



海通证券股份有限公司
HAITONG SECURITIES CO., LTD.*

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

Stock Code: 6837



2016

Corporate Social Responsibility Report

**For identification purpose only*

I. REPORT COMPILATION DESCRIPTIONS

This report follows the concept of integration of social responsibility and corporate growth of Haitong Securities Co., Ltd. (hereinafter referred to as “Haitong Securities” or the “Company”) and specifies concrete practical work carried out for social responsibilities during the period from 1 January 2016 to 31 December 2016 (hereinafter referred to as the “Reporting Period”). All contents and data disclosed in this report have been examined and approved by board of directors of Haitong Securities. Descriptions of the disclosed contents are set forth below:

(I) SCOPE OF THE REPORT

Scope of organization: this report takes Haitong Securities as the main body, covering its principle subsidiaries including HFT Investment Management Co., Ltd., Haitong-Fortis Private Equity Fund Management, Haitong Futures Co., Ltd., Haitong International Holdings Limited, Haitong Capital Investment Co., Ltd., Haitong Innovation Securities Investment Co., Ltd. and Shanghai Haitong Securities Asset Management Company Ltd.

Reporting Period: From 1 January 2016 to 31 December 2016.

Publication cycle: this report is an annual report.

(II) REPORT COMPILATION PRINCIPLE

This report is compiled in accordance with the *Notice on Strengthening the Listed Companies’ Assumption of Social Responsibility and Publishing the Guidelines on Disclosing Environmental Information of Shanghai-listed Companies* issued by Shanghai Stock Exchange (SSE), *Guidelines on Disclosing Environmental Information of Shanghai-listed Companies*, *Compilation Guidelines on Report of Company’s Performance of Social Responsibilities* and *Rules Governing the Listing Of Securities On the Stock Exchange of Hong Kong Limited* (SEHK) and the Appendix 27 *Environment, Social and Governance Reporting Guide* as well as other related rules.

(III) DESCRIPTION OF THE REPORT DATA

Financial data of the report is extracted from *2016 Annual Report of Haitong Securities Co., Ltd.*. The rest data is collected by the Company’s internal departments.

Unless otherwise specified, RMB is regarded as the monetary unit of measurement for currency and amount involved in the report.

(IV) PUBLICATION METHOD OF THE REPORT

The report is published on:
the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>),
the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>), and
the website of Haitong Securities Co., Ltd. (<http://www.htsec.com>) in the form of electronic PDF documents.

II. COMPANY PROFILE AND FINANCIAL CONDITION

1. COMPANY PROFILE

Haitong Securities Co., Ltd. was established in 1988 and is the only large securities firm which has not been renamed or injected capital among the earliest securities companies. It is formerly named as Shanghai Haitong Securities Company which was restructured in 1994 and then developed into a national securities company. By the end of 2001, the Company was restructured into a company limited by shares. In 2002, the company completed the increase in capital and share, and the registered capital was increased to RMB8.734 billion. Then it became an integrated securities company with the largest capital scale in domestic securities industry at that time. Haitong Securities completed its A share public listing and private placement on SSE in 2007, its H share public listing on SEHK in 2012, and its H share private placement in 2015. The Company's registered capital was increased to RMB11.502 billion.

The Company has a solid brokerage business foundation. By the end of 2016, it had 337 securities and futures business departments in China, covering 30 provinces, directly controlled municipalities and autonomous regions. Besides, the Company has set up branches or subsidiaries in 14 countries and regions including the US, the UK, Portugal, Brazil, Poland, Japan, Singapore, Hong Kong and Macao. Relying on sales network covering the whole country and strategic internationalized layout, the Company has established a large-scale and stable client base. By the end of 2016, it had over 9.8 million clients at home and abroad. Market shares of the Company's total trading volume in brokerage business are in the first rank. The Company's investment banking business has a great market influence. Through with professional service ability, excellent innovation ability and excellent sales pricing ability, the Company provides all-around personalized financing solutions to clients and enjoys high reputation in securities issuance and underwriting of financial high-tech enterprises and private enterprises, restructuring and reorganization of state-owned enterprises and acquisition and reorganization of cultural media enterprises. The Company is one of the first batch of qualified host securities companies. With research strength and top ranking influence in the industry, the Company has won first place of "The best macroeconomic research team" and "The best strategy research team" awarded by *New Fortune* in 2016.

The Company actively promotes the internationalization strategy and integrated domestic and overseas business and makes efforts to build an overseas business development platform. In January 2010, the Company successfully acquired Tai Fook Securities, an old brand securities company in Hong Kong, and it which was renamed as Haitong International Securities Group Limited. Through the integration and development of for nearly seven years, Haitong International Securities Group Limited. has become a mature internationalized international business platform for the Company to do overseas business, and its leadership established its leading position in among the Chinese securities institutions in Hong Kong has been established, with the main business indicators ranking top among Hong Kong investment banks. In September 2015, the Company successfully acquired Banco Espírito Santo de Investimento (BESI) and renamed it as Haitong Bank, S.A., which further enhanced the international brand awareness and brand influence of Haitong and improved the overseas layout and deepened the internationalization strategy.

