakers at forums including the SZSE and the Sichuan Economic and Information Commission Hydrogen Energy Forum (speech topic: Hydrogen Industry and Its Capital Market Report), the China International Energy Storage Conference of the China energy storage network (ESCN.com) (speech topic: Global Large-Scale Energy Storage and Household Energy Storage Analysis and Outlook), and the Perovskite Industry Sub-Committee of the China International Association for Promotion of Science and Technology (CIAPST) (speech topic: 2024 First Half-year Review and Outlook of the Perovskite Industry). An experts from CMF's research institute of were invited as keynote speakers at the First Annual Academic Exchange Meeting for the Financial Meteorology Expert Committee of the Chinese Meteorological Society (speech topic: Analysis of Practices and Prospects of Weather Derivatives Based on China's Situation). These engagements helped the Company share research findings and strengthen exchanges with peers.

#### Joining relevant industry assoc

In 2024, CMS continued to serve as a council member of the Shenzhen Green Finance Association, participating in several council meetings and receiving the "Green Finance Governance Model Award" from the association. CMF continued to serve as an institutional member of the Shenzhen Green Finance Association, joined the First Financial Meteorology Expert Committee of the Chinese Meteorological Society.

#### Holding the "ESG + Carbon Inclusive + Rural Revitalization" Social Responsibility and ESG Salon

On December 18, 2024, CMF, under the guidance of CMS and in collaboration with CMG and its sister companies, along with excellent partners, organized the "ESG + Carbon Inclusive + Rural Revitalization" Social Responsibility and ESG Salon. The event aimed to promote the practice of ESG principles, strengthen the learning of green knowledge, encourage low-carbon actions, focus on rural revitalization, and drive the development and innovation of green finance and inclusive finance. More than 50 organizations participated in the event, including representatives from Tencent SSV Carbon Neutral Laboratory, sister companies of China Merchants Group, industry associations, public welfare foundations, and corporate partners.



#### tions and organizations

#### ₽ Achievements in green finance

In 2024, CMS steadily advanced the development of green finance, implemented green and ESG development concepts, and received multiple award recognition.

			Award name
Award name	Content	Awarded by	2023 Excellent Award of Shenzhen Green Finance Supp for the Real Economy
Best ESG Practice Investment Bank	On June 26, 2024, the 17th New Wealth Best Investment Bank Rankings, organized by the New Wealth magazine, were officially released. CMS won multiple awards, including "Best ESG Practice Investment Bank ".	New Wealth	
2024 Excellent Sustainable Development Practice Case of Listed Companies	CMS' practical case in the "climate change response" field, Green Investment Banking Supporting Sustainable Development — CMS Completes China's First Photovoltaic Infrastruc- ture REITs Project, was selected as one of the "2024 Excellent Sustainable Development Practice Cases of Listed Companies" by the China Association for Public Companies.	China Association for Public Companies	2024 Guangdong-Hong Kong- Greater Bay Area Green Fina Outstanding Case Pioneer Av
Green Finance Product Service Innovation Award	On December 12, 2024, at the "2024 Green Finance High-quality Development Excellent Case Selection" event hosted by the Shenzhen Green Finance Association, the Investment Banking Committee of the Company won the "Green Finance Product Service Innovation Award" for its project "Beijing Energy Interna- tional Phase 1 Asset-backed Special Plan	Shenzhen Green Finance Association	Innovative Practice Case for Building China into a Financial Powerhouse Typical Case for Boosting Agric Through Financial Suppor

Finance Professional (
Finance Bond Suppor
to Promote Carbon Re
from 44 green finance
the "2023 Excellent Av
Finance Supporting fo
Innovative Response to
CMF Supports Rural Re
Weather Derivatives we

Innovative Response to Climate Change, CMF Supports Rural Revitalization Through Weather Derivatives stood out from many cases.

Supports Rural Revitalization Through Weather Derivatives stood out from many cases.

#### Practicing Green Development



# **3.3 Practicing Green Operations**

Strictly adhering to laws and regulations, such as the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Uork Safety Law of the People's Republic of China, and the Fire Protection Law of the People's Republic of China, CMS advocates low-carbon operations and working practices, and has accordingly formulated internal policies including the Fire Safety Management Regulations of CMS and the Detailed Rules for CMS Supplier Management to align its practices with national and industry green development strategies.

In 2024, the Company was dedicated to integrating the concept of green development into routine operations and management, and striving to minimize the environmental impact caused by its business activities. In terms of its business operations, the Company applied all the possible solutions to promote green development, including improving energy–saving and environmental protection measures, organizing a variety of green and environmental protection activities, and enhancing resource use efficiency and environmental awareness among employees.

# 3.3.1 Green operation Objectives

The Company is committed to energy conservation and emission reduction and improves green and low-carbon operation effects, in 2024, per employee water consumption dropped by 18.95% year – on – year. In 2024, the Company continued to strengthen energy consumption and waste management to further achieve its goals.

## 3.3.2 Green operation measures



#### Contents

- Employee engagement: The canteen will no longer provide disposable packaging utensils, and advocate for employees to bring their containers for takeaways.
- Strengthening environmental awareness: In accordance with the Shenzhen Municipal Solid Waste Classification Management Regulations, the Company has set up waste sorting stations in the workplace and provided guidance to employees on how to sort waste correctly by disseminating waste classification knowledge through public-area screens.



Optimizing the air-conditioning system: The Company sets office air conditioning temperatures
reasonably, and adjusts the number of air conditioning units, their operating times, and cooling
temperatures based on seasonal and climate changes to reduce energy consumption. In the
summer, the air conditioning temperature is set to no lower than 26°C, and in the winter, no higher
than 24°C. Temperature reminder labels are affixed to the air conditioning control panels. Air
conditioning filters are cleaned regularly and air conditioning ducts are inspected to ensure

• Lighting zone control: At the Headquarters, zoning lighting control is implemented. Lighting is adjusted according to the number of users and weather conditions.

 Promoting energy conservation: The Company has strengthened office supplies management and standardized the allocation, procurement, and usage procedures for office supplies. It aims to reduce the frequency of printing and faxing paper documents, and actively promote the use of the online OA office system to ensure efficient workflow through the OA system.

Vehicle procurement: For new or updated company vehicles, CMS chooses domestic cars, especially new energy vehicles.

 Furniture procurement: Furniture suppliers must get the Chinese Environment Labeling (10-ring labeling) and the ISO9000 quality management system certification. Meanwhile, the products and their raw materials must meet national environmental standards and reach the E1 level of national standards.

Evening power management: Security personnel conduct floor inspections from 8:00 PM to 10:00 PM every day, checking if office equipment such as computers has been powered off.
Energy-efficient renovation of public areas: The restrooms and hallway switches in the Headquarters have been renovated. Additionally, the lighting system in the parking garage has been upgraded to low-energy LED lights, which provide full illumination during peak hours and maintain basic lighting levels during off-peak hours.

 Electricity data analysis and optimization: The Company has conducted a comprehensive review of electricity usage in the building, analyzing electricity distribution during peak and off-peak hours. The Company makes full use of off-peak hours to store ice for air conditioning, which is then used to cool the building during peak daytime hours.

• Water conservation measures: The Company has adjusted the water flow in sink faucets.



The Weixin Data Center of CMS, covering over 9,000 square meters, is designed and constructed strictly according to national A-level standards. Currently, the Power Usage Effectiveness (PUE) value of the data center is approximately 1.5. To improve energy efficiency, the Weixin Data Center has implemented the following energy-saving measures in facility design and operation:

- Cold aisle containment: It has adopted the Cold Aisle Containment (CAC) Solution to effectively isolate the cooled supply air.
- Medium-temperature chilled water system: Medium-temperature chilled water is used to improve the operating efficiency of chillers.
- Intelligent air conditioning adjustment: The O&M team adjusts precision air conditioning parameters according to the cooling demands of IT facilities and optimizes the layout of ventilation floors.
- Inverter air conditioner control: Intelligent variable frequency control is employed for the power components of the air conditioning system.
- High-frequency UPS: Traditional equipment has been replaced with high-frequency UPS to reduce the use of transformers.
- Intelligent lighting control: The lighting system automatically adjusts brightness based on the presence of personnel in the equipment room, reducing energy consumption.
- Building insulation treatment: Overall insulation treatment is applied to the facade of the data center building to reduce cold air loss caused by heat conduction.

The CMS Building has set up garbage recycling stations on each floor to ensure effective classification and recycling of all waste. Detailed measures include:

- Used batteries recycling: A total of 21 kilograms of used batteries were recycled.
- Household waste treatment: Household waste is recycled and disposed of by Shenzhen Jinyangsheng Urban Service Group.
- Kitchen waste treatment: Kitchen waste is recycled by Shenzhen Zhongxing Hengxi Environmental Protection Co., Ltd.
- Hazardous waste treatment: Hazardous waste is removed and disposed of by the removal unit of the Futian Urban Management Bureau.

#### 😩 Case CMS International Adopts the Digital Carbon Management Platform to Manage Carbon Emissions

In May 2024, CMS International signed a memorandum of cooperation with SGS Hong Kong Limited to adopt the latter's S-Carbon Digital Carbon Management Platform. As an enterprise cloud-based digital carbon management platform, S-Carbon will assist CMS International in real-time tracking, analyzing, and reporting carbon emissions levels. This platform will provide CMS International with a comprehensive carbon emissions management solution, including the calculation and disclosure of carbon emissions in compliance with international standards.



# 3.3.3 Green public welfare activities

In 2024, the Company actively responded to the national call and practiced green operations by organizing a variety of environmental public welfare and energy-saving activities. Different departments within the Company organized events with themes such as "Cultivating Healthy Interests, Advocating Simple Living" and "Good Habit Formation Month", and engaged employees in activities such as hiking, trash collection, and voluntary subway awareness campaigns. Through these practical actions, the Company promoted a low-carbon lifestyle and increased both employee and public awareness of and sensitivity to environmental protection.

😫 Case 🛛 T

#### The Clean Plate Campaign

The Company's canteen conducted the "Clean Plate Campaign" throughout the year. The campaign was promoted through electronic screens in the canteen and the elevator lobbies of office areas to eliminate food waste.



#### 🛓 🛓 Case 🖌

#### The Clean Home Volunteer Activity

On March 12, 2024, employees from the Company's Shanghai Branch went to the Beijing Residential Area, Bund Sub-district, Huangpu District to carry out the Clean Home Volunteer Activity. While cleaning the community environment, they also educated residents about civilized behavior and environmental protection, helping create a clean and tidy living environment.





#### CMSI

CMSI has actively promoted green environmental concepts through various initiatives such as beach clean-up actions and farm activities, contributing to the sustainable development of Hong Kong society. In 2024, a total of 442 participants from CMSI were involved, with an investment of RMB 28,030.

#### 🚊 Case

**Beach Clean-up Actions** 

CMSI has consistently focused on environmental issues affecting Hong Kong's beaches, which are often overlooked by the public. In collaboration with local non-profit organizations dedicated to marine ecology, CMSI has visited several remote islands and beaches in Hong Kong, such as Cheung Chau and Sai Kung, to collect trash. The collected waste included items like plastic bottles, foam boxes, glass bottles, clothing, and other items. Throughout the year, nearly 328 kilograms of trash were collected. After careful sorting and registration, the waste was transported to government-designated waste collection points.



🛓 Case The "Urban Farm Activity"

> CMSI encourages colleagues at the Kwun Tong office to participate in the "Urban Farm Activity", in collaboration with the building management of the Hong Kong office tower. By utilizing the building's rooftop for organic farming, the activity actively promotes the concept of sustainable development and green living.



#### CMF

To encourage employees to practice the ESG concept, learn more about green and low carbon emissions, conduct low-carbon activities, and participate in rural revitalization, CMF, in 2024, under the guidance of CMS and in collaboration with China Merchants Food (China) Co., Ltd. and Tencent SSV Carbon Neutral Laboratory, designed and developed the "China Merchants ESG Low-carbon Planet" (a WeChat applet). CMF's employees or partners can log in to the applet to register an account. They can obtain carbon points by adopting a low-carbon lifestyle (e.g. walking and bus) and learning green knowledge (e.g. low carbon knowledge). The points can be used to exchange agricultural products from rural areas to support rural vitalization.

# 3.3.4 Green operation achievements



Indicator	Data	Data
Total energy consumption	5,291.55	Ton of Standard Coal
Total energy consumption per RMB million in revenue	0.25	Ton of Standard Coal/RMB million
Total greenhouse gas emissions per RMB million in revenue (Scope 1 and 2)	1.28	Ton of CO2 Equivalent/RMB million
Greenhouse gas emission per employee (Scope 1 and 2)	1.98	Ton of CO2 Equivalent /person
Office water consumption per employeec	11.87	Ton/person





# **Taking Social Responsibility**



Creating Social Value

Practicing Public Welfare and Charity



# 4.1 Creating Social Value

As the largest securities company within the State-owned Assets Supervision and Administration Commission (SASAC) system, CMS upholds the mission of "serving national technological self-reliance and strength, helping preserve and increase the value of social wealth." It plays an active role as a capital market intermediary in serving national strategies and developing the real economy, building China into a financial powerhouse.

# 4.1.1 Serving the real economy

CMS is committed to its mission of serving the real economy through financial services, consistently focusing on providing a variety of high-quality investment banking services and capital market solutions to enterprises, supporting the economic structural transformation and upgrade, and promoting the economy to become stronger and more competitive.

#### Supporting industry transformation and upgrading

In 2024, CMS focused on sectors such as new energy, new materials, information technology services, and electronic manufacturing, using investment and financing services to support the development of industry technologies and upgrading.

In investment, CMS Zhiyuan Capital has deepened its efforts in the fields of technological innovation and green and low-carbon industries, improving investment research capabilities, discovering high-quality projects, and promoting the "technology-industry-finance" positive cycle. In 2024, 12 investment projects were completed, with an investment amount of RMB 767 million, providing precise financial support for high-quality enterprises and fostering the development of new high-quality productive forces. The Company also established funds such as the Hubei Port and Shipping Development Fund, and the Zhejiang Haiyan Fund, and completed the expansion of the Hebei Jiaotou Investment Fund, increasing the management scale by RMB 5.93 billion, helping the transformation and upgrading of traditional industries and serving local economic development.

In financing, CMS acted as a sponsor, lead underwriter, and financial advisor in 2024, providing equity sponsorship, bond underwriting, and merger and acquisition advisory services to 153 real economy enterprises. The Company helped raise a total of RMB 494.175 billion in funds, with an underwriting amount of RMB 121.782 billion. These achievements reflect CMS's firm commitment and effective actions in promoting the integration of the real economy and the financial market.

#### New energy sector

On January 9, 2024, the Company assisted Ningbo Tuopu Group Co., Ltd. (hereinafter referred to as "Tuopu Group"), a leading platform-based automotive parts manufacturer, in successfully completing a private placement of shares. The issuance amounted to RMB 3.515 billion, with the raised funds primarily directed towards the construction of projects such as lightweight chassis systems, interior components, thermal management systems, and an intelligent driving research and development center. As a technology-driven platform-based automotive parts enterprise, Tuopu Group has established strong cooperation with domestic and international automotive manufacturers, leveraging its leading research and development, manufacturing, quality management, and global supply capabilities.