II. COMPANY PROFILE AND FINANCIAL CONDITION

The Company actively promotes the construction establishment of a financial holding group and has basically established a financial holding group with securities as the core and businesses covering many fields including futures, direct equity investment, fund and financial leasing. The Company takes the leading position in PE investment field in the domestic securities industry and has built a famous brand in this field. The Company owns professional asset management subsidiaries such as Haitong Asset Management Co, Ltd., HFT Investment Management Co., Ltd. and Fullgoal Fund Management Co., Ltd. with a total asset scale of more than RMB1.48 trillion. The Company has set up the Haitong Innovation Security Investment Co., Ltd. to build a professional platform for alternative investment. The market share of the company's subsidiary Haitong Futures Co., Ltd. is among the top three in the futures industry. In 2013, the Company successfully acquired UT Capital Group Co., Ltd. and became the first securities company engaged in financial leasing business. Through three years' integration and development, Haitong UT Capital Group Co., Limited has gradually built up a leasing brand with the characteristics of a securities company in the leasing industry by taking business innovation as a significant driving force, relying on group advantages and carrying out diversified competition.

2. FINANCIAL CONDITION OF THE COMPANY IN 2016

As at 31 December 2016, the total assets of Haitong Securities amounted to RMB560.866 billion and its net assets amounted to RMB110.130 billion. In 2016, the Company realized a revenue of RMB42.492 billion, representing a year-on-year decrease of 23.14%. Net profit attributable to parent company amounted to RMB8.043 billion, representing a year-on-year decrease of 49.22%. The weighted average return rate on net assets was 7.39%, representing a year-on-year decrease of 10.17 percentage points.

III. CORPORATE GOVERNANCE

1. ESTABLISHMENT OF A WELL-DEVELOPED GOVERNANCE STRUCTURE

As a company listed in both the Mainland China and Hong Kong, the Company has operated its business in a standard manner and in strict compliance with the requirements set forth in the laws, regulations and normative documents of the PRC and the overseas jurisdictions where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. In accordance with the *Company Law*, *Securities Law*, related regulations of CSRC and listing rules of SEHK, the Company keeps improving its corporate governance structure and has established and improved its compliance risk control regime and internal control system, with separated and independent general meeting of shareholders, the board of directors, the board of supervisors and the operation management, subject to checks and balances, and each level performs its own functions and responsibilities corresponding to its position within its own scope of responsibilities and authority. Thus standard operation, scientific, standardized and transparent corporate governance can be ensured. Convening, holding and voting procedures for the Company's "Three meetings" (the general meeting of shareholders, meeting of the board of directors and meeting of the board of supervisors) are normative, legal and valid, and the Company discloses real, complete and accurate information in a timely and fair manner. The Company can strengthen the management of its inside information, carry out insider registration work and prepare professional specifications in strict accordance with *Inside Information Insider Registration System of the Company*.

During the reporting period, the Company has revised the *Articles of Association* and *Rules of Procedure for General Meeting of Shareholders* in accordance with the *Guidance for the Articles of Listed Company* (CSRC's Notice [2014] No. 19) newly issued by CSRC and the Company's actual condition. The revised contents include the Company's business scope, subsidiary company guarantee matters and increase of the members of the board of supervisors, which further optimizes and improves the corporate governance structure.

During the reporting period, the Company has held general meeting of shareholders twice, meeting of board of directors for 6 times, meeting of board of supervisors for 4 times, annual report meeting of independent non-executive directors twice, audit committee meeting for 5 times, meeting of nomination & remuneration assessment committee for 3 times, meeting of development strategy and investment management committee for 4 times and meeting of compliance & risk management committee twice, totaling 28 times.

III. CORPORATE GOVERNANCE

2. SYSTEM STRENGTHENING, PROCESS CONSTRUCTION AND GOOD PERFORMANCE IN INFORMATION DISCLOSURE

At present, the Company has established a scientific and standardized information disclosure system to specify the process and responsible person for information disclosure. During information disclosure process, the Company focuses on initiative and timeliness of the timing of information disclosure, standardization of format and authenticity, accuracy, integrity and fairness of the content. The Company attaches great importance to new change of information disclosure regulations, continuously strengthens learning and promotes the standardization and validity of information disclosure, so as to meet supervision requirements of domestic market and Hong Kong market regulatory requirements as well as the investors' demands. All the disclosed information of the Company is released via the Company's website and legal media at the same time. In 2016, the Company modified the Investor Relations column on its official website to make the page more beautiful and practical, with an additional interactive function for investors.

In 2016, the Company disclosed 55 temporary notices, 4 regular reports and 12 monthly financial data reports for A share, as well as 136 overseas supervision notices, announcements and circulars for H share.

3. ENHANCED MAINTENANCE OF INVESTOR RELATIONS AND INCREASED INVESTOR CONFIDENCE

As a dual-listed securities company (A/H share), the Company has both domestic and overseas investors, with a more diversified investor structure. In 2016, leaders of the Company provided great support to the management of investor relations, and General Manager Qu Qiuping leading a team conducted roadshow of the 2016 annual report and semiannual report to institutional investors in Hong Kong and visited 60 institutions, which was highly recognized in this market. In addition, for management of investor relations, the Company has communicated with analysts and investors actively about hot market issues such as change of company leaders and administrative punishment from CSRC, so as to deliver positive energy. In 2016, the Company received field research of domestic and foreign analysts and investors for 36 times, received about 250 investors, participated in exchange meeting of securities companies for 7 times, organized teleconference for 4 times, and hosted 2015 annual performance report meeting and 2016 performance report meeting, involving 173 institutions in total. Besides, the Company participated in the theme activity of "Reception Day for Investors of Listed Companies in Shanghai in 2016" held by the Listed Companies Association of Shanghai and SSE.

III. CORPORATE GOVERNANCE

4. FOCUSING ON INVESTOR RETURNS AND PROTECTING INVESTORS' RIGHTS AND INTERESTS

The Company attaches great importance to the reasonable investment returns for shareholders, fully safeguards shareholders' legal rights like assets income and incorporates the distribution policy into the *Articles of Association* as a basic system. When the Company is making specific dividend plan, the board of directors and general meeting of shareholders will listen to the opinions of independent directors, the board of supervisors and public investors, communicate with public investors by all means and are subject to supervision of independent directors, the board of supervisors and public investors on distribution of profits.

Since 2007, the Company has distributed cash dividends of RMB15.699 billion (tax included) and stock dividends of 1.234 billion shares (tax included) and increased capital stock converted from capital reserves by 2.88 billion shares to shareholders, of which cash dividends distributed in 2015 reached RMB5.176 billion. During 2007~2015, annual amount of the dividends distributed basically accounted for over 30% of profits available for distribution in that year.

5. PROTECTING CREDITORS' INTERESTS BY LAW

The Company repays the capital and interest on time, and there is no violation of the debt contract or delay in payment of capital and interest during the reporting period. By the end of the reporting period, main standard debts were RMB76.74 billion, including corporation bonds of RMB15.74 billion, subordinated debt of RMB41 billion and non-public issued corporation bonds of RMB20 billion, and non-standard debts were about RMB44 billion. During the reporting period, capital and interest have been repaid for all matured debts or debts needing interest settlement.

IV. INSISTENCE ON COMPLIANCE MANAGEMENT BY LAW AND FOCUS ON RISK PREVENTION

1. HIGHLY VALUING COMPLIANCE AND RISK MANAGEMENT AND ENSURING COMPLIANCE MANAGEMENT OF COMPANY BUSINESS BY LAW

The Company attaches great importance to the compliance and risk management work and continues to implement the concept of “compliance starting from the top management, everyone actively participating in compliance and compliance creating value”. It has built a scientific and reasonable compliance and risk management structure system with clear responsibilities. This system is composed of the board of directors and the subordinate Compliance and Risk Management Committee, chief compliance officer, chief risk control executive officer, Compliance and Risk Management Department, Functional Management Department, Business Department and relevant departments or positions of branches and subsidiaries. By carrying out effective compliance and risk management work, legal compliance management of company business can be ensured and various business risks can be prevented.

The Company insists on legal compliance management by law and takes positive and effective measures to conduct compliance and risk management on business activities of various business lines and branches, so as to promote sustainable and healthy development of the Company. The Company constantly sets up and perfects various concrete system to form a compliance management system covering all the business lines and management links to ensure compliance management throughout all links such as the decision-making link, execution link, supervision link and feedback link. Under the basic framework of compliance management, the Company ensures orderly development of its traditional business and innovative business by compliance audit and consulting; establishes anti-money laundering system and monitoring system to prevent money laundering risk; establishes information isolation system to prevent insider trading, controls the conflict of interest and prevents the company reputation risk; safeguards investors’ interests; improves compliance risk disposal mechanism through compliance inspection and compliance reporting system; improves compliance risk disposal mechanism and find out and handle problems at any time; actively organizes compliance training, strengthens compliance monitoring, raises employees’ compliance awareness and prevent moral hazard; actively cooperates with the exchange for self-discipline supervision, conducts compliance education and risk disclosure to investors according to the exchange’s self-discipline regulations and requirements, guides rational investment, and takes effective measures for accounts in violation of transaction rules to maintain transaction order and stability of the market; improves compliance assessment system, emphasizes the basic requirements of compliance practice, and combines the performance assessment with compliance assessment; actively participates in rules preparation and research activities carried out by regulatory authorities and self-discipline organizations, and promotes the instustrial compliance publicity propaganda work.

The Company responds to new regulatory mechanisms and actively transforms its compliance management mode. In compliance management, strict standard is maintained for audit, more resources are invested for risk evaluation and control, and compliance audit is incorporated into business process. The Company constantly improves the legal accomplishment of compliance managers, and makes compliance analysis based on the spirit and principles beneath the legal and regulatory rules; strengthens the sustainable compliance management in business, and fulfills compliance management responsibilities of Business Department; and establishes self-discipline and self-check mechanism and strengthens personnel management and professional ethics education.