#### New materials sector

On August 13, 2024, the Company assisted Zhejiang Taihu Yuanda New Materials Co., Ltd. (hereinafter referred to as "Taihu Yuanda"), a leading company in the field of polymer materials for cables, in its listing on the Beijing Stock Exchange. The total amount raised was RMB 124 million. Taihu Yuanda, a national high-tech enterprise that integrates the research, manufacturing, sales, and service of environmentally friendly cable materials, has become one of the few companies in China that has achieved serial production of cable materials after years of focused development.

#### Information technology services industry

On May 31, 2024, the Company assisted Wuhan Dameng Database Co., Ltd. (hereinafter referred to as "Dameng Data"), a leading domestic database developer, in its listing on the Science and Technology Innovation Board. The Company raised a total of RMB 1.652 billion. As a leading domestic database product developer, Dameng Data has led several national science and technology projects, achieving key breakthroughs in technologies such as shared storage clusters and domestic database product development, breaking the technical monopoly of foreign database vendors.

#### Electronics manufacturing sector

On October 21, 2024, the Company assisted Q&D Circuits Co.,Ltd (hereinafter referred to as "Q&D Circuits"), a leader in PCB prototyping, in its listing on the ChiNext Board. The Company raised a total of RMB 531 million. Q&D Circuits, with 20 years of research, production, and sales experience in PCBs, has become a representative company for mid- to high-end prototype and small-batch board manufacturing, especially in the prototyping field, where it has gained a leading position.

On January 4, 2024, the Company assisted Cosonic Intelligent Technologies Co.,Ltd., a leading domestic manufacturer of electroacoustic products, in issuing convertible bonds to raise RMB 1.004 billion. The raised funds will primarily be used for the development of projects such as bone conduction headphones, smart watches, smart glasses, and supplementing working capital. The funds will further expand the production capacity of bone conduction headphones, smart watches, and smart glasses, enhance scale advantages, enrich the product structure, optimize production processes, and improve product quality, thereby solidifying the Company's market position.

#### Traditional industry upgrading

On August 13, 2024, the Company assisted Guangdong Kinlong Hardware Products Co.,Ltd. (hereinafter referred to as Kinlong Hardware), a leading company in the building hardware industry, in completing a private placement of shares to raise RMB 602 million. The raised funds will primarily be used for the Kinlong Hardware Zhongshan Digitalization and Intelligence Industrial

#### Taking Social Responsibility

Park project, information system upgrade, and headquarters automation upgrades, advancing the Company's development strategy as a "one-stop building accessories integrated supplier", and driving the development of a lean manufacturing system and product upgrade.

On December 24, 2024, the Company assisted AVIC Heavy Machinery Co., Ltd. (hereinafter referred to as AVIC Heavy Machinery), a leading company in the aviation forging industry, in completing a private placement of shares to raise RMB 1.889 billion. The raised funds will be mainly used for the acquisition of 80% equity in Hongshan Forging and the construction of a technology research institute, further promoting the construction of a stable, strong, and secure supply chain for the aviation industry.

#### Supporting infrastructure development and a strong transportation nation

As a central state-owned enterprise, the Company actively invested in key national infrastructure projects in 2024, using innovative financial instruments to help activate assets and support infrastructure development. The Company fully leveraged its professional expertise in the bond and REITs sectors to promote the implementation of infrastructure public REITs projects, supporting the issuance and listing of projects such as Shekou Rental Housing REIT, China Merchants Highway REIT, ESR Warehousing REIT, and Blogis REIT. By the end of 2024, the infrastructure REITs projects where CMS served as the financial advisor had a total initial issuance scale of RMB 17.996 billion, ranking third in the entire market.

#### Case Assisting in the Issuance and Listing of China Merchants Highway REIT

On November 21, 2024, the China Merchants Fund Highway Closed-end Infrastructure Securities Investment Fund (hereinafter referred to as China Merchants Highway REIT) was listed and began circulating on the Shenzhen Stock Exchange, with an issuance scale of RMB 3.496 billion. The Company served as the financial advisor for the original equity holder of the project, actively participating in the entire process. The Company utilized its extensive experience in infrastructure real estate asset securitization and public REITs to provide solid support for the approval of this project. As the first public highway REIT project under China Merchants Group, this initiative effectively implements the State-owned Assets Supervision and Administration Commission's directive on activating existing assets and expanding effective investments. It will further inject strong momentum into the high-quality development of the infrastructure REITs market.



#### Case

#### Assisting in the Listing of Shekou Rental Housing REIT

On October 23, 2024, the China Merchants Fund Shekou Rental Housing Closed-end Infrastructure Securities Investment Fund (hereinafter referred to as Shekou Rental Housing REIT) was listed on the Shenzhen Stock Exchange, with an issuance scale of RMB 1.364 billion. The listing of the Shekou Rental Housing REIT effectively revitalized existing rental housing assets, promoted a healthy cycle of investment and construction in rental housing, and built an important bridge between the capital markets and the real economy. The Company served as the financial advisor for the original equity holder and the liquidity service provider for the project. In the process, the Company drew upon the successful experience of the Shekou Industrial Park REIT's initial issuance and expansion to help the Shekou Rental Housing REIT successfully complete investor roadshows and other related tasks, leading to a smooth issuance and listing. Through this innovative and inclusive financial product, CMS effectively served the real economy, setting a new benchmark for the integration of industry and finance in central state-owned enterprises.

#### 🛓 Case Assisting in the Issuance of Yishang Warehousing REIT

On December 19, 2024, the AVIC ESR Warehouse Logistics Closed-end Infrastructure Securities Investment Fund (hereinafter referred to as ESR Warehousing REIT) successfully completed its fundraising and issuance, with a total issuance scale of RMB 2.102 billion. The Company served as the exclusive financial advisor for the ESR Warehousing REIT project. This REIT is the first public REIT issued in China by the original equity holder, ESR Group. The underlying assets of the project include the Phase I, II, and III projects of the Fulaide Kunshan Logistics Park in Kunshan, Jiangsu Province. The total construction area is 427,172.93 square meters, and the total leasable area is 382,429.10 square meters. All of these projects are modern, high-standard warehousing and logistics facilities with stable operations.

#### 🛓 Case

#### Assisting in the Issuance and Listing of Blogis REIT

On the morning of October 29, 2024, Huatai Zijin Blogis Warehousing Closed-end Infrastructure Securities Investment Fund (hereinafter referred to as "Blogis REIT") was listed on the Shenzhen Stock Exchange with an issuance scale of RMB 1.219 billion. The Company served as the initiator and financial advisor of this project, as well as a strategic investor in the project. Blogis is an industry-leading developer and operator of high-end logistics parks. The selected REIT's first batch of infrastructure assets includes the Nanjing Airport Blogis Park, Jiaxing Blogis Park, and Tianjin Tanggu Blogis Park, all of which are located in the core logistics areas of second-tier cities. These projects consist of rare single-story, high-standard warehouses in their respective regions. The funds raised by the Blogis REIT will be reinvested into domestic infrastructure construction, accelerating the development of a "fundraising-investment-construction-management-exit" business model cycle, thereby better supporting the high-quality development of the real economy.

#### Case China Merchants Securities Hong Kong Assists in the Successful Listing of T.S. Lines Shipping on the HKEX

On November 1, 2024, China Merchants Securities (Hong Kong) Ltd. (hereinafter referred to as "CMS Hong Kong", a subsidiary of China Merchants Securities International Ltd.) assisted T.S. Lines Limited. (hereinafter referred to as "T.S. Lines") in its successful listing on the Main Board of the HKEX. CMS Hong Kong acted as Joint Sponsor, Overall Coordinator, Joint Global Coordinator, Joint Bookrunner, and Joint Lead Manager for the listing.

For this listing, T.S. Lines offered approximately 289 million shares globally, priced at HKD 4.18 per share. The total fundraising amounted to approximately HKD 1.049 billion (before the exercise of the over-allotment option) and HKD 1.206 billion (after the full exercise of the over-allotment option).

T.S. Lines is a container shipping company focused on the Asia-Pacific region. As of January 1, 2024, T.S. Lines ranked 21st globally among container shipping companies by fleet size, with a market share of approximately 0.3%. In December 2023, T.S. Lines ranked 6th among container shipping companies focused on the Asia-Pacific region, with a market share of approximately 2.3%.

#### 🚊 Case Assisting in the Equity Cooperation Between Zhuhai Airport and the Airport Authority Hong Kong

On November 26, 2024, Zhuhai Transportation Holding Group Co., Ltd. and other relevant entities held a signing ceremony with Airport Authority Hong Kong regarding the latter's acquisition of a stake in Zhuhai Airport. Upon completion of the transaction, Airport Authority Hong Kong will hold 35% of the equity in Zhuhai Airport, with a transaction value of approximately RMB 4.3 billion.

The Company served as the exclusive financial advisor for this equity cooperation between Zhuhai Airport and Airport Authority Hong Kong. The Company provided comprehensive services throughout the process, including transaction proposal design, internal restructuring planning, transaction negotiations, execution, public market listing, and regulatory approvals

This equity cooperation between Zhuhai Airport and Airport Authority Hong Kong represents a further deepening of their strategic partnership and collaborative development. The goal is to enhance the Greater Bay Area's world-class airport cluster and foster the development of the regional aviation industry. This cooperation will leverage both parties' strengths in serving the domestic market and connecting with international markets, contributing to the creation of a globally accessible airport network and accelerating the integration and development of Guangdong and Hong Kong.

#### Promoting coordinated regional development

CMS maintains its commitment to social responsibility, serving national strategies, and fostering coordinated regional development. The Company has played an active role in economics and society development of strategic regions, including western, northeast, central, and eastern regions.

#### Western Development

In 2024, CMS assisted 33 enterprises in the western region in completing equity and bond financing, with a total fundraising amount of RMB 130.744 billion. The Company's underwriting amount was RMB 32.647 billion.

#### 🛓 Case

#### Assisting in the Successful Issuance of Guangxi State-Owned Enterprise's First "Belt and Road" Corporate Bond

On July 5, 2024, CMS assisted in the successful issuance of the "Guangxi Beibu Gulf International Port Group Co., Ltd. 2024 Non-Public Offering of 'Belt and Road' Short-Term Corporate Bonds (Phase I) for Professional Investors" on the SSE. This bond issuance marked the first "Belt and Road" corporate bond issued by a state-owned enterprise in Guangxi. The bond had a total issuance amount of RMB 1 billion, a maturity of one year, with a coupon rate of 2.18%, setting a historical low for bond interest rates in the Guangxi region. Furthermore, this bond was also the first "Belt and Road" private short-term corporate bond issued by a company in the national port industry with "well-established issuer" gualifications. CMS acted as the lead underwriter for this bond issuance, leveraging its financial strength to support the Guangxi Zhuang Autonomous Region's participation in the Belt and Road Initiative at a higher level.

#### 🛓 Case

#### Assisting in the Successful Issuance of the First Medium-Term Note by Inner Mongolia State-Owned Assets

On October 29, 2024, CMS assisted in the successful issuance of the "2024 Medium-Term Notes (Phase-I) of Ordos State-Owned Assets Investment Holding Group Co., Ltd." in the interbank market. This medium-term note was the first medium-term note successfully issued by Ordos City in the interbank market and also the first AAA-rated municipal bond issued by Inner Mongolia Autonomous Region. The issuance size of the medium-term note reached RMB 1 billion, with a maturity of three years and a coupon rate of 3.24%, setting a historical low for the issuance rate of three-year medium-term notes in Inner Mongolia, and a new low for the issuer's equity financing instruments. CMS acted as the lead underwriter and bookrunner for this bond issuance, providing new momentum for the healthy and sustainable economic development of Ordos and Inner Mongolia Autonomous Region.

#### Comprehensive revitalization of the Northeast

In 2024, CMS assisted 6 enterprises in the Northeast region in completing equity and bond financing, with a total fundraising amount of RMB 18.2 billion. The Company's underwriting amount was RMB 7.22 billion.

# 😩 Case

Assisting Jilin Province Expressway Group Co., Ltd. in the Successful Issuance of 2024 Public Corporate Bonds (Phase I) for Professional Institutional Investors

On January 3, 2024, CMS, as the joint lead underwriter, assisted Jilin Province Expressway Group Co., Ltd. in the successful issuance of its 2024 public corporate bonds (Phase I) for professional institutional investors. The issuance scale was RMB 3 billion, with CMS underwriting approximately RMB 420 million. The coupon rate was 3.12%, setting the lowest-ever bond interest rate for a local state-owned enterprise in Northeast China. This issuance helped strengthen and optimize state-owned enterprises and contributed to accelerating the high-quality development of Jilin Province's transportation.

#### **Rise of Central China**

In 2024, CMS assisted 40 enterprises in the Central China region in completing equity and bond financing, with a total fundraising amount of RMB 101.666 billion. The Company's underwriting amount was RMB 26.091 billion.

😫 Case

Assisting Leading Domestic Database Company Wuhan Dameng Database Co., Ltd. in its Listing on the Science and Technology Innovation Board

On May 31, 2024, CMS, as the sponsor and lead underwriter, assisted Wuhan Dameng Database Co., Ltd. (hereinafter referred to as Dameng Data) in its successful listing on the Science and Technology Innovation Board of the SSE, raising a total of RMB 1.652 billion. As a leading domestic database product developer and service provider, Dameng Data has led several major national science and technology projects, achieving key breakthroughs in the domestication of core technologies, such as shared storage clusters, and breaking the technological monopoly of foreign database vendors.

#### Trailblazing development of Eastern China

In 2024, CMS assisted 191 enterprises in the Eastern China region in completing equity and bond financing, with a total fundraising amount of RMB 2.19 trillion. The Company's underwriting amount was RMB 368.842 billion.

#### 😫 Case

Assisting Leading Custom-made Home Furnishing Brand Shangpin Home Collection in Completing a Private Placement of Shares

On January 18, 2024, CMS assisted Guangzhou Shangpin Home Collection Co., Ltd. (hereinafter referred to as "Shangpin Home Collection"), a leading custom-made home furnishing brand, in completing a private placement of shares to raise RMB 400 million. The raised funds will primarily be used for the construction of the Shangpin Home Collection Chengdu Weishang Production Base. The smart manufacturing production line and modern three-dimensional storage system to be established will realize lean production management, further improving production efficiency and overall competitiveness.

# **4.1.2 Inclusive finance**

Under the mission of "Finance for the People", CMS provides comprehensive financial services to small and micro enterprises through the "Gazelle Incubator Project", building an inclusive financial product system comprising "public funds + insurance + fund advisory". The Company also offers "insurance + futures" services to enrich the supply of inclusive finance, meeting the financing needs of small and micro enterprises as well as the wealth preservation and appreciation needs of residents.