IV. INSISTENCE ON COMPLIANCE MANAGEMENT BY LAW AND FOCUS ON RISK PREVENTION

As for compliance culture construction, the Company has established the compliance hotline and chief compliance officer mailbox system to handle reports and suggestions related to the Company's compliance management, which provides a communication channel for employees and investors to participate in the compliance management of the Company and effectively protects legal rights and interests of the investors. Moreover, the Company actively integrates the investor education into daily business management process and carries out investor education in each link of business. By construction of investors' garden, symposium, lectures, publicity and consulting and other means, the Company popularizes basic knowledge of securities to investors, introduces various securities investment products and securities business, publicizes financial securities policies, regulations and market rules and discloses securities investment risks.

The Company determined the "proper and even conservative" principle for risk management mindset and "conservative" risk preference, implemented the comprehensive risk management system and established a complete and effective risk management structural system in terms of system establishment, organization structure, index system, talent crew, information system and coping mechanism strictly in accordance with relevant requirement of laws, regulations and supervision departments, as well as the collectivization and globalization development strategies. The Company formulated the comprehensive risk management approaches, clarifying the risk management responsibilities of risk management committee, the board of supervisors, managers, chief risk officer, risk management department, all departments and the branch offices, subsidiaries, and internal audit department. The Company has set up the risk preference, risk tolerance and risk limitation system to carry out accurate identification, careful evaluation, dynamic monitoring, timely response and whole-process management of the risk prevention against the market risk, credit risk, operating risk, liquidity risk and reputational risk during operation. The Company formed strong support and assurance for smooth development of businesses through conducting effective risk management work, attaching importance on evaluating the impact of business risks on the operation and equities of clients and related interest parties of the Company, and actively taking relevant control measures to keep all kinds of risk measurable, controllable and affordable. The Company carried out daily supervision on the net capital monitoring index and risk limitation index, reporting the execution condition of risk control index to the chief risk officer and other managers by conforming to the regular risk reporting mechanism. In addition, any problems found during audit and check made by branches and functional departments shall be supervised for rectification promptly in order to improve the risk management capacity and level of the Company.

In 2016, adhering to the requirements under the *Administrative Measures for the Risk Control Indicators of Securities Companies*, the Company settled and adjusted the risk indexes of all levels. In accordance with the distribution of main assets and risks, the Company revised the risk tolerance degree, and also upgraded the original risk control index dynamic monitoring system and liquidity risk management system by combining the business and system current condition in the way of conducting daily dynamic calculation and supervision of risk control statement, continuously tracking data handling condition, continuously improve data reporting quality, and fully complying to the management rules and the demand of dynamic supervision of risk management indexes of the Company.

IV. INSISTENCE ON COMPLIANCE MANAGEMENT BY LAW AND FOCUS ON RISK PREVENTION

2. CONSTRUCT ANTI-MONEY LAUNDERING COMPLIANCE LINE OF HAITONG SECURITIES BASED ON RULES AND RISKS

The anti-money laundering is an important part of prevention and striking of criminal activities, maintenance of national security and establishment of harmonious society. The anti-money laundering work is decisive to the stability of financial order and justice of the society, and it is work an importance promise for our country to perform international anti-money laundering obligations and take part in the international financial competition and cooperation. The anti-money laundering work is not only the legal liability of security companies regulated in *Anti-money Laundering Law of People's Republic of China*, but also a social responsibility burdened of the securities company and further the internal demand of the Company to carry out legal and compliance operation, improve the business management level and successively move towards internationalization. The Company undertook its social responsibility actively, gaining some achievements through making efforts to construct the anti-money laundering compliance line. The head office of Compliance and Risk Management Department was awarded the honorable title of "National Advanced Unit in Anti-money Laundering" issued by the People's Bank of China in 2012; the Company was also successively given with the honorable titles of "2012 Shanghai Advanced Unit in Anti-money Laundering" and "2015 Shanghai Excellent Unit in Anti-money Laundering" issued by Shanghai Head Office of the People's Bank of China.

After *Anti-money Laundering Law of People's Republic of China* is issued and comes into effect, the Company formally started the anti-money laundering work in 2007, establishing an anti-money laundering system generally led by the anti-money laundering leading group of the headquarters, organized and implemented by Compliance and Risk Management Department, and implemented by relevant business departments and branch institutes in accordance with the national anti-money laundering laws and regulations as well as the business characteristics of the Company. Based on anti-money laundering laws, regulations and nominative documents combined with industrial characteristics and practices, the Company successively formed the anti-money system, including one basic anti-money laundering regulation, two implementation rules, nine anti-money laundering special rules and multiple relevant guarantee rules, which assured the smooth execution of anti-money laundering work.

The Company designed the risk evaluation index system of money laundering for clients and developed the risk level management system of money laundering clients, which effectively supported the money laundering risk evaluation and classification management work for the clients. The money laundering risk evaluation index system of clients was included in Guideline on Anti-money Laundering Work of Security Company revised and issued by Securities Association of China in 2014, and was also spread in the security industry and recognized as the reference standard for the security industry regarding to anti-money laundering. In 2014~2016, the Company made special experience reports on anti-money laundering for many times in anti-money laundering advanced management training classes of financial institutions held by the People's Bank of China and China Center for Financial Training in Lanzhou, Fuzhou, Hangzhou and other cities, as well as the in anti-money training seminars of Shanghai Head Office of the People's Bank of China.

IV. INSISTENCE ON COMPLIANCE MANAGEMENT BY LAW AND FOCUS ON RISK PREVENTION

In the course of establishing business relationship with clients or handling the services, the Company tried its best to implement the anti-money laundering management rules including client identification, and filing of clients' identity materials and transactional records, and carried out client identification, check identity certification documents of clients, register the basic information of clients' identity, get aware of the clients and transaction nature through observing "understand your clients", strengthen the adequacy management of clients, identify and evaluate the money laundering risks, and actively improve the prevention, management and control of clients' money laundering risks.

The Company carried out the monitoring and report work on large-amount and suspicious transactions strictly, actively and independently designed monitoring model for suspicious transactions, made efforts to improve identification capability of suspicious transactions, developed monitoring and reporting work of large-amount suspicious transactions deeply, and positively helped the clients to prevent money laundering risks based on the characteristics of security industry and the actuality of the Company.

On the one hand, the Company strengthened its internal anti-money laundering training crew. For instance, many employees obtained the qualification for ACAMS, internal trainer, and anti-money laundering training lecturer of China Center for Financial Training. On the other hand, all staff, the anti-money laundering managers, leaders at all levels, participants of business chain and new employees positively launched the anti-money training. The Company made independent standardized anti-money electronic training courseware, and let the employees learn in the electronic learning platform of the Company. The Company also developed onsite training and guide regarding to anti-money laundering during conducting internal anti-money laundering inspection in Business Department. Except that the headquarter organized anti-money training uniformly, the branch institutions also organized the training independently through actively learning the documents and training materials issued by the local branch offices of the People's Bank of China and regularly organize to learn the anti-money laundering status, case analysis and experience exchange in the *Quarterly Journal of Compliance Monitoring* uniformly prepared by the Company, so as to improve the anti-money laundering awareness and level of the employees especially the frontline business personnel.

With the development and change of international and domestic financial market, money laundering features more and more risks, and the money laundering supervision and punishment degree are increasingly improved internationally and domestically, which resulted in more strict requirements on anti-money laundering work of securities companies. Therewith, the Company fully recognizes that anti-money laundering is a complex long-term task, and will implement the internal control management regulation on anti-money laundering compliance from beginning to the end. On the one hand, adhering to "principle first", the Company will implement the legal duties on anti-money laundering and complete the foundation work; and also successively strengthen the "risk first" awareness, conduct identification and evaluation on money laundering risk of business, product and clients, take special anti-money laundering internal control measures, and actively prevent the Company's security transaction platform from financial services and other substantive money laundering risks provided for illegal funds and security activities and also illegal criminal activities. The Company will further deepen the system establishment and management of anti-money laundering internal control system, continuously improve the risk prevention awareness and work effectiveness, so as to make great contribution on guaranteeing stable and health operation of financial system and promoting the development of social economy.

IV. INSISTENCE ON COMPLIANCE MANAGEMENT BY LAW AND FOCUS ON RISK PREVENTION

3. THE COMPANY FORMULATED THE PROCEDURE UPON CORRUPTION PREVENTION AND WHISTLE-BLOWING, AS WELL AS RELEVANT ENFORCEMENT AND SUPERVISION RULES

In accordance with *Securities Law of the People's Republic of China*, *Code for Practicing Behaviors of Securities Practitioners* and *Criminal Law of the People's Republic of China* as well as other influential laws and regulations, the Company formed a joint conference system on strengthening establishment of punishment and defense system, and the attending functional departments, including discipline inspection and supervision department, organization and human resource department, compliance risk control department, audit department, financial department, operation department and information technology department sought and settled the risk points and danger areas of each management chain regularly in each quarter, jointly discussed the solution for preventing operation risk and moral risk, and taken relevant specific measures. Within the reporting period, the Company, its subsidiaries and staff are free of corruption lawsuits.

The Company perfected the financial system, strengthened cost budget management, conducted strict approval and review on funds, controlled the requirements and clarified purpose of application for reimbursement in large amount, and issued many found management systems. The branch institutions carried out financial centralization system, applied web-based reimbursement system, controlled the cost strictly, and controlled post-related consumption with standard financial means in order to prevent corruption.

The registration and turning-over system of accepting gifts for cadres and staff are established, which specifies that the received gifts shall be registered and turned over, and the gift registering and turning-over condition of each department shall be reported to the discipline inspection and supervision departments every year.

The Company attached importance on standardizing the “three-importance and one-significance” system, having established standard procurement system and procedure, perfected bidding process of decorative project, fixed asset, procurement items of materials and service in large amount, launched patrol inspection, and supervised the conditions of basic units on observing the “two responsibilities”, including internal regulations of the Communist Party of China and implementation of honest performance of the Party's duty, so as to get awareness of business corruption incidents from multiple views and keep track of relevant problems.