#### Investment banking business supporting inclusive finance

In 2019, CMS launched the "Gazelle Incubator Project", which aims to provide comprehensive financial services and industry empowerment for growth-stage technology and innovation enterprises across their entire lifecycle. The plan focuses on supporting the high-quality development of small and micro enterprises, particularly those with specialized, refined, unique, and innovative characteristics. The Company regularly conducts research on the needs of the enterprises enrolled in the Gazelle Incubator Project, hosts empowerment events, and leverages internal and external resources within the Company and group. By integrating resources deeply, using financial and industry empowerment methods, the Company has created the "Gazelle Incubator Ecosystem", providing these enterprises with comprehensive financial services across their entire lifecycle. In 2024, CMS continued to promote the empowerment and enhancement of the "Gazelle Incubator Project", continuously improving its service capabilities for small and micro technology enterprises. The Company hosted multiple series of events such as "Gazelle Incubator Project Visits to China Merchants Group" and "Gazelle Incubator Project Visits to SANY Heavy Trucks", and by the end of December 2024, 554 enterprises had enrolled in the project, an increase of 113 enterprises compared to the end of 2023.

In terms of inclusive finance, the Company assisted in the issuance of a number of "Rural revitalization" and "Agriculture, Rural Areas, and Farmersn" -themed bonds and inclusive finance-themed products, with an underwriting amount of RMB 45.849 billion.

### 😫 Case

Assisting in the Issuance of "Feichi Jianpu 2024 N Securities" by China Construction Bank

From January to December 2024, CMS assisted China Construction Bank in issuing four batches of "Feichi Jianpu 2024 Micro and Small Enterprise Loan Asset-Backed Securities", with a total issuance size of RMB 47.999 billion. CMS underwrote RMB 15.032 billion of the total. As the lead underwriter for the first three issues and joint lead underwriter for the fourth issue, CMS continuously enhanced its inclusive finance service capabilities, demonstrating its expertise in asset securitization and commitment to supporting micro and small enterprises.

#### 😫 Case

Assisting in the Issuance of MMSY and MMLX Ser Ltd. and AVIC Trust Co., Ltd.

From January to December 2024, CMS assisted Meituan SanKuai Microloan Co., Ltd. (hereinafter referred to as "Meituan Microloan") and AVIC Trust Co., Ltd. (hereinafter referred to as "AVIC Trust") in issuing 16 batches of MMSY and MMLX series ABS projects, with a total issuance scale of RMB 11.8 billion. CMS underwrote RMB 7.246 billion of the total. The underlying assets of the MMSY and MMLX series ABS projects were personal business loans—Business Loans—issued by Meituan Microloan and AVIC Trust to platform merchants in collaboration with Meituan. The Business Loan product continues to provide financing services to micro and small merchants on the Meituan platform, ensuring their operational funding supply. This effectively addresses the difficulties and high costs of loans for micro and small enterprises in the inclusive finance sector and provides high-quality loan services to small and micro merchants. The ongoing issuance of the MMSY and MMLX series ABS products provides a stable financing channel for Meituan Microloan and AVIC Trust, ensuring the funding supply for credit financing for Meituan's small and micro merchants.

#### Assisting in the Issuance of "Feichi Jianpu 2024 Micro and Small Enterprise Loan Asset-Backed

#### Assisting in the Issuance of MMSY and MMLX Series ABS Products by Meituan SanKuai Microloan Co.,

😫 Case Assisting in the Issuance of the First Small and Micro Enterprise Support Bond in the National Financing Leasing Industry

On July 26, 2024, CMS assisted Haitong Hengxin International Leasing Co., Ltd. in successfully issuing the 2024 Small and Micro Enterprise Support Corporate Bond (Phase I) for professional institutional investors on the SSE. The total issuance size was RMB 500 million, with a maturity of five years and a coupon rate of 2.28%. This is the first small and micro enterprise support bond issued in the financing leasing industry nationwide. CMS acted as the joint lead underwriter and trustee manager, assisting Haitong Hengxin in leveraging its "financing + asset-based services" dual advantages. The bond financing helped raise lease funds for small and micro enterprises, easing their financial pressure in daily operations.

#### Wealth management business supporting inclusive finance

CMS is committed to building a diversified inclusive finance product system, leveraging the "public funds + insurance + fund advisory" integrated service model to provide comprehensive wealth management solutions for a wide range of clients. The Company adheres to a customer-centered approach, offering precise product configuration recommendations based on customer needs, aiming to provide practical and accessible inclusive financial products for the public, while enhancing the coverage and convenience of financial services.

In 2024, CMS actively promoted the development of the "Public Fund Selection" brand system, carefully selecting high-quality fund managers and products. The Company also continued to strengthen the reform of public fund fee reductions, launching over 8,000 products at a 90% fee reduction. At the same time, as one of the important ways to practice inclusive finance, the fund advisory business has seen a steady growth in the past three years, with the number of clients and asset sizes launched through fund advisory services. As of the end of 2024, the total number of clients served by fund portfolio and advisory services has exceeded 80,200 households, a year-on-year increase of 36.86%; The retention scale is RMB 5.112 billion, a year-on-year increase of 9.79%. In addition, the company also optimizes its product structure, continuously improves its wealth management service level, and further strengthens its support for inclusive finance.

#### ₽ Futures business supporting inclusive finance

China Merchants Futures has always taken serving the real economy and promoting agricultural and rural modernization as its core mission. In 2024, China Merchants Futures actively utilized financial derivatives tools and developed the "insurance + futures" business, dedicated to providing price fluctuation risk protection for farmers and agricultural enterprises, helping them reduce operational losses. Since 2017, the company has implemented 111 "insurance + futures" projects, with a total insured value exceeding RMB 3.5 billion and total compensation of over RMB 60 million, benefiting more than 80,000 farmers. This business, through innovative financial tools combining the advantages of insurance and futures, helps farmers mitigate the uncertainty risks caused by price fluctuations, enhancing the stability and sustainability of agricultural production.

# 4.1.3 Pension finance

CMS is actively expanding its personal pension product services and pension financial investor education, accelerating the development of public pension FOF (Fund of Funds) products, and providing lifecycle companion services for elderly clients. The Company leverages its public fund license and wealth management professional services to continuously optimize pension services.

Personal pension product services and pension financial investor education. CMS was among the first to receive qualification

for the sale of personal pension public fund products, with more than 10,000 accounts opened. By December 2024, the total assets under management of personal pension funds reached RMB 26.82 million. In 2024, the Company introduced a new pension-themed fund advisory portfolio and plans to launch a full range of personal pension public fund products. The Company also encourages its branches to enhance residents' awareness of pension finance through investor education activities, thereby increasing brand recognition.

Providing warmer, lifecycle companion services for elderly clients. The Company has developed a wealth advisor service brand centered around "companionship" to offer warmer services to elderly clients. In terms of CMS APP experience, a "Senior Version" interface has been introduced, with larger icons and font sizes, making it simpler and clearer for elderly clients to use, enhancing their experience.

Accelerating the layout of public pension FOF products. China Merchants Asset Management has already submitted the first batch of 9 public pension products to the regulators, of which 4 have been approved and 2 have been successfully issued. Moving forward, China Merchants Asset Management will prepare more diversified public pension products, aiming to rapidly scale up its public fund business and reach a state where it can launch pension FOFs.

# 4.1.4 Technology finance

CMS, guided by the national strategy for technological innovation, accelerates the development of its core competitiveness in technology investment banking through a dual approach of resource integration and model innovation.

The Company focuses on key industries and regional layouts, optimizing resource allocation through mechanisms such as establishing virtual industry groups, and comprehensively enhancing its full lifecycle service capabilities for technology enterprises. The Company's core strategy is the "Investment Banking + Investment Research + Investment" integrated approach, deeply applying industry mapping analysis tools. CMS prioritizes digital technology, green technology, and life sciences as three strategic tracks, aiming to build a technology finance service brand with industry influence.

In investment banking: In 2024, CMS completed eight technology innovation equity financing projects, raising a total of RMB 10.458 billion. The amount of exchange science and technology innovation bonds underwritten by the Company on exchanges was RMB 29.738 billion, a year-on-year increase of 110.10%. According to the statistics from the Securities Industry Association, in 2024, the amount of science and technology innovation bonds underwritten by the Company on exchanges in 2024 ranked 7th in the industry.

#### 🛓 Case

On November 8, 2024, CMS assisted Shenzhen Yilian Technology Co., Ltd. (hereinafter referred to as "Yilian Technology"), a leading electrical connected component company, in its listing on the ChiNext Board. The Company raised a total of RMB 1.192 billion. Yilian Technology has focused on the electrical connection components sector, with new energy vehicles as its primary development axis, while also expanding into storage systems, industrial equipment, medical devices, consumer electronics, and other fields. It is one of the few suppliers in the industry covering multiple application sectors.

Assisting Leading Electrical Connected Component Company Yilian Technology in its Listing on the ChiNext Board

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#### Taking Social Responsibility

In research: Currently, the Company has systematically mapped 91 key industrial chains, completing digital modeling of basic industry information, upstream and downstream ecosystems, and enterprise cluster structures. It has built an industry knowledge base covering sectors such as new energy and biomedicine, and through a data-sharing mechanism with China Merchants Group, the Company has achieved cross-platform integration of industrial resources. These strategic initiatives have not only strengthened the Company's in-depth insight into industrial chains but also, through the effective integration of capital and technology, injected strong momentum into the development of new productive forces, accelerating the Company's progress towards its goal of becoming a "technology-driven top-tier investment bank".





In investment: Since 2020, CMS has invested in a number of hard-tech enterprises, including Ruili Integration, GTA Semiconductor, Oritek Semiconductors, and Tuojing Technology, contributing to China's technological self-reliance and strength. As of December 2024, the total investment in technological innovation reached approximately RMB 7.86 billion. The Company adheres to the principles of "targeted investment" and "quality investment", focusing on strategic emerging industries such as chips & semiconductors, new energy & new materials, medical health, advanced manufacturing, and new materials. The Company continues to discover high-growth potential companies in niche industries, increasing the share of technology investment. At the same time, leveraging its synergy and industry resource advantages, the Company focuses on the technological innovation achievements of the China Merchants Group's emerging industries and provides support for post-investment companies. In 2024, China Merchants Securities Investment invested approximately RMB 150 million in emerging industries, and CMS Zhiyuan Capital invested RMB 722 million in emerging industries through the managed fund.

Through continuous efforts to deepen its presence in the technology finance field, CMS not only provides strong financial support to technology innovation companies but also actively promotes the development of emerging industries. The Company will continue to focus on strategic emerging industries, expand its technology investment portfolio, and use its resource advantages and industry synergies to provide post-investment support to more innovative enterprises, helping them achieve rapid growth and industrial upgrading.

# **4.2 Practicing Public Welfare and Charity**

CMS adheres to the core corporate values of "Patriotism and Social Responsibility", continuously fulfilling its corporate social responsibility by actively supporting rural development, empowering community construction, and engaging in charitable activities. The Company focuses on people, acting with dedication, and giving back to society, demonstrating its corporate commitment and aligning with societal development. Additionally, the Company established the "Shenzhen China Merchants Securities Charity Foundation" and formulated supporting management mechanisms such as the China Merchants Securities Charity Management Guidelines to ensure more professional and efficient execution of public welfare and charity efforts, as well as fulfillment of social responsibility.

At the same time, the Company actively carries out innovative research on the integration of business and public welfare. On November 9, 2024, China Merchants Futures established the first public welfare financial innovation laboratory in the futures industry, focusing on how the futures industry can better participate in public welfare and fulfill social responsibilities, and conducting in-depth research in key areas such as serving the real economy, green development, rural revitalization, financial investment and education, and social welfare, so as to explore the integrated development of professional futures operation and fulfilling social responsibilities.



# 4.2.1 Supporting rural development

The Company responds to the national rural revitalization strategy, innovating poverty alleviation models to form a four-in-one support system integrating finance, public welfare, intellectual support, and consumption support. The Company drives rural revitalization through methods such as optimizing industrial structures, providing educational resources, and supporting infrastructure development. In 2024, the Company's total investment in rural revitalization amounted to RMB 6,908,900, benefiting 482,619 people.

#### Financial support

Through innovative financial tools and precise support models, CMS integrates the rural revitalization strategy into its corporate social responsibility practices. By financing the development of industries in poverty-stricken areas and using the "insurance + futures" model to provide farmers with a new risk management tool, the Company actively develops new models for "finance + public welfare" products and services, constantly exploring innovative pathways for financial assistance to farmers.

Financing for Industry Development in Poverty-Stricken Areas. In 2024, CMS, as the lead underwriter, participated in the issuance of "Rural Revitalization" and "Agriculture, Rural Areas, and Farmers" - themed bonds with a total issuance size of RMB 35.302 billion, underwriting RMB 2.746 billion. The focus of these funds is to support rural infrastructure construction and the development of specialized industries.

#### 😫 Case

Assisting China Merchants Bank in Issuing Special Financial Bonds on Agriculture, Rural Areas, and Farmers

On March 22, 2024, CMS assisted China Merchants Bank Co., Ltd. in the successful issuance of the "2024 China Merchants Bank Special Financial Bonds on Agriculture, Rural Areas, and Farmers in the National Interbank Bond Market. with a total issuance size of approximately RMB 5 billion and a bond term of three years. CMS underwrote RMB 1.667 billion of the total. This issuance marked CMS's return to assist China Merchants Bank in issuing Special Financial Bonds on Agriculture, Rural Areas, and Farmers after a year. The raised funds will be fully used to extend agricultural loans, supporting rural revitalization. The issuance received widespread market recognition, with the bid multiple reaching 2.51 times, and 35 institutions allocated bonds. The bond's issuance rate of 2.35% set a new low for the special financial bonds on agriculture, rural areas, and farmers and marked the lowest issuance rate for commercial bank financial bonds in the past three years.

#### 😫 Case

🖄 Case

Assisting in the Issuance of the Industry's First Green Rural Revitalization Supply Chain Project by BJ Energy International

On April 9, 2024, CMS assisted in the successful issuance of "Beijing Energy International Supply Chain Finance Phase 1 Green Asset-Backed Special Plan (Rural Revitalization)" on the SSE, with an issuance scale of RMB 302 million. This special plan is the first supply chain ABS project in the market led by a state-owned enterprise with an overseas entity and the first green rural revitalization supply chain project in the industry, marking a breakthrough for such projects in the power sector and the green rural revitalization field. This project was managed by China Merchants Securities Asset Management Co., Ltd.

#### Assisting in the Issuance of the First Rural Revitalization Corporate Bond Issued by a Leasing Company

On June 5, 2024, CMS assisted in the successful issuance of "China Communications Finance Leasing Co., Ltd. 2024 Public Issuance of Rural Revitalization Corporate Bonds (Phase I)" for professional investors on the SSE, with an issuance size of approximately RMB 500 million and a three-year term, with a final coupon rate of 2.25%. This issuance is the first rural revitalization corporate bond issued by a leasing company in China. The bond had a subscription multiple of 7.8 times, demonstrating the high recognition from investors for this bond.

Exploring new models for "Finance + Public Welfare" products and services. CMS launched a series of public welfare financial services with the theme of "CMS for Good and Future", actively guiding wealth towards good causes. On September 9, 2024, the Company launched the fund advisory public welfare portfolios, "Fuxiang Currency+" and "Fuxiang Bond Fund", which are the first public welfare financial portfolios created using the fund advisory model in the industry. The Company will donate no less than 50% of the service fee income from these public welfare series to support the education and healthy development of children in impoverished areas, promoting the enhancement of quality education and comprehensive abilities of local children. By December 31, 2024, the cumulative contracted scale of the public welfare series portfolios reached RMB 753 million, with an outstanding balance of RMB 52 million, and 779 clients had signed up.

Actively promoting the "Insurance + Futures" model to assist farmers. China Merchants Futures relies on the "insurance + futures" model to innovate risk hedging mechanisms. Throughout the year, 36 agricultural support projects were carried out, covering 8 provinces and regions, including Guangdong and Xinjiang, and involving seven agricultural products, such as pigs and red dates, providing RMB 728 million in price protection to 45,119 farmers. Among them, the Xinjiang Shache County Red Date Project innovated the "commercial insurance + futures + public welfare donation" composite model, locking in a RMB 28.65 million insurance amount for 330 date farmers with 3,000 tons of products. The Company's public welfare foundation donated RMB 200,000 to the Rural Revitalization Bureau of Shache County, Xinjiang, to strengthen the protection efforts. By building a "price floor + income guarantee + financial support" multi-dimensional protection network, this model effectively solves the agricultural operation risk problem.

This series of practices not only demonstrates CMS's diverse paths to support rural revitalization as a financial institution but also achieves the organic integration of social and commercial value through market mechanisms. It provides a replicable solution for empowering "Three Rural" (agriculture, rural areas, and farmers) development through finance.

#### Public welfare support

CMS upholds the philosophy of "targeted support + long-term empowerment" in its aid efforts. In 2024, the Company advanced educational equity, infrastructure improvement, and the healthy development of youth in impoverished areas through multi-dimensional public welfare donations.

In Infrastructure Improvement, a donation of RMB 110,000 was made to the Yanchangpu Village Committee in Zhanlong Town, Puning City, Guangdong Province, to carry out the project of installing a dedicated distribution station at the Yanchangpu Village Farmers' Market in Zhanlong Town. consolidating the effective connection between the achievements of poverty alleviation and rural revitalization, the Company donated RMB 250,000 to the People's Government of Liuba County, Hanzhong City, Shaanxi Province, for the project of "Upgrading of Rural Drinking Water Facilities in Huangnibao Village, Yuhuangmiao Town, Liuba County" to improve rural water conservancy infrastructure and ensure drinking water for the masses.

#### ball sports" revitalization plan, donating RMB 240,000 to the Education Bureau of Shache County, Kashgar, Xinjiang, specifically for the "Shache County Education System 'Three Major Ball' Sports Promotion Project". It helps the high-quality development of sports level of teachers and students in Shache County, and deepens the sense of identity and belonging of students of all ethnic groups to the family of the Chinese nation. To protect youth eyesight, it donated RMB 100,000 to the Bureau of Education and Science and Technology of Tianzhu Tibetan Autonomous County, Gansu Province, for the project of "Tianzhu County Fourth Middle School Purchase of Youth Eye Protection Lamps", supporting the improvement of classroom lighting conditions at Tianzhu County Fourth Middle School.

In supporting the comprehensive and healthy development of youth, the Company actively responded to the national "three major

#### 🛓 Case

#### "Soma Flower Blossoms — Caring for Liangshan Girls" and "Cleaning Kit" Projects

In Liangshan Yi Autonomous Prefecture, the Company has focused on public welfare support for five consecutive years, teaching adolescent health knowledge to girls in Liangshan and building a positive educational environment. In 2024, the Company continued to promote the "Soma Flower Blossoms – Caring for Liangshan Girls" and "Cleaning Kit" projects, collaborating with multiple party branches to launch a targeted fundraising campaign. Through the Chongqing Xing'an Assistance Foundation, RMB 86,100 worth of cleaning kits were donated to cover 1,670 students in 13 Yi ethnic village primary schools, and RMB 62,900 worth of care kits for adolescent girls were provided to 804 girls in these schools, offering underwear, sanitary products, and educational books. These efforts not only highlight the humanitarian warmth of financial enterprises but also, through educational empowerment, break the cycle of poverty across generations, injecting vitality into the sustainable development of ethnic minority regions.



#### Intellectual support

In 2024, the Company donated RMB 430,000 to the People's Government of Shitai County, Anhui Province to support the implementation of the "Special Training on the Enhancement of Party and Government Cadre Capacity in Shitai County and Investment Promotion", helping party and government leading cadres of Shitai County further improve their comprehensive management level, consolidate the achievements of poverty alleviation, and further broaden the path of common prosperity.. Additionally, the Company has been consistently promoting public welfare education support projects in impoverished areas for several years:

#### 😫 Case

#### Teaching Support Project at Nimalong Wanquan Primary School in Xiahe County, Gansu Province

In 2024, the Company continued to carry out teaching support activities with the theme of "Continuation of Hope, Spread of Love in Gannan", sending youth volunteer teaching teams, a total of 7 people in two batches, to Nimalong Primary School in Xiahe County, Gannan Tibetan Autonomous Prefecture, Gansu Province, for a two-month volunteer teaching activity. The volunteer teaching team overcame various challenges such as high altitude sickness, severe cold climate, language barriers, and lack of food, filling the main curriculum gap caused by insufficient teaching staff at Nimalong Primary School. The team offered courses with themes such as ethics and rule of law, computer science, music and art,, and held recitation competitions, characteristic sports events, and other activities. While teaching textbook knowledge to children, they also broadened their horizons. At the approaching of International Children's Day, the Company's trade union and some party branches donated smart story machines, laser printers, sports equipment, books and other gifts for the school. All parties worked together to support the development of rural education.



#### ■ Consumption support

Throughout the year, the Company procured agricultural products through channels such as the National Consumer Support Guangdong Pavilion and Shenzhen Higreen, with a total procurement value of approximately RMB 5,563,900, consolidating and expanding poverty alleviation achievements with practical actions, and helping rural revitalization..

#### Comprehensive and three-dimensional agricultural assistance

In January 2024, the first domestic "Cold Wave and Precipitation Index Insurance+Weather Derivatives" project was implemented in Qichun (the rural revitalization support area of China Merchants Group). China Merchants Futures gave full play to its professional advantages in futures, used insurance and derivatives to help tea farmers in Qichun, Hubei Province, cope with the risks of climate change, and innovatively introduced "rural revitalization + public welfare finance" to form a new model of rural revitalization with "three-dimensional and precise assistance and comprehensive assistance to farmers". It fully leveraged the advantages of China Merchants Group as a central enterprise, and collaborated with multiple subsidiary units of China Merchants Group, including China Merchants Charity Foundation, China Merchants Securities Public Welfare Foundation, CMS, China Merchants Bank, and China Merchants Food, to contribute to rural revitalization.

In this project, China Merchants Futures used derivatives to help tea farmers in Qichun cope with the cold wave and freezing rain, avoiding the loss of tea planting caused by extreme low temperature. China Merchants Charity Foundation and China Merchants Securities Public Welfare Foundation accurately assisted impoverished farmers with insurance premiums. China Merchants Charity Foundation and China Merchants Food helped the tea garden and invested in the construction of Qichun Organic Tea Garden. CMS provided consumer assistance, and Wuyun Mountain Tea was promoted in the special session of CMS in the Consumer Assistance Festival of CMS. China Merchants Bank provided agricultural assistance loans to tea farmers in Wuyun Mountain Tea. Each unit gave full play to its professional advantages and resource endowment in the project, and improved the new efficiency of rural revitalization of "comprehensive and three-dimensional agricultural assistance".

# 4.2.2 Empowering community development

#### Focusing on youth development

CMSI deeply practices the corporate responsibility of a central state-owned enterprise, focusing on the growth needs of young people in Hong Kong, and has built a multi-level training system with a focus on "Cognitive Enlightenment – Professional Empowerment – Bay Area Integration". In 2024, in the field of career development, CMSI, in collaboration with China Merchants Group, launched the "China Merchants Securities-Grow with You" mentorship program. This program organized 30 Hong Kong university students to visit the Shenzhen headquarters for in-depth exchanges. Through activities such as executive mentor discussions and office site visits, the program systematically enhanced career planning skills. At the same time, the company supported the "Future Pioneers Hong Kong University Student

#### Taking Social Responsibility

Business Case Competition", selecting business professionals to serve as judges and provide professional guidance to participating teams in frontier fields such as cross-border mergers and acquisitions and green finance.

In terms of financial literacy development, CMSI partnered with the Kowloon City Youth Association to organize the "Financial Lecture Hall" event. 20 students were led to visit to the Hong Kong Monetary Authority and the Trading Hall, and exchange ideas with staff of the CMSI, focusing on the hot topics of Hong Kong's financial development and decoding the development trajectory of an international financial center.

A particularly noteworthy initiative is the company's pioneering "Career Planning - Exploring the Greater Bay Area" program, which pairs 40 Hong Kong youth with career planners and business mentors. The program customizes a visit route to leading enterprises in the Greater Bay Area, provides personalized development assessment reports, and forms a "cognitive - practical - development" growth loop. This program injects new momentum into the integration of talents in the Guangdong-Hong Kong-Macau Greater Bay Area and the construction of Hong Kong as an international financial center.



China Merchants Futures is closely linked with colleges and universities, actively promoting the industry-academia-research cooperation between universities and enterprises, and forming good cooperation relations with universities such as South University of Science and Technology, Renmin University of China, Xiamen University, Dalian Maritime University, and Harbin Institute of Technology. The Company actively creates opportunities for cooperation with universities, and also invites university students to visit the Company, introducing basic knowledge of futures, the functions of futures, futures services for the real economy, ESG and sustainable development, and other issues to university teachers and students, helping students further understand the role and contribution of futures derivatives to the real economy. China Merchants Futures and universities will continue to deepen cooperation based on the principles of "strong cooperation, complementary advantages, and common development", jointly promote high-quality development of the industry, and explore new pathways for cultivating financial talents with both professional expertise and social responsibility.

#### Caring for vulnerable groups

Case Assisting Typhoon-Affected Villagers with Post-Disaster Reconstruction

To support the post-typhoon reconstruction efforts in Shanya Village, Jinshan Town, Wenchang City, Hainan Province, and help villagers restore normal production and daily life, the company's public welfare foundation donated RMB 30,000 to the Wenchang Charity Association. The donation was specifically allocated for the reconstruction of villagers' homes in Shanya Village after the disaster.

#### 😫 Case

CSMI in cooperation with China Merchants Group's "China Merchants Happy Village" brand, focused on the elderly and vulnerable groups within the community. The company carried out over 30 public welfare activities throughout the year, benefiting more than 7,000 grassroots residents. The activities included "Community Love Haircuts" (benefiting over 200 elderly people), holiday visits (distributing food and daily necessities), "Respect for the Elderly and Warmth Campaign" (visiting about 500 single or elderly couple households and distributing lucky bags), and more. Additionally, CMSI assisted in organizing events such as ID photo services, flu vaccination, gifting walking canes and umbrellas, back-to-school support stations, health check-ups, and doorbell donations, all aimed at improving residents' well-being and creating an atmosphere of respect for the elderly.



#### 😫 Case

#### Donate to Impoverished Teachers and Students in Daliangshan, Sichuan Province

In 2024, the Company's public welfare foundation donated RMB 373,800 to the Chongqing Xing'an Assistance Foundation to specifically support the A'yi Potato Daliangshan Teaching Support Project. By providing living allowances, and transportation, accommodation, training, and incentive expenses to 8 teaching support teachers, as well as related expenses for Delipu student theme activities, living hygiene, teaching materials, art education, scholarships, etc., it provided assistance for the education and healthy growth of primary school students in remote and backward areas, and promoted the improvement of local children's quality education.



#### Focusing on Caring and Supporting "Elderly and Vulnerable" Residents in the Community

## CHINA MERCHANTS SECURITIES

# Stimulating Employee Potential



Protect the Rights and Interests of Employees

Supporting Talent Development

# **5.1Protect the Rights and Interests** of **Employees**

CMS has been committed to actively exploring in terms of equal and compliant employment, explore areas such as optimizing compensation and benefits, promoting democratic communication, and caring for occupational health, constantly optimizing and improving the Company's employee management system, effectively protecting the legitimate rights and interests of employees, and enhancing their happiness and sense of belonging.

# 5.1.1 Equal employment

CMS strictly complies with relevant laws and regulations, including the Labor Law of the People's Republic of China, the Regulations on the Promotion of Harmonious Labor Relations in the Shenzhen Special Economic Zone, and the Employment Ordinance (Hong Kong), among others. The Company has established normative documents such as the CMS Employee Recruitment Management Measures and the CMS Employment Management Measures to clarify and regulate labor management practices, safeguard employees' legal rights, and prevent labor-related risks. The Company diligently handles labor disputes in accordance with the laws and regulations, continuously monitors the implementation of labor management standards and systems, and ensures the effective enforcement of policies.

The Company has established a comprehensive recruitment system and process, always ensuring the compliance and effectiveness of recruitment management policies. The Company prohibits the recruitment and use of child labor, eliminates forced labor, and signs labor contracts with all employees on the basis of equality, voluntariness, and mutual agreement, establishing a lawful labor relationship. At the same time, the Company strictly provides a safe, hygienic work environment and good working conditions in accordance with labor protection requirements. The Company continuously monitors the implementation of recruitment policies and management systems, regularly checks the recruitment status of various positions, and ensures that recruitment work is carried out in a standardized and institutionalized manner.

CMS is committed to promoting fair employment, strictly complying with relevant laws and regulations, and always adhering to the principles of open, fair, and just recruitment. In the recruitment process, the Company is not influenced by factors such as race, ethnicity, gender, or religion, and provides equal employment opportunities for all applicants. During the appointment, promotion, and training of employees, the Company upholds the principle of fairness and equality, without bias based on race, ethnicity, place of origin, gender, or marital status. The Company advocates for a diverse and inclusive workplace culture, focuses on employee health and sustainable development, and continues to create an equal and respectful work environment.

# 5.1.2 Compensation benefit

CMS continuously optimizes its compensation and benefits management system, always adjusting compensation and benefits policies and systems regularly based on national policies, the Company's business strategy, and future benefit forecasts. The Company follows the standard working-hour system, ensuring timely and full payment of the five social insurances and housing funds for employees. It also offers supplementary medical insurance, employee health checkups, and corporate pension plans, among other benefits. Additionally, CMS actively develops a variety of union welfare programs covering all employees, providing holiday gifts, care packages, and special support for female employees, among other diverse benefits. These initiatives reflect the Company's care and support for

its employees, aiming to improve overall employee well-being and satisfaction.



The Company's compensation system includes fixed salary, bonuses, and medium- and long-term incentives. The fixed salary is set according to market levels and the Company's competitiveness. Bonuses are allocated based on department performance, strategic tasks, innovation collaboration, economic capital utilization, risk management, and compliance. Personal compensation also takes into account superior policies, market levels, and job value performance. In March 2020, the Company implemented an employee stock ownership plan, strengthening the shared interests and risk-bearing between shareholders, the company, and employees.