The Company strengthens the construction of incorruptible culture of enterprises, launches law and discipline observation education, compliance and duty competence education and professional ethics education to cadre employees in order to let them know the laws and disciplines, hold out the bottom line of laws, regulations and ethics, and reject bad habits consciously.

The Company establishes and perfects the lettering and calling system. The Company shall assign special personnel to receive crime reports in the way of letters, calls, faxes, visits and networks, established a special crime whistleblowing column on discipline monitoring business management platform to spread the lettering and calling laws and regulations and keep smooth reporting channel.

IV. INSISTENCE ON COMPLIANCE MANAGEMENT BY LAW AND FOCUS ON RISK PREVENTION

After receiving lettering and calling reports with regard to corruption, the Company shall launch collective research and judgement of the clues of problems, conduct investigation and treatment in strict accordance with working procedure, and at the same time make full play of the warning education function of cases, perfect the system to remove problems thoroughly.

4. PERSIST IN PAYING TAXES ACCORDING TO LAW

Since the establishment, the Company continued to perform its social responsibilities and pay back to the society by paying taxes according to law and conducting operation honestly. In 2014-2016, the Company (parent company, excluding tax withholding of restricted shares) paid total taxes at RMB1,962 million, RMB4,889 million, and RMB5,109 million respectively.

V. PROVIDE CLIENTS WITH COMPREHENSIVE GLOBALIZED SERVICES, AND PAY ATTENTION TO THE PROTECTION OF INVESTORS

1. IMPROVE THE ESTABLISHMENT OF INTERNET PLATFORM TO PERFECT CLIENTS' EXPERIENCES

The Company kept the rapid and stable development of its network platform, achieving continuous iteration of functions and installed base and liveness leading in the industry, offered excellent internet security service for clients. The e.htsec.com was iterated 14 times in this year, with perfect blocks covering market information, transactions, message, open accounts, handheld business hall and web shop, and newly increased functions like new share zone, noble metal, Hong Kong Stock, service push, account statement, online IM and intelligent customer service, boasting stable performance, and continuously optimized experience, capable of meeting the multiplied internet financial demand of clients. The installed base of e.htsec.com was more than 10 million with monthly liveness of 3 million. 72% clients use e.htsec.com, making it the core internet financial service channel of the Company.

The mobile internet platform strongly supported the coordinated development of online and offline business of the Company. For instance, the intelligent Question & Answer function of e.htsec.com worked rapidly after it is launched online, which settled 30% of manual consultation work in short period and provided good self-service for clients; 7×24 online IM, intelligent push and other functions also had significant efficiency both in convenience and effectiveness; more than 99% clients used online opening account of mobile internet platform, the percentage of self-opening account by human face identification exceeded 50% for the first time, and accepting times of web hall exceeded 1.2 million. The functions, like risk assessment, opening and change of tripartite saving and management, user data renewing, reversed and return purchase of national debt, and GEM signing help the clients save a plenty of time with regard to handling business at counters. In addition to the basic service, the Company continued to complete the business operation work based on clients' demand, having planned many client feedback activities like "Hot EuroCup" and "Refuels for Olympic Games, Refuels for China!", which improved the clients' sanctification.

2. IMPROVE CLIENT SERVICE LEVEL OF INSTITUTES, AND ACTIVELY OFFER ADVICE TO SUPERVISION DEPARTMENT

The Company won the third prize of "Best Local Research Team", the second prize of "The Most Influential Research Institute" and the second prize of "Best Local Sales Service Team" of *New Fortune* in 2016, in addition, the two largest heavy weight researches, macrocosm and strategy were awarded the first prizes. In total, three first prizes, three second prizes, eight third prizes, two fourth prizes, four fifth prizes was awarded to the Company, and four researches directions were included in final competition. The service level and research capacity of the Company are unanimously recognized by the clients.

V. PROVIDE CLIENTS WITH COMPREHENSIVE GLOBALIZED SERVICES, AND PAY ATTENTION TO THE PROTECTION OF INVESTORS

In 2016, the Company actively took part in different major subjects of supervision departments of all levels, having made the achievements as below: 1) completed 2020 Development Plan of Shanghai International Financial Center, which is published by *China Financial Publishing House*, having 270,000 words in total. 2) participated in 2015 Selection of Excellence Papers of Shanghai Financial Association, and won one first prize, one second prize and three third prizes. 3) took part in one issue of China Bond named Market Opening of China Bond, acquiring high praises from relevant departments. 4) completed the task of Securities Association of China, *2015 General Report on Development of China Securities Industry* which was published; 5) participated in one major issue of Securities Association of China in 2016, *Research on Over Counter Equities and Private Equity Transaction Platform*, and won the award of excellence; 6) took part in one item of paper section of Insurance Asset Management Association of China in 2016, named *Research on Development of International Insurance Asset Management Business and its Enlightenment*; 7) actively played its role and make contribution to the capital market, and provided beneficial reference for policy formulation and market supervision. The Company organized personnel to take part in the meetings and exchange seminars held by the supervision departments. Gou Yugen and Jiang Kongliang, the staff of the research institutes obtained the letters of thanks respectively from Shanghai Stock Exchange and Securities Association of China.