Provides leave-related benefits for all the employees no less than the national standard, including paid annual leave, marriage leave, paternity leave, maternity leave, breastfeeding leave, parental leave, nursing leave, and other kinds of leave, to guarantee paid leave benefits for all employees.



Social insurance: Including basic pension insurance, basic medical insurance, maternity insurance, work injury insurance, unemployment insurance. Supplementary medical insurance: Including group accident insurance, critical illness insurance, comprehensive medical insurance, etc. Corporate annuity plan: Establish a corporate annuity plan for employees with a certain number of years of service with the Company.



Distribute holiday gifts to employees at traditional holidays. Send condolences to retired, maternity, sick and critical illness employees.

# 5.1.3 Democratic communication

CMS has established the employee representative supervisor election procedure, ensuring that employees have full participation rights in the company's governance. By the end of December 2024, the Company had elected three staff representative supervisors.



#### Stimulating Employee Potential

The Company's trade union closely aligns with the Company's business objectives, fully leveraging the role of employees as the main driving force in the Company's development. The union ensures that major issues affecting employees' vital interests are submitted to the congress of workers and staff for voting, fully respecting the rights and wishes of staff representatives and effectively safeguarding employees' democratic rights.

In 2024, the union revised and established five important systems related to employee interests. All systems were submitted for a vote at the congress of workers and staff in accordance with the prescribed procedures, safeguarding employees' legal rights and greatly stimulating employees' enthusiasm and sense of ownership. Additionally, the union held four work meetings throughout the year to communicate important meeting and document contents, implement higher-level union work deployments, execute major collective decision-making processes, organize the selection of active union members and exemplary figures within the union system, and carry out various activities based on the annual work plan and budget.

In 2024, the trade union actively fulfilled its duties, organizing 1,560 union activities throughout the year. These activities were diverse and covered multiple fields, creating a strong cultural and recreational activities ecosystem. The union established 11 sub-associations, including those for fitness, food, photography, painting and calligraphy, attracting a total of 5,241 members (with members participating in multiple associations). Among them, the Food Association, Ball Sports Association, and Fitness Association became the most popular organizations due to their rich activities and widespread participation. Each association maintained a high frequency of activities, with average monthly events for each association. The Fitness Association, Ball Sports Association, and Outdoor Sports Association were particularly active, hosting an average of 88, 28, and 8 events per month, respectively, becoming the main drivers of the Company's union activities, forming a normalized and diversified cultural and sports activities ecosystem.

CMS consistently regards employee satisfaction as an important indicator in human resources management and has built a systematic and ongoing feedback management mechanism. The Company conducts an annual evaluation of overall satisfaction with human resources services, and special surveys are carried out in key areas such as personnel services, talent development, and welfare security. Based on survey results, the Company continues to optimize matters of concern to employees, such as health check plans, health activities, and canteen services.

At the same time, the Company has innovatively established diversified feedback channels, opening a "Questions and Suggestions" column in its internal office system and setting up the "CMS Forum" interactive platform to enable real-time collection and rapid response to employee feedback. Through the "collect-analyze-improve-feedback" closed-loop management mechanism, the company ensures that every employee request is addressed and responded to, effectively enhancing employees' sense of participation and achievement, and providing strong support for the implementation of the Company's talent strategy.

# 5.1.4 Occupational health

CMS consistently regards the physical and mental health of employees as an important part of its corporate social responsibility. Through a systematic health management system and a wide variety of cultural and sports activities, the Company has built a comprehensive, multi-level employee care ecosystem.

In 2024, the Company successfully held 16 health-themed events under the theme "I Do Practical Things for the Public". The events covered popular issues such as shoulder and neck health, immune system enhancement, and traditional Chinese medicine consultations. These activities effectively raised employees' health awareness and self-management capabilities.

In terms of health protection, the Company continuously optimizes its annual health check-up program, provides supplementary medical insurance for all employees, and equips office areas with emergency medicines. This has established a "prevention – diagnosis – protection" integrated health protection system. At the same time, the Company actively promotes health culture, inviting experts from renowned medical institutions to give special lectures to spread knowledge about scientific health practices. In the area of cultural and sports activities, the Company has created a year-round activity matrix. Various cultural and sports associations actively participate in internal and external sports competitions and regularly organize activities such as yoga fitness, moxibustion health care, and flower arranging. Additionally, the trade union has organized themed activities, including walkathons and e-sports competitions, with diverse and engaging content. These activities enrich employees' leisure time, promote a balance between work and life, and contribute to employees' physical and mental well-being.



# **5.2 Supporting Talent Development**

CMS adheres to the "talent strengthens the enterprise" strategy, considering "talent as the primary resource, capital, and driving force", aligning talent introduction scale and quality with the actual development of the Company, continuously leveraging the talent pull effect, fully utilizing talents at all levels, and promoting mutual growth of employees and the Company.

# 5.2.1 Talent introduction

The Company strengthens the recruitment of talent at all levels according to business development. First, the Company implements a more proactive talent recruitment policy for emerging industries. Focusing on the talent needs of investment, investment research, and investment banking, the Company concentrates on specialized talent resources and further strengthens the staffing of key professional talents in these fields. Second, the Company strengthens the recruitment of financial technology talent and builds a digital product manager team to support the Company's operations across business lines, including enterprise, institutional, wealth management, investment, and operations. Third, the Company actively recruits fresh graduates. It also actively participates in recruitment or internship activities organized by the government, industry associations, and other organizations, practicing corporate responsibility.

In recruiting fresh graduates, the Company primarily uses campus recruitment, internship recruitment, and other opportunities to visit universities and hold on-site recruitment activities, providing fair, just, and high-quality employment or practical opportunities for young people. In 2024, under the slogan "Recruiting Idealism, Demonstrating Youth", the Company held two campus recruitment events. Through channels such as the recruitment website, WeChat public account, university employment websites, and campus presentations, the Company widely promoted and attracted numerous outstanding fresh graduates to join. The Company also opened internship recruitment projects to students and promoted them on official channels such as the recruitment website and WeChat public account based on business needs. During the reporting period, the Company arranged 1,650 interns, providing excellent employment and internship opportunities for fresh graduates and students, while also providing strong support for the Company's ongoing business development and talent reserve.



In 2024, the Company received multiple honors and recognitions in the field of human resources



# 5.2.2 Talent training

The Company has established a "Four-dimensional" Training System (Sound Institutional Guarantee, Rational Resource Allocation, Efficient Project Operations, Advanced Platform Support) and a "three carriages" course system (Professional, Management, and General Courses) running in parallel, alongside a hierarchical internal instructor system. The "Training Management Regulations of China Merchants Securities Co., Ltd." and standardized process templates have been formulated to standardize training operations and management. A mobile internet-based digital learning platform has been built to expand and update training resources, meet employee learning needs, and support employee growth. In 2024, the Company optimized training operations by adopting a diversified approach—" Pre-training Survey + Online Training Camp + On-site Practice + Post-training Practice"—to improve both quality and efficiency. Benchmark projects have won industry awards. Additionally, collaborations with external organizations such as TaleBase and Yunxuetang have allowed the Company to offer general training programs to all employees, forming a comprehensive talent training system that provides talent support for business development.

#### Professional skills training empowerment

The Company has adopted a combined approach for employee professional skills training, integrating centralized organization with department-specific training. For professional training that meets the common needs of all employees, the Company plans and implements programs centrally, including "Macroeconomics Training," "Financial Reporting and Valuation Training," "Technology Industry Training," "Digital Office Skills Training," and "Securities Laws and Regulations Training." For employees' personalized training needs, each department conducts targeted training based on the principle of "learn as needed, use immediately." The Company provides instructors, operational support, and necessary funding to ensure these training activities.

In 2024, the Company organized 65 company-level internal training sessions and 468 department-level professional internal training sessions, and sent over 1,400 participants to external professional public courses. The average satisfaction rate for internal training projects reached 96 points. To enhance the professional capabilities of young talent in "investment, research, and trading," the Company held 14 sessions of the "Investment Research Lecture Series" and "Inspire New Talent Series" training programs, inviting internal and external experts to teach cutting-edge topics such as new energy, low-altitude economy, and green finance. The training reached 4,000 participants and received high praise from "investment, research, and trading" talents.

The Company encourages employees to strengthen self-learning, continuously improve professional skills, and actively obtain professional qualifications related to their work, providing financial support based on the principle of "reimburse one level for passing one level" and "100% full reimbursement", covering all formal employees. In 2024, the Company supported 266 employees in obtaining various professional qualifications, including CFA, FRM, Global Financial Technologist, and Product Manager international certifications.



#### Stimulating Employee Potential

To enhance the professional capabilities of frontline employees, the Company's labor union, in collaboration with the Wealth Management Department, launched the "China Merchants Securities Wealth Academy" series of training programs, providing customized professional training for wealth advisors at branch offices. In 2024, five thematic training sessions were held, including the Financial Product Expert Pool Empowerment Core Training Camp, Wealth Management Center Leaders' Navigation Training Camp, Customized Empowerment Core Training Camp for Wealth Advisors in Central China, Private Client Service and Post-Investment Management Core Training Camp for Jiangsu Region, and North China Region Core Training Camp on "Following Market Trends, Expanding Incremental Clients." A total of approximately 400 people participated in these sessions. Additionally, a "2024 Wealth Advisor Rookie Training Camp" was organized for newly hired employees, attracting around 100 participants.

#### Leadership development

CMS places great importance on the leadership development of young talents and managers within the organization. In response to business development needs, the Company has established leadership training programs tailored for different groups, including the Youth Talent Training Camp, New Leader Training, and Manager Training. These programs are designed to continuously develop young talents with management potential and enhance the business and management capabilities of newly appointed and current executives, thereby driving business development.



#### ■ Joint training with external institutions

In 2024, the Company partnered with well-known professional training and consulting organizations in the industry to conduct multiple targeted training sessions for employees at different levels. These included the "Polaris Program" for internal trainer development, the "Star Talent Program" for backup talent training, the "Star Path Program" for newly appointed leaders, and company-wide programs such as "Aerial Refueling Station," "Workplace Toolbox," and "Digitalization Lecture Series." Among them, training aimed at enhancing professional skills and digital capabilities saw over 2,500 participant instances. Courses like "CMS AI Product Introduction and Practical Sharing" and "Structured Thinking and Writing Training Camp" were particularly popular among employees.



# 5.2.3 Talent development

#### Promotion mechanism

CMS continuously expands the development opportunities for professional talents, fully implements the business grading system based on international investment banking practices, further improves the dual-channel mechanism for talent development, providing employees with diversified career development paths. At the same time, the Company has comprehensively managed the qualification system, ensuring the scientific and standardized selection and cultivation of talent.

#### Performance evaluation

In terms of employee performance management, the Company has established a comprehensive performance management process, which includes five key steps: performance plan formulation, performance goal tracking and coaching, performance evaluation, performance feedback and appeals, and the application of performance results. This ensures fairness and transparency in the management of employee performance.

For more details on talent development, please refer to the Company's Employee Rights Protection and Talent Development Policy Statement (2024 Revised Edition) on the official website.

# 5.2.4 Talent motivation

In March 2020, the Company implemented an Employee Stock Ownership Plan (ESOP), achieving a pioneering breakthrough in the industry. The participants of the plan covered 995 people including company executives and core key employees, with a lock-up period of three years, further establishing a mechanism for sharing benefits and risks among shareholders, the Company, and employees. The lock-up period for the shares held under the ESOP that began in March 2020 expired on March 4, 2023. As of the date of this report, the total number of participants in the employee stock ownership plan is 242, holding a total of 9,033,173 shares, which accounts for 0.10% of the Company's total share capital. The Company completed the cash dividend distribution for the 2023 fiscal year and the 2024 interim period for the employee stock ownership plan in August and October 2024, respectively.

## CHINA MERCHANTS SECURITIES

# **Ensuring Steady and Sound Operation**

Enhancing Corporate Governance Risk and Internal Control Management Compliance and Integrity Management





CMS has always adhered to sound operation and standardized operation by continuously improving corporate governance, attaching great importance to risk management, deepening risk compliance management, maintaining high quality development, continuously paying back shareholders' trust, effectively protecting shareholders' rights and interests, and further establishing a good corporate image.

# 6.1 Enhancing Corporate Governance 6.1.1 Governance of the Three Committees

As a securities company listed on both the mainland China and Hong Kong stock exchanges, the Company strictly complies with the relevant laws, administrative regulations, and governance requirements of the China Securities Regulatory Commission (CSRC), Hong Kong Securities and Futures Commission (SFC), SSE, and HKEX for listed securities companies. The Company has established a corporate governance structure with separate and checks-and-balances among the shareholders' general meeting, the board of directors, the supervisory board, and the management team, and continues to operate in a standardized manner. The Company's director election adopts the cumulative voting system, and the current board of directors has a diverse professional background and core competencies.

The Company has established a scientific and efficient governance system by creating a director independence assessment mechanism and a diversity policy. Each year, the Company's Nomination Committee conducts a comprehensive assessment of the independence of independent non-executive directors, focusing on their professional capabilities, commitment to duties, conflict of interest management, and independent judgment ability. Additionally, through the regular communication mechanism of the Chairman of the Board, the Company ensures that independent directors can fully express their opinions. Meanwhile, the Company has formulated a director diversity policy, emphasizing the rational allocation of members in multiple dimensions such as gender, age, and professional background. This ensures an appropriate proportion of executive and non-executive directors, not only safeguarding the board's independent decision-making ability but also enhancing the guality of decisions through diverse perspectives. These series of measures have effectively strengthened the independence and decision-making scientificity of the board of directors, providing a solid governance guarantee for safeguarding shareholder interests and promoting the Company's sustainable development.

In terms of senior executives compensation management, the Company has formulated the Total Compensation Management Measures, Senior Management Compensation Management Measures, Managerial Performance Assessment Measures, and Senior Management Compliance Special Assessment Measures. The performance assessment of senior management is organized and implemented by the Compensation and Appraisal Committee to ensure that the incentive and restraint mechanisms are aligned with the company's long-term development goals. The allowances for independent directors are set in accordance with industry standards, reviewed by the board of directors, and approved by the shareholders' meeting. These governance practices reflect the company's commitment to compliant operations and sustainable development, providing a guarantee for maximizing shareholder value.

In 2024, the Company's Board of Directors' Compensation and Appraisal Committee held a total of six meetings, with all proposals receiving unanimous approval from the committee members.



Ensuring Steady and Sound Operation

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# 6.1.2 Information disclosure

The Company has established the Information Disclosure Management System, Insider Information Knowledgeable Person Registration System, and Investor Relations Management System to clarify the internal reporting and disclosure processes for significant information and to standardize the confidentiality of insider information and the registration management of knowledgeable persons. In strict accordance with the information disclosure regulatory requirements of A+H listed securities companies and oriented by investor needs, the Company fulfills its information disclosure obligations in a compliant, efficient, truthful, accurate, complete, timely, and fair manner. In 2024, the Company disclosed 118 A-share announcements and 132 H-share announcements; there were no instances of insider information knowledgeable persons using insider information to trade company shares before the disclosure of significant sensitive information, ensuring that all shareholders, especially minority shareholders, have equal access to company-related information.