3. PROVIDE CLIENTS WITH VARIOUS WEALTH MANAGEMENT FUNCTIONS

The Company offered different selections of collection plan for investors with different preference, which can not only meet the demand of investors with low risk preference, but also provide opportunities to the investors with high risk preference to obtain high profits. Haitong owns the fixed asset profit products including large collection series of Ying Cai Sheng Xin and small collection series like Haiyu, which are also the special product of Haitong, having been opened more than 3700 period times accumulatively from the end of 2012; besides, the Company also offers cash management products for the agent business clients of security companies based on its own characteristics. In 2016, the Company issued its first QDII dollar bond collection plan, offering the investors with excellent overseas asset investment opportunities.

In order to meet different demands of clients from different channels, the Company provided diversified trading platform for clients. The subscription and purchase, redemption, net value and share query, product consultation, wealth management and configuration consultation of the Company's products can be handled at the Business Department of Haitong Securities. Besides, the Company actively expands the cooperation between banks and security companies and many products under its active management can be purchased or consulted at many financial institutions and Internet platforms such as ICBC, CCB, Bank of China, CIB, CMBC, China Minsheng Banking Corp., Bank of Communications, Tiantian Fund, Ant Financial Services Group, iFinD and Dazhahui. To adapt to the development of Internet finance, the Company has established its own direct account system so that clients can conduct subscription and purchase or redemption operations on its official website or WeChat platform directly.

To better serve the clients, the Company also established many other channels for the communication with clients. The service hotline of Haitong Securities is the most direct platform for client consulting. Clients can also access product information through the official website of the Company and customize their individual demands. The Company will push product quotation, market view and financial information regularly through WeChat official account to enhance the communication and exchange with clients.

V. PROVIDE CLIENTS WITH COMPREHENSIVE GLOBALIZED SERVICES, AND PAY ATTENTION TO THE PROTECTION OF INVESTORS

4. CARRY OUT ELIGIBILITY MANAGEMENT OF INVESTORS AND CONDUCT INVESTOR EDUCATION

According to *Measures for Eligibility Management of Security and Future Investors*, the Company further enhanced the establishment of eligibility management system of investors, improved internal control and technological system management and standardize the eligibility management work of the Company so as to guide the investors to participate in securities investment reasonably and protect the legal interests of investors.

The Company always implements the principle of “knowing your clients in an all-round way”. That is, it advocates knowing the identity, property and income, investment experience, risk preference and credit record, etc. of clients and establishing a mechanism that continuously perfects the client information. Besides, the Company will take effective measures to collect, record and identify the client identity to conduct client interview and check and review the authenticity, accuracy and completeness of clients’ identity information.

The Company established a classification system that classifies the objective capability and subjective wishes of investors. Based on the professional judgment ability of investors, the Company divides clients into professional investors and ordinary investors. It will especially protect the ordinary investors, conduct risk evaluation for ordinary investors, classify and grade the investors according to the results of risk tolerance ability evaluation, so as to perfect the dynamic evaluation system of clients.

The Company strengthens the appropriateness management of financial products. Risk assessment indexes for financial products of different kinds are established to evaluate the risk level of financial products according to gained information of the financial product. A matching principle between product and clients’ risk tolerance ability is established to fully reveal the product risks and ensure appropriate products are recommended to appropriate clients. The appropriateness management of different businesses is implemented. Taking financial innovation businesses such as growth enterprises market, securities margin trading, national equities exchange and quotations, HK stock connect and stock options as the emphasis, the Company implements business authority granting and cancellation, continuous appropriateness management, investor education and risk reveal in strict accordance with appropriate management requirements of different businesses.

The Company strengthened technology system management. The Customer Relation Management (CRM) system of the Company is the main platform for appropriateness management implementation. It is mainly used for client information management, risk level management of financial products or services, classification and grading management of clients, matching between financial products or services and clients, appropriateness management and services (and history).

The Company specifies the responsibilities of all departments and department personnel with regard to appropriateness management and emphasizes on the establishment of investor eligibility system and the supervision and inspection on its implementation so as to ensure the effective implementation of the investor eligibility system of the Company.

V. PROVIDE CLIENTS WITH COMPREHENSIVE GLOBALIZED SERVICES, AND PAY ATTENTION TO THE PROTECTION OF INVESTORS

The Company puts high emphasis on investor education. Adhering to the client-oriented service idea, the Company strengthens client education through activities like Get to Know Listed Companies, Future Money Masters, Rainbow Class and Daily Opinions to make clients better know financial market through these investor education activities.

5. THE COMPANY HIGHLY VALUES CLIENT INFORMATION SECURITY AND EC SECURITY

As ensuring the identity information safety and legal interests of clients is the social responsibility of the Company, the Company requires all staff strictly abiding by relevant requirements, ensuring client identity information security and preventing the reveal, transaction and abuse of client identity information. The client information safety management of the Company follows a policy of clear responsibilities, reasonable authorization, standard process and combination of technology and management.