# 6.1.3 Shareholder rights

The Company places great emphasis on shareholder interests and is committed to rewarding its shareholders, effectively safeguarding their voting rights, right to information, and right to returns. The Company continuously improves its shareholder communication policies and meeting rules, strictly adheres to laws and regulations as well as the Articles of Association when convening shareholder meetings, which are held both on-site and through online voting to ensure that shareholders can exercise their rights in accordance with the law. The Company pays special attention to the rights of minority shareholders, disclosing the voting situation of minority shareholders for shareholder meeting proposals that affect their interests. The Company maintains ongoing communication with shareholders through various means such as information disclosure, shareholder meetings, performance briefings, the SSE e-Interactive platform, reception of research visits, online collective reception days, investor hotlines, and email, ensuring that shareholders have sufficient information and their rights are protected.

In 2024, the Company implemented the profit distribution plan for the fiscal year 2023 and the mid-term profit distribution plan for 2024, with a total cash dividend of RMB 3.07 billion.

# 6.1.4 Investor relations management

The Company places great emphasis on investor relations management and has formulated the Information Disclosure Affairs Management System, Investor Relations Management System, and Board Secretary Work Standards. It has designated the chairman as the primary responsible person and the board secretary responsible for coordinating the work

The Company continuously strengthens communication with investors and actively maintains a positive image in the capital market. In 2024, the Company participated in the collective performance briefing of SSE-listed companies of China Merchants Group, with the Company's president, vice president (chief financial officer) and secretary of the board, and independent directors attending the briefing. More than a hundred domestic and overseas institutional analysts and more than 30 media outlets participated in the collective performance briefing, with 200,000 people attending online. The Company communicates with a wide range of investors through shareholder meetings, performance briefings, analyst meetings, the SSE e-Interactive platform, attendance at broker strategy meetings, reception of research, online collective reception days, investor hotlines, emails, and other methods, with a total of more than 400 person-times of communication. The Company adheres to the principles of compliance, equality, initiative, and honesty and trustworthiness, establishes a good interactive mechanism for communication with investors, and enhances investors' recognition of the Company's investment value. At the end of 2024, the Company's market value ranked third among listed securities firms.

# 6.2 Risk and Internal Control Management 6.2.1 Risk Management

CMS adheres to a prudent risk management philosophy and has established a sound integrated risk management system for the group in accordance with laws and regulations such as the Management Measures for Risk Control Indicators of Securities Companies, the Comprehensive Risk Management Standards for Securities Companies, and Guidelines for Liquidity Risk Management of Securities Companies.

The Company has established a modern risk management framework consisting of five levels based on its own operational needs, including strategic arrangements by the Board of Directors, supervision and inspection by the Supervisory Board, risk management decisions by senior management and the Risk Management Committee, risk control checks and balances by risk management related functional departments, and direct management of other departments, branches, and wholly-owned subsidiaries. At the same time, the Company has established three lines of defense for risk management to identify, assess, handle, monitor, inspect, and report risks. The first line of defense is the implementation of effective risk management self-control by all departments, branches and subsidiaries; the second line is the implementation of professional risk management by functional departments related to risk management; and the third line is the follow-up supervision and evaluation by the Audit Department and the Supervision Department.

The Company has established a comprehensive risk management system based on the Comprehensive Risk Management System of China Merchants Securities Co., Ltd.,, including comprehensive risk, market risk, credit risk, operational risk, liquidity risk, reputational risk, and money laundering risk. It comprehensively covers all aspects of the business operations and professional risk management of the parent and subsidiary companies, achieves accurate identification, scientific evaluation, and effective response to risks, thus building a robust safety shield for the high-quality and sustainable development of the Company and continuously improving its ability and quality in serving the real economy.

The Company formulates the operable risk identification and assessment methods and processes for different types of risks, with a proactive assessment of major operational risks conducted annually, and Risk identification performed independent pre-examinations on high-risk and innovative businesses to proactively identify and early warning potential risks. The Company accurately calculates and dynamically monitors key risk indicators on a T+1 basis, assesses and forecasts changes in various risk indicators, provides timely warnings for situations that exceed various types and levels of risk limits, and identifies potential risks in advance. Based on the results of risk assessments and early warnings, the Company selects response strategies that align with its risk appetite. Mechanisms for asset impairment, risk hedging, capital replenishment, Risk control and scale adjustments, and asset-liability management are established. The Company regularly evaluates the monitoring risks of its full business scope and supervises the implementation of risk response measures to ensure that risks are controllable, measurable, and bearable. The Company has established a multi-frequency, multi-dimensional risk reporting system. The Risk Management Department submits regular reports to the management team, reflecting risk identification, Risk reporting assessment results, and response strategies. Special reports are provided for major operational risks. The and management management team regularly reports the Company's risk status to the Board of Directors and promptly informs them of any major risk situations.



CMS has deeply practiced the risk management culture of "Dunxing Zhiyuan" (Endeavor to Go Far), building an all-encompassing, multi-dimensional cultural transmission mechanism. Through combining online and offline approaches, the Company has innovatively utilized diversified platforms such as the OA Knowledge Center, CMS Academy's digital platform, and elevator displays. It regularly organizes risk management-focused training sessions, case studies, and thematic salons. The Company has also established a risk management performance evaluation system, incorporating risk indicators into the Key Performance Indicators (KPIs) for all employees, supported by a comprehensive accountability mechanism, ensuring the effectiveness of comprehensive risk management, and making the risk culture and risk management concept deeply rooted in people's hearts.

😫 Case

Special Training on the Theme of "Strengthening Credit Risk Management and Effectively Preventing Risk Events"

To comprehensively enhance the Company's credit risk management capabilities and fortify the risk control bottom line, CMS successfully held a special training session on "Strengthening Credit Risk Management and Effectively Preventing Risk Events" on October 17. This training was aimed at frontline employees, business managers, and professional risk control personnel in the risk management department who are directly involved in credit risk-related operations within the Company. The training content systematically covered fundamental credit risk theories, constraints on credit-related



businesses, as well as practical operations in the management of credit risks in financing, bond investment, and counterparty credit risks. Through typical case analyses and practical experience sharing, the training provided participants with actionable risk management tools and methods.

# 6.2.2 Compliance management

CMS continues to improve its compliance management systems. In 2024, 11 important regulations were introduced and revised, including two new regulations such as the Rules for Authorization of Legal Representatives of China Merchants Securities Co., Ltd. and 9 revised regulations such as the Information Barrier and Conflict of Interest Management Measures of China Merchants Securities Co., Ltd. The Company has established a comprehensive compliance management organizational structure that includes the Board of Directors, senior management, Chief Compliance Officer, Legal and Compliance Department, various departments and branches, subsidiaries at all levels, and corresponding compliance management personnel.

During the year, the Company continued to strengthen the legal compliance review and demonstration of major decisions, new products and new business programs, indicating compliance risks, providing legal compliance suggestions based on the specific business conditions, strengthening compliance guidance and services, and providing a strong guarantee for the development of the Company's various business norms. A total of 10 major decisions, new products and new business plans were reviewed and deliberated throughout the year to support the orderly advancement of business norms.

Under a fully-covered compliance risk prevention system, the Company consistently adheres to a bottom-line thinking approach, regularly conducting compliance risk assessments, focusing on key business areas. In 2024, the Company conducted over 40 compliance inspections, and carried out proactive and preventive compliance inspections on key modules such as investment banking, subsidiaries, custodians, and securities investment behaviors of employees to eliminate compliance risks in a timely manner.

The Company continues to deepen the construction of compliance training and compliance culture system, and carries out targeted and frequent legal compliance training and compliance culture promotion based on contract management and branch compliance management, enhances the practice norms and typical case warning education, strengthens the pertinence of legal compliance training and compliance culture promotion, and reduces compliance risks from the source. In 2024, the Legal and Compliance Department of the Company conducted a total of 30 legal and compliance training sessions online and offline, covering all employees of the Company. The content covered criminal compliance and risk prevention in the field of securities and finance, the revision and interpretation of the Company Law of the People's Republic of China, and the improvement of the compliance specialist's ability, so as to continuously strengthen employees' compliance awareness and risk prevention ability.

#### Case Criminal Compliance and Risk Prevention Training of the Company

On June 27, 2024, the Company organized Criminal Compliance and Risk Prevention Training, with a total of 3,472 employees participating. The training covered all departments, branches, and wholly-owned subsidiaries within the Company. External experts were invited to deliver the training, focusing on criminal compliance and risk prevention in the securities and financial sectors. The aim was to enhance employees' awareness of compliance, strengthen investment behavior management, and prevent illegal and irregular activities such as insider trading.



# 6.2.3 Internal control and audit

CMS continues to strengthen internal audit and supervision, standardize internal audit work, and fully leverage its significant role in corporate governance, operational standardization, and achieving development goals. In line with external regulations such as the Internal Audit Guidelines for Securities Companies, the Group's related systems, and the CMS Articles of Association, the Company revised the Code of Professional Ethics for Internal Audit Personnel, and enhanced the development of audit culture, clearly outlining the ethical conduct that auditors must adhere to, including integrity, compliance, and fairness. Additional clauses on work confidentiality and prohibited behaviors have also been added. The Audit Department promotes an independent, fair, and integrity audit culture and is committed to building a loyal, integrity, and responsible audit team.

In terms of internal control evaluation, the Audit Department continuously continues to carry out rectification tracking of internal control deficiencies and maintains a rectification ledger to supervise all units to implement rectification. In 2023, 24 deficiencies identified were fully rectified, with 11 internal policies being revised or published, thus improving the internal control system.

For information security audits, the Audit Department conducts specialized information security management audits every three years as required by law, assesses the control and implementation of various aspects of information security management, and supervises and promotes its standardized operation.

Regarding ethical standards audits, the Audit Department engages professional institutions to regularly audit the performance of senior executives according to requirements of relevant laws and regulations and conducts off-office audits when management or key personnel leave their positions, focusing on their economic responsibilities and compliance.

In the area of taxation, the Company strictly adheres to tax policies, pays taxes on time, and reasonably applies tax benefits. All units have a good tax credit record, having received A-level tax credit ratings for three consecutive years, with no tax penalties incurred.

# 6.3 Compliance and Integrity Management 6.3.1 Anti-money laundering

#### Anti-money laundering system and management framework

The Company has established a comprehensive anti-money laundering (AML) risk management framework, forming a three-level management system "Board of Directors (Risk Management Committee)- Anti-Money Laundering Risk Management Leadership Group- Anti-Money Laundering Risk Management Task Force". Adhering to the requirements of laws and regulations such as the Anti-Money Laundering Law of the People's Republic of China, CMS continuously improved anti-money laundering internal control systems. The Company has formulated the Anti-Money Laundering and Terrorist Financing Risk Management Measures, which define the overall requirements for anti-money laundering work. This is further elaborated through 12 company-level regulations that detail the obligations and responsibilities, including key documents such as the Customer Due Diligence Management Measures, and Anti-Money Laundering Publicity and Training Management Measures. In terms of operational level, the Company has introduced five guideline documents, including the Customer Money Laundering Risk Classification Work Guidelines, the Suspicious Transaction Reporting Guidelines, and the Anti-Money Laundering List Monitoring Guidelines, and compiled the Anti-Money Laundering Operational Manual, improving specific operational standards for anti-money laundering efforts.

#### Communication mechanism and departmental coordination

The Company places high importance on advancing and implementing anti-money laundering work, ensuring its effective execution through various means. In 2024, a top-down meeting communication mechanism was established and an anti-money laundering meeting was organized. Additionally, the Company regularly organizes meetings with relevant departments to communicate on anti-money laundering obligations, and actively promotes the implementation of anti-money laundering priorities in various technology departments, and subsidiaries.

In 2024, the Company also established a Money Laundering Risk Self-Assessment Task Force to develop and execute the Money Laundering Risk Self-Assessment Plan. Through interviews, indicator model review meetings, and formal assessment launch meetings, the Company collaborated with business departments and branches to optimize and improve project indicators and models, summarized the assessment results, and compiled the self-assessment report.

#### Special tasks and corrective measures

To continuously enhance the effectiveness of anti-money laundering work, in 2024, the Company initiated a comprehensive review and optimization of anti-money laundering efforts. Each unit conducted self-assessments of its anti-money laundering operations, clarified corrective tasks, and established deadlines for completion, ensuring that corrective actions were implemented according to plan.

In terms of training and publicity, the Company organized 16 anti-money laundering training sessions and the training content covered anti-money laundering laws and regulations, latest regulatory policies, key business issues, and case analyses in 2024. The Company also actively cooperates with regulatory authorities' promotional requirements and organized the following activities, "Police and Public United in Preventing Money Laundering Risks" on-site promotional events, "Strengthening the National Anti-Money Laundering Defense Line, Rejecting Illegal Financial Traps" online promotional activities, "Anti-Money Laundering Awareness in Action" themed awareness month. Through these various forms, the Company effectively promoted widespread awareness of anti-money laundering knowledge.

#### 😫 Case

#### Interpretation of the Anti-Money Laundering Law of the People's Republic of China Training

From November 27 to December 15, 2024, the Company organized a training session on the Interpretation of the Anti-Money Laundering Law of the People's Republic of China. The training was targeted at compliance officers, counter staff, wealth advisors, and other anti-money laundering personnel from various departments and branches, with a total of 3,515 participants. The training focused on interpreting the latest anti-money laundering regulations, helping employees stay updated on regulatory developments and legal changes, and improving their professional competence.

😫 Case

#### Transmission of the Spirit of the Shenzhen Securities Industry Anti-Money Laundering Symposium

On August 16, 2024, the Company communicated the spirit of the Shenzhen Securities Industry Anti-Money Laundering Symposium. Participants included Company leaders, heads of headquarters departments, branch and business unit managers, and heads of wholly-owned subsidiaries, totaling 302 people. The meeting highlighted the prominent issues in anti-money laundering duties and clarified further work requirements, promoting the continuous optimization of the Company's anti-money laundering efforts. In terms of system optimization, the Company enhanced the anti-money laundering system, self-assessment system, and list monitoring system by refining key indicators and processes. This optimization further improved the systems' functionalities and boosted the technical support capabilities for anti-money laundering work.

Furthermore, the Company adhered to a risk-based approach and conducted targeted anti-money laundering inspections in areas with higher money laundering risks, such as Shanghai, Hunan, and Zhejiang. The Company promptly addressed identified issues, clarified corrective actions, and ensured the effective implementation of anti-money laundering work.

Through the optimization of the anti-money laundering mechanisms, strengthening departmental collaboration, and carrying out special tasks, CMS continuously enhanced the overall effectiveness of its anti-money laundering efforts in 2024, strengthening its risk prevention capabilities. The Company will continue to uphold a risk-based approach, further advance its anti-money laundering initiatives, fulfill its social responsibility as a financial institution, and ensure the efficient execution of anti-money laundering work.

## 6.3.2 Anti-corruption

Strictly complying with legal and regulatory requirements such as the the Criminal Law of the People's Republic of China and the Supervision Law of the People's Republic of China, CMS formulated the CMS Employee Integrity Management Measures and the CMS Party Conduct and Integrity Building and Anti-Corruption Work Coordination Measures, continuously improves the comprehensive prevention system, strengthens management and supervision, sets strict accountability to build a solid firewall.

The Company builds a comprehensive supervision system, established a coordination group for integrity and anti-corruption supervisory, and fully utilized the supervisory functions of party building, human resources, discipline inspection, auditing, finance, compliance, risk control, etc. In 2024, the Company revised the CMS Employee Integrity Management Measures to further clarify the requirements for ethical conduct, improve the supervision mechanism, and strengthen the regulation and management of staff integrity; introduced the Implementation Measures by the Party Committee of China Merchants Securities on Advancing the Integrated Approach to "Dare Not Corrupt, Cannot Corrupt, and Do Not Want to Corrupt", aiming to systematically promote anti-corruption efforts and build a comprehensive, long-term integrity and prevention system; revised the Implementation Guidelines for the Ten Measures on Deepening the Spirit of the Central Eight Regulations and Strengthening Work Style Construction, which detailed specific actions for implementing the Central Eight Regulations, reinforcing work style construction, and enhancing the level of corporate governance and integrity in business practices.

CMS organized anti-corruption training sessions, with 1,548 management personnel and over 22,516 employees participating, covering the entire workforce. Through these training sessions, the Company effectively raised the integrity awareness of management and staff, promoted the dissemination of anti-corruption knowledge, and strengthened the overall compliance culture within the Company.

In 2024 the Company conducted a new employee training session on integrity in the workplace and accountability management, with approximately 288 participants. On February 26, 2024, the Company organized a viewing of a warning education video for leadership cadres, with approximately 125 participants. In May 2024, the Company conducted a warning education session focusing on typical cases of illegal and irregular behavior, with around 337 participants.

From August to September 2024, the Company organized a "Strengthening Discipline and Regulation Awareness, Advancing the Construction of New Era Integrity Culture" themed education month. Activities included: Promoting the CMS Employee Integrity Management Measures; organizing study sessions on the Regulations on the Disciplinary Actions for State-Owned Enterprise Management Personnel and Sunshine Procurement, Integrity in the Workplace; conducting case-based warning education on securities practitioners' bribery crimes and illegal stock trading; organizing a visit for employees to the Shenzhen Capital Market Integrity Education Base for learning (this visit was exclusive to Shenzhen-based employees). Apart from the last activity, the other sessions were open to all employees.

From March to August 2024, the Company organized multiple sessions of case reports on violations of the Central Eight Regulations. The participants varied in each session.

The Company incorporates employees' integrity in the human resources management system, includes integrity into employee assessments, including hiring, promotion, appointment, resignation, and appraisal processes, and organizes employees to sign an Integrity Commitment Letter, ensuring adherence to integrity in business activities. The Company carried out the sorting and improvement of integrity risk points and control measures and conducted an annual self-inspection and inspection of integrity in the headquarter departments and all subsidiaries and branches. The Company also organized integrity warning education meetings for all employees, especially for new employees to enhance conscious adherence to integrity.



#### **Anti-Corruption Training Cases**

#### • Integrity Management Structure



The Board of Directors clearly defines the objectives for integrity management and assumes responsibility for its effectiveness.

It implements the goal of integrity management and takes responsibility for integrity operation.



Legal and Compliance Department, Risk Management Department, and Audit Department: Cooperate within their respective duties to supervise and inspect the Company and employees' integrity in their roles. Human Resources Department: Responsible for incorporating employees' integrity perfor-

Supervision Department: The leading department for integrity supervision and inspection.

muman Resources Department: Responsible for incorporating employees integrity performance into the human resources management system.

**Finance Department:** Responsible for strengthening financial discipline and enhancing financial supervision.

Heads of Departments, Branches, and Wholly-Owned Subsidiaries: Assume corresponding management responsibilities within their scope of duties.

#### Integrity Control System



All the units conduct business analysis to identify integrity risk points related to the types of business, stages, and related work undertaken by the unit and its employees, and establish a scientific and systematic integrity risk assessment mechanism.

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According to each type of business and stage, the Company standardizes the application of process. We carry out detailed division of labor and management of relevant rights and responsibilities of process approval nodes, strengthen post checks and balances, and ensure the implementation of responsibilities.

Carry out supervision and inspection of incorruptible practice. For those who find that all units and staff have not fulfilled their obligations of integrity, the Company will seriously hold them accountable in accordance with the relevant provisions.

# 6.3.3 Petitions and whistleblower protection

The Company has established a comprehensive mechanism for petitions, formulated the CMS Discipline Inspection and Supervision Petition Reporting Work Management Measures. A "Petition Portal" is set up on the OA homepage as a channel for petitions, with the scope of acceptance, petition channels, and processing procedures clearly defined. The Company pays attention to protecting the legal rights and interests of whistleblowers and strictly prohibits any threat, discrimination, challenging, or even retaliation against whistleblowers and their relatives. Personal information of whistleblowers is kept strictly confidential, and it is strictly forbidden to transfer the materials of complaints and accusations to the accused or relevant units. Actions that infringe on the democratic rights of whistleblowers are seriously investigated.

# 6.3.4 Fair competition

Adhering to relevant laws and regulations against unfair competition, such as the Anti–Unfair Competition Law of the People's Republic of China, the Company strictly prohibits the use of improper business methods to seek transaction opportunities or undermine the competitive advantages of other operators, disrupting market competition. In 2024, the Company did not encounter any litigation cases arising from improper competitive behavior.

# 6.3.5 Supplier management

CMS has established partnerships with 278 suppliers from mainland China and 83 suppliers from Hong Kong, Macau, Taiwan, and overseas countries or regions. After evaluation, the decision was made to terminate cooperation with 15 suppliers. At the same time, all suppliers have signed anti-commercial bribery clauses, with a signing rate of 100%, ensuring the compliance of the supply chain and demonstrating zero tolerance for commercial bribery. The Company comprehensively promotes the Transparent Procurement Project, continuously strengthening compliance management from various aspects such as post settings, regulation construction, and disciplinary constraints, to ensure transparent procurement. The procurement demand departments, procurement organization departments, and inspection supervision departments perform their duties according to the four principles of legality and compliance, fairness and justice, collective decision–making, and avoidance of interest. Additionally, the Company has formulated and continuously optimized the CMS Procurement Management System, clearly specified the division of responsibilities in procurement management, business processes, approval authorization, and violation accountability, continuously improving the management mechanism and operational procedures of the procurement execution process.

The CMS Procurement Management System specifies that procurement activities must adhere to the principles of openness, fairness, justice, honesty, and avoidance of conflict of interest. A Supplier Code of Conduct applicable to all suppliers has been developed and specified the commercial ethics and behavior standards that suppliers should follow. Please refer to the latest Supplier Code of Conduct released on the official website for details.

The Company will continue to deepen the "sunshine procurement" initiative, further strengthening the system construction and enforcement efforts to ensure the compliance and transparency of procurement activities. By improving the management mechanisms, strictly regulating supplier conduct, and enhancing supervision and evaluation, the Company continuously improves the fairness and standardization of procurement work, effectively preventing procurement risks, safeguarding the legal rights and interests of the Company and its partners, and promoting the continuous optimization and efficient operation of procurement management.

## Appendix I: Policies Reference

lssue	External policies	Internal policies
Environmental control	Environmental Protection Law of the People's Republic of China Energy Conservation Law of the People's Republic of China Work Safety Law of the People's Republic of China Fire Control Law of the People's Republic of China	China Merchants Securities Co., Ltd. Fire Safety Management Regulations
Labor management	Labor Law of the People's Republic of China Production Safety Law of the People's Republic of China Regulations on the Promotion of Harmonious Labor Relations in the Shenzhen Special Economic Zone	Recruitment Management Measures Labor and Employment Management Measures Training Management Regulations of China Merchants Securities Co., Ltd.
Supply chain management		Supplier Management Regulations of China Merchants Securities Co., Ltd. Procurement Management System of China Merchants Securities Co., Ltd.
Information security management	Securities Law of the People's Republic of China Data Security Law of the People's Republic of China Personal Information Protection Law of the People's Republic of China	Management Measures for the Protection of Personal Information of Investors of China Merchants Securities Co., Ltd. Management Measures for Information Technology Emergency Plan and Emergency Drill of China Merchants Securities Co., Ltd. Management Measures for Emergency Management of Network Security Incidents of China Merchants Securities Co., Ltd. Management Measures for Intellectual Property Rights of China Merchants Securities Co., Ltd.
Product management	Regulations on the Management of Securities Firms' Agency Sales of Financial Products Measures for the Supervision and Management of Publicly Offered Securities Investment Fund Sales Institutions	Management Measures for Financial Product Agency Sales Business of China Merchants Securities Co., Ltd. Management Measures for Investor Education Work of China Merchants Securities Co., Ltd. Management Measures for Investor Education Center of China Merchants Securities Co., Ltd. Customer Service Guidelines for Wealth Advisors at the Branches

lssue	External policies	lr
Public welfare and charity management		Regu Secur
Corporate governance	Company Law of the People's Republic of China Securities Law of the People's Republic of China Listing Rules of the Shanghai Stock Exchange	Artid Mana Secu Inside Inves
Risk management	Management Measures for Risk Control Indicators of Securities Companies Comprehensive Risk Management Standards for Securities Companies Guidelines for Liquidity Risk Management of Securities Companies	Com Co., L
Compliance and internal control	Securities Law of the People's Republic of China Anti-Money Laundering Law of the People's Republic of China	Anti- Manu Guide Anti- Inforr
Integrity management	Criminal Law of the People's Republic of China Supervision Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China Company Law of the People's Republic of China Regulations on the Disciplinary Actions for State-Owned Enterprise Management Personnel	Mana Finar Mana CMS Coor Imple on Ac Corr Imple Cent

#### Appendix

Internal policies
gulations on Public Welfare and Charity Management of China Merchants curities Co., Ltd.
tides of Association of China Merchants Securities Co., Ltd.
anagement System for Information Disclosure Affairs of China Merchants curities Co., Ltd.
ider Information Informed Persons Registration System
estor Relations Management System
mprehensive Risk Management System of China Merchants Securities », Ltd.
ti-Money Laundering and Terrorist Financing Risk Management Measures
anual of Anti-Money Laundering Operations
idelines for Anti-Money Laundering List Monitoring
ti-Money Laundering Publicity and Training Management Measures
ormation Wall and Conflict of Interest Management System
anagement Measures for Anti-Money Laundering and Counter-Terrorist nancing Risks
anagement Measures for Anti-Money Laundering Publicity and Training
ti-Money Laundering Operational Manual
1S Employee Integrity Management Measures
1S Party Conduct and Integrity Building and Anti-Corruption Work ordination Measures.
plementation Measures of the Party Committee of China Merchants Securities Advancing the Integrated Approach of Preventing Corruption, Curbing rruption, and Discouraging Corruption"
plementation Guidelines for the Ten Measures on Deepening the Spirit of the ntral Eight Regulations and Strengthening Work Style Construction

#### Appendix II: Quantitative Performance Table

#### Environmental Indicators Performance Sheet

Direct and Indirect Greenhouse Gas Emissions from Business Activities

		Indicator	Unit	2024	2023	2022	2021
		Scope I: Total gasoline emissions	tCO <sub>2</sub>	653	711	956	1,051
	₽.	Scope I: Gasoline emissions per employee	tCO <sub>2</sub> /person	0.05	0.06	0.08	0.09
	rect e	Scope I: Total diesel emissions	tCO <sub>2</sub>	10.41	13.43	16.90	_
	Protection         Scope I: Total gasoline emissions         Corporation         C	tCO <sub>2</sub> /person	0.0008	0.0011	0.0014	-	
	suc	Scope I: Total natural gas emissions	tCO <sub>2</sub>	5.41	10.88	_	_
		Scope I: Natural gas emissions per employee	tCO <sub>2</sub> /person	0.0004	0.0009	-	-
	Indire So	Scope II: Total emissions of outsourced electricity	tCO <sub>2</sub>	22,818	20,907	16,125	14,697
	irect e	Scope II: Emissions of outsourced electricity per employee	tCO <sub>2</sub> /person	1.70	1.64	1.29	1.22
	emissi		8,810.76	10,772.55	_		
Gre	ons		tCO <sub>2</sub> /person	0.24	0.69	0.86	-
enho	Oth	Scope III: Emissions from employees' usiness trip vehicles	tCO <sub>2</sub>	4,663	4,787	666	-
use ga			tCO <sub>2</sub>	531	657	505	-
ases	ner ind	Scope III: Waste disposal and discharge <sup>4</sup>	tCO <sub>2</sub>	25	92	0.08         16.90         16.90         -         -         10         129         120         10.772.55         0.86         666         505         93         0.010         219         0.0002         -         23         97.871	-
	direct	Scope III: Waste disposal and discharge per employee	tCO <sub>2</sub> /person	0.002	0.010		-
	emiss	Scope III: Wastewater disposal and discharge	tCO <sub>2</sub>	1.91	1.70		_
	ions	Scope III: Waste water disposal and discharge per employee	tCO <sub>2</sub> /person	0.0001	0.0001	0.0002	-
		Scope III: Use of Fire Extinguishers	ton of carbon dioxide	0.97	-	93 0.010 2.19	_
		Total greenhouse gas emissions (Scope I, II)	tCO <sub>2</sub>	26,716	30,453	27,871	15,748
		Greenhouse gas emissions Scope I, II) per employee	tCO <sub>2</sub> /person	1.98	2.38	223	1.31
		Greenhouse gas emissions for Scope I <sup>1</sup>	tCO <sub>2</sub>	669	735	973	1051
		Greenhouse gas emissions for Scope II <sup>2</sup>	tCO <sub>2</sub>	26,047	29,719	26,898	14,697
		Greenhouse gas emissions for Scope III <sup>3</sup>	tCO <sub>2</sub>	5,221	5,536	1,267	-

Notes: 1: The emission factors for gasoline, natural gas, and diesel are based on the Guidelines for Energy Saving and Emission Reduction Calculation of Green Credit Projects and the Guidelines for Quantifying and Reporting Organizational Greenhouse Gas Emissions. 2: The calculation of purchased electricity refers to the average carbon dioxide emission factors of regional power grids in China in 2012 released by the National Development and Reform

Commission's Climate Change Department.

Business travel transportation data is derived from the Company's financial department's travel reimbursement system, and emission factors refer to the China Product Life Cycle Greenhouse Gas Emission Coefficient Database and the Guidelines for Carbon Neutrality Emission Accounting in Guangzhou, among others.
 The calculation of emissions from waste disposal is based on guidelines such as the Greenhouse Gas Accounting System: Corporate Accounting System and Reporting Standards developed by the World Resources Institute, IPCC emission factors corresponding to waste disposal, and the Guidelines for Carbon Neutrality Emission Accounting for Carbon Neutrality Emission Accounting in Guangzhou.

#### Disposal of Waste Generated from Business Activities

	Indicator	Unit	2024	2023	2022	2021
	Total ink cartridges	branch	303	420	1,096	744
	Ink cartridges per employee	branch/person	0.02	0.03	0.09	0.06
Hazardous wastes	Toner cartridges	box	2,087	2,771	2,745	3,703
	Toner cartridges per employee	box/person	0.16	0.22	0.22	0.31
	(Fluorescent) tubes	branch	2,046	2,786	3,411	5,614
	(Fluorescent) tubes per employee	branch/person	0.15	0.22	0.27	0.47
Harmless	Office Wastes	tons	45.18	167.16	170.59	-
wastes	Office Wastes per employee	tons/person	0.003	0.01	0.01	-

#### Energy and Resource Consumption Generated by Business Activities<sup>1</sup>

	Indicator	Unit	2024	2023	2022	2021
	Electricity consumption	kW∙h	40,410,268	36,884,072	29,345,238	24,560,162
	Electricity consumption per employee <sup>2</sup>	kW∙h/person	3,002.03	2,888.56	2,350	2,046
Energy	Gasoline consumption	kiloliters	295	320	443	480
	Gasoline consumption per employee	kiloliters/person	0.02	0.03	0.04	0.04
	Diesel consumption	kiloliters	3.85	4.97	6.47	0
	Diesel consumption per employee	kiloliters/person	0.0003	0.0004	0.0005	0
	Natural gas consumption	m³	2,500	5,031	-	-
	Natural gas consumption per employee	m³/person	0.19	0.39	-	-
Water	Office water consumption	tons	159,745	186,973	173,575	173,282
resource	Office water consumption per employee	tons/person	11.87	14.64	13.90	14.43
Office paper	Office paper consumption	tons	67.64	66	43	-
	Office paper consumption per employee	tons/person	0.0050	0.0051	0.0034	-
	Recycled paper usage	pieces	1,800	2,108	-	-

Notes

1: The scope of environmental data statistics for 2024 includes the annual environmental data of China Merchants Securities Shenzhen Headquarters (China Merchants Securities Building) and Information Technology Center, 14 branch offices, 265 business departments, and five wholly-owned subsidiaries. The same applies below. 2: Per employee data is calculated using the total number of employees at the end of the reporting period as the denominator. The same applies below.

#### The Emissions Data Reported by Type

	Indicator	Unit	2024	2023	2022	2021
_	Total nitrogen oxide emissions	g	369,798	401,557	554,972	1,225,960
	Nitrogen oxide emissions per employee	g/person	27.5	31.5	44.4	102.1
	Total particulate matter	g	27,227	29,566	40,861	90,265
Emissions	Emissions of particulate matter per employee	g/person	2.02	2.32	3.27	7.52
LINISSIONS	Total sulfur oxide emissions	kg	4.40	4.78	6.61	7.06
	Sulfur oxide emissions per employee	kg/person	0.00033	0.00037	0.00053	0.00059
	Total discharge of sanitary wastewater	tons	74,677	66,620	85,579	155,955
	Per employee sanitary wastewater	tons/person	5.5	5.2	6.9	13.0

Note: The calculation method for emissions of nitrogen oxides, sulfur oxides, and particulate matter adopts the Appendix II: Reporting Guidelines for Environmental Key Performance Indicators published by the HKEX.

#### Social Indicators Performance Sheet

	Indicator	Unit	2024	2023	2022	2021
Charity	Total amount of donations from China Merchants Securities Charity Foundation	RMB 10,000	174.88	400.56	332.65	259.07
	Online and offline education and publicity covers person-times	hours	44,102,492	3,116,974	37,852,053	537,716
	Number of investor education activities	times	1,646	1,759	3,141	1,839
	Quantity of teaching products issued by the headquarters and branches	units	3,078,405	249,915	711,714	661,328
	The average opening time of the teaching base for month	hours	216	216	216	216
_	The total number of teaching activities in the teaching base	hours	455.58	544.9	166	110
Customer	Customer satisfaction of the teaching base	%	96.76	99.6	99.7	99.0
service	The base serves the public every month	hours	1,245	1,197	841	881
	The average person participates in online and offline research every month	hours	719	990	830	758
	Original creation rate of the investment and teaching base	%	57.85	46.4	54	73
	Total number of complaints received by the Company	complaints	2,047	1,029	4,733	-
	Complaints handling response rate	%	100	100	100	100
	Annual comprehensive customer satisfaction	points	99.74	99.51	99.43	98.64

	Indicator		Unit	2024	2023	2022	2021
	Number of suppliers	Number of suppliers in Chinese mainland	company	278	377	364	-
Supplier	by region	Number of suppliers from Hong Kong, Macao, Taiwan and overseas	company	83	82	100	-
Supplier management	Number of suppliers to b	e terminated cooperation after assessment	company	15	5	0	-
	Signatory rate of supplie	r anti-bribery clauses	%	100	100	77.16	-
	The total number of emp	loyees	person	13,461	12,769	12,488	12,005
	Number of employees	Number of male employees	person	7,599	7,291	7,186	7,054
	by gender	Number of female employees	person	5,862	5,478	5,302	4,951
	Number of employees	Number of full-time employees	person	13,461	12,769	12,488	12,005
	by employment type	Number of part-time employees	person	0	0	0	0
	Number of employees by region	Number of employees in China (Mainland)	person	12,999	12,314	12,057	11,521
		Number of overseas employees (including Hong Kong, Macao and Taiwan)	person	462	445	431	484
Labor	Number of employees by age group 3	Number of employees aged 30 and below	person	5,228	4,473	4,620	-
		Number of employees aged 30–50	person	7,443	7,497	6,997	_
		Number of employees aged 50 and above	person	790	799	871	-
	Comprehensive turnover rate		%	13.4	12.77	10.06	10.33
	Number of employee turnover by gender	Number of male employee turnover	person	1,072	966	530	-
		Number of female employee turnover	person	686	665	393	-
		Number of employee turnover aged 30 and below	person	831	998	455	-
	Number of employee turnover by age group	Number of employee turnover aged 30-50	person	864	607	422	_
	•	Number of employee turnover aged 50 and above	person	63	26	46	-
	Number of employee	Number of employee turnover in China (Mainland)	person	1,691	1,539	787	_
	turnover by region	Number of overseas employees turnover (including Hong Kong, Macao and Taiwan)	person	67	92	136	-
	Social insurance coverage	2	%	100	100	100	100
Employee	Number of employees	Number of non-sales employees trained	person	7,599	7,291	7,186	-
Labor management	trained by gender	Number of sales employees trained	person	5,862	5,478	5,302	-

#### Appendix 🛛

#### Appendix

	Indicator		Unit	2024	2023	2022	2021
	Number of employees trained by category	Number of non-sales employees trained	person	8,408	6,906	6,277	-
		Number of sales employees trained	person	5,053	5,863	6,211	-
	Average training	Average training hours of male employees	hours	56.79	52.32	52.67	-
	hours of employees by gender	Average training hours of female employees	hours	57.42	56.80	52.61	-
	Average training hours of employees by category	Average training hours of non-sales employees	hours	57.95	42.38	48.44	66.27
Employee development		Average training hours of sales employees	hours	45.79	68.21	56.89	72.29
and training	Average training hours	s of employees	hours	57.06	54.24	52.64	58.16
	Coverage of employee	training	%	100	100%	100%	-
	Total number of trainir	ng sessions	session	533	520	618	667
Occupational	Total attendances		person-time	454,119	674,009	722,021	728,726
	Average satisfaction w	vith training programs (100-point scale)	points	96.48	96.40	96.40	96.20
	Number of work-relate	ed fatalities	person	0	0	0	0
health and safety	Lost working days due	e to work-related injuries	day	0	0	0	0

#### Corporate Governance Indicators Performance Sheet

	Indicator	Unit	2024	2023	2022	2021
	Number of General Meeting of Shareholders	times	5	3	3	1
	Number of meetings of the Board of Directors	times	13	15	14	7
	Number of meetings of the Board of Supervisors	times	9	8	11	5
	Number of proposals considered by the Board of Directors	items	65	62	66	36
Corporate	Total number of directors	person	15	13	15	14
governance	Number of executive directors	person	2	2	2	1
	Number of non-executive directors	person	8	6	8	8
	Number of independent non-executive directors	person	5	5	5	5
	Number of female directors	person	4	1	2	2

	Indicator	Unit	2024	2023	2022	2021
	Legal cases involving corruption, bribery, extortion, fraud and money laundering	PCS	0	0	0	0
	Number of compliance education and training programs	times	30	34	75	-
Business ethics	Total number of participants in compliance education and training	person-time	25,479	Approximately 36,000	Approximately 11,000	-
	Number of annual anti-money laundering training	times	16	16	21	-
	Total number of participants in anti-money laundering training	person-time	13,919	2,788	23,611	-
	Number of anti-corruption publicity and education activities held	times	9	7	15	9
	Number of participants in anti-corruption publicity and education activities	person-time	22,516	Approximately 20,590	Approximately 30,800	Approximately 35,060
	Total number of management personnel who have received training on integrity issues (including anti-corruption, anti- commercial bribery, and anti-bribery)	person-time	1,548	-	-	_

# Appendix III: Index of the Environmental, Social and Governance Reporting Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Performanc	e Indicator Indicators	Disclosure section				
	Main category A. Environment					
	Level A1. Emissions					
General disclosure A1	relating to air and greenhouse gas emissions, discharges into water and land, and genera- tion of hazardous and non-hazardous wastes (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	3.3 Practicing Green Operations				
KPI A1.1	The types of emissions and respective emission data.	A 12 H				
KPI A1.2	Total direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, density (e.g., in per unit of production volume, per facility).	Appendix II Quantitative Performance Table				
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	Appendix II				
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	Quantitative Performance Table				
KPI A1.5	A description of emission target(s) set and steps taken to achieve them.	3.3 Practicing Green Operations				
KPI A1.6	A description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.3 Practicing Green Operations				

Performance	e Indicator Indicators	Disclosure section			
	Level A2. Resource utilization				
General disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	3.3 Practicing Green Operations			
KPI A2.1	KPI A2.1       Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and density (e.g. per unit of production volume, per facility).       Appendition (kWh in '000s)				
KPI A2.2	Water consumption in total and density (e.g. per unit of production volume, per facility).				
KPI A2.3	A description of energy use efficiency target(s) set and steps taken to achieve them.	3.3 Practicing Green Operations			
KPI A2.4	A description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.				
KPI A2.5	Total packaging material used for finishing products (in tonnes) and, if applicable, with reference to per unit produced.	As the Company's products are solely financial, this indicator does not apply.			
	Level A3. Environment and natural resources				
General disclosure A3	Policies on minimising the issuer's significant impacts on the environment and natural resources.	3.1 Response to Climate Risks			
KPI A3.1	A description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.1 Response to Climate Risks			
	Level A4. Climate change				
General disclosure A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.1 Response to Climate Risks			
KPI A 4.1	A description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.1 Response to Climate Risks			
	Main category B. Social				
	Employment and labour practices				
	Level B1. Employment				

	Level B1. Employment	
General disclosure B1	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	5.1 Protect the Rights and Interests of Employees
KPI B1.1	Total employees by gender, employment type (e.g., full-time, part-time), age group and region.	Appendix II
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Quantitative Performance Table
	Level B2. Health and safety	
General disclosure B2	Relating to providing a safe working environment and protecting employees from occupa- tional hazards: (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	5.1 Protect the Rights and Interests of Employees

Performance	e Indicator Indicators	Disclosure section	
KPI B2.1	Number and percentage of work-related deaths	Appendix II	
KPI B2.2	Lost days due to work injury.	Quantitative Performance Table	
KPI B2.3	A description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.1 Protect the Rights and Interests of Employees	
	Level B3. Development and training		
General disclosure B3	Policies on improving employees' knowledge and skills for discharging job duties. 5.2 Supporting Development Development		
KPI B3.1	Percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix II	
KPI B3.2	Average training hours completed per employee by gender and employee category.	Quantitative Performance Table	
	Level B4. Labour standards		
General disclosure B4	relating to preventing child and forced labour. (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	5.1 Protect the Rights and Interests of Employees	
KPI B4.1	A description of measures to review employment practices to avoid child and forced labour.	No child labor or forced labor was employed by the Company throughout the year.	
KPI B4.2	A description of steps taken to eliminate such practices when discovered.	5.1 Protect the Rights and Interests of Employees	
	Main category B. Society, Business practice		
	Level B5. Supply chain management		
General disclosure B5	Policies on managing environmental and social risks of the supply chain.	3.3 Practicing Green Operation 6.3 Compliance and Integrity Management	
KPI B5.1	Number of suppliers by geographical region.	Appendix II Quantitative Performance Table	
KPI B5.2	A description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		
KPI B5.3	A description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.3 Practicing Green Operation 6.3 Compliance and Integrity Management	
KPI B5.4	A description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.		
	Level B6. Product liability		
General disclosure B6	Relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. (a) Policies; and (b) Information on compliance with relevant laws and regulations that have a significant impact on the issuer	2.2 Data and Privacy Protection 2.3 Protecting Clients' Rights an Interests	

Performance	e Indicator Indicators	Disclosure section
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	As the Company's products are solely financial, this indicator does not apply
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	2.3 Protecting Clients' Rights and Interests Appendix II Quantitative Performance Table
KPI B6.3	A description of practices relating to observing and protecting intellectual property rights.	2.2 Data and Privacy Protection
KPI B6.4	A description of quality assurance process and recall procedures.	As the Company's products are solely financial, this indicator does not apply
KPI B6.5	A description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.2 Data and Privacy Protection
	Level B7. Anti-corruption	
General disclosure B7	on compliance with relevant laws and regulations that have a significant impact on the	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Appendix II Quantitative Performance Table
KPI B7.2	A description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	6.3 Compliance and Integrity Management
KPI B7.3	A description of anti-corruption training provided to directors and employees.	6.3 Compliance and Integrity Management
	Level B8. Community investment	
General disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	4.2 Practicing Public Welfare and Charity
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	4.2 Practicing Public Welfare and Charity
KPI B8.2	Resources contributed (e.g. money or time) to the focus area. Appendix II Quantitative Performance	

# Appendix IV: Benchmark Index for the Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)

Disclosure requirement	Corresponding chapter in this Report (For relevant issues that are not disclosed, provide a full explanation in accordance with the requirements of Article 7 of the Guidelines)
Response to Climate Change	31
Pollutant Emissions	33
Waste Management	33
Protection of Ecosystems and Biodiver	sity Not applicable to the Company's industry

Disclosure requirement	Corresponding chapter in this Report (For relevant issues that are not disclosed, provide a full explanation in accordance with the requirements of Article 7 of the Guidelines
Environmental Compliance Manageme	ent 33
Energy Utilization	3.3
Water Resource Utilization	33
Circular Economy	33
Rural Revitalization	421
Social Contribution	422
Innovation-Driven	21
Technology Ethics	Not applicable to the Company's industry
Supply Chain Security	645
Equal Treatment of SMEs	412
Product and Service Safety and Qualit	y 23
Data Security and Customer Privacy P	rotection 22
Employees	5
Due Diligence	1.5
Stakeholder Communication	1.1
Anti-Bribery and Anti-Corruption	642
Anti-Unfair Competition	644
Self-Disclosed Issues	-

#### Appendix