With regard to guaranteed information security, the Company conducted strict management of data production, transmission, use, conservation, backup and destruction and formulated a number of company regulations, including *System Security Management Measures*, *Network Security Management System*, *Management Regulations for Internet Securities Information System Security* and *Management Measures for Information System Security Inspection*.

To guarantee the security of transaction data and non-transaction data of clients, the Company applies many mainstream asymmetric encryption and symmetric encryption strategies on client applications on its Internet and mobile phone transactions. The encryption algorithm of some key routes has higher safety level after reinforcement independently researched and developed by the Company. These reinforced encryption algorithms are awarded with relevant certificates issued by the State's cryptography administration institutions. According to relevant safety management measures of the Company, the R&D team of the Company manages the key of encryption algorithm strictly and guarantees no hacker can steal or crack the encryption strategy of Haitong Securities.

6. ENHANCE CLIENT COMPLAINTS MANAGEMENT AND PERFECT COMPLAINTS HANDLING MECHANISM

To protect the legal interests of investors and fulfill the responsibility of protecting investors, the Company formulated *Client Complaints Management Measures of Haitong Securities Co., Ltd.* in 2016 according to *Opinions on Further Protecting the Legal Interests of Medium and Small Investors in Capital Market* released by the General Office of the State Council and *Regulations on Strengthening Securities Brokerage Services Management* of China Securities Regulatory Commission and other laws, regulations and relevant documents to undertake the responsibility of handling investor complaints, improve the service awareness, quality and level and maintain the Company's reputation and image. The *Measures* specifies the division of responsibilities for clients' complaints, complaints handling mechanism, emergency complaints handling mechanism and the responsibility investigation for complaints handling.

In 2016, the Company accepted 84 complaints totally, which were mainly related to securities brokerage services, information system faults and margin financing and securities lending businesses. Among them, 80 were solved through negotiation and settled and 4 remained unsolved.

V. PROVIDE CLIENTS WITH COMPREHENSIVE GLOBALIZED SERVICES, AND PAY ATTENTION TO THE PROTECTION OF INVESTORS

7. IMPROVE CLIENT SERVICE CAPACITY THROUGH GLOBAL STRUCTURE

In 2016, the holding subsidiary of the Company Haitong International Securities Group Limited. (hereinafter referred to as Haitong International Securities) participated in 23 IPO projects in Hong Kong and the transaction amount involved according to Bloomberg was USD1.419 billion, covering many domestic enterprises such as Postal Savings Bank of China (1658), China Zheshang Bank (2016), China Securities (6066), Datang Environment (1272), Bank of Tianjin (1578), Orient Securities (3958), China Development Bank Leasing (1606), Shanghai Dazhong Public (1635) and Hebei Yichen (1596). Overseas listing of domestic enterprises can not only help the enterprises gain the support of international capital and broaden their financial channels, but also play an active role in the company's governance structure and brand construction. Besides, Haitong International Securities made a new record in overseas merger and acquisition and investment amount of Chinese domestic enterprises in 2016. Haitong International Securities participated in cross-border merger and acquisition of totally 11 Chinese domestic enterprises, including Yihua Lifestyle's (600978.SH) acquisition of the listed furniture manufacturer in Singapore HTL and Ping'an and ZQ Capital's acquisition of American skincare products and nourishment manufacturer Nu Skin. Total transaction scale involved exceeded USD5.1 billion. Through overseas acquisition of technical patents and brands, Chinese domestic enterprises introduced technologies to domestic markets, which was favorable to the improvement of global competitiveness of Chinese domestic enterprises and domestic economic transformation and upgrading.

In 2016, the wholly-owned foreign subsidiary of the Company Haitong Bank, S.A. participated in the representative cross-border mergers and acquisitions of several Chinese enterprises in the form of provision of financial consulting, such as Hunan Dakang Pasture Farming Co., Ltd.'s acquisition of a project of a Brazilian company and the private equities placement of Tandem Bank and SanPower Group. 2016 is a key year for Haitong Bank, S.A. with regard to capital market. In 2016, Haitong Bank, S.A. brought many Chinese enterprises to internal capital market for the first time and led them to participate in many landmark transactions related to Chinese enterprises, such as Fujian Zhanglong Group's issuance of senior unsecured European bonds valuing USD150 million for the first time, Zunyi Tourism Industry Development and Investment Group's private placing project valuing USD250 million and The Republic of Poland's issuance of the first three-year panda bonds, which was the first European sovereign bond, with total issuance involving RMB3 billion.

8. INTELLECTUAL PROPERTY PROTECTION

In order to create and protect the momentum of scientific innovation, technology leadership and sustainable profit growth, we especially emphasize that the business relationship must be established based on the absolute respect to intellectual property, confidential information and business secrets of the Company, its clients and other third parties, clients and other stakeholders. The Company understands the value of confidential information to the Company and the importance of protecting such confidential information to the Company for maintaining its competitive advantages. In addition, the Company and its employees regulate the usage of confidential information such as intellectual property and business secrets of clients and third parties, and require its clients and third parties to use the assets of the Company, including physical asset and intellectual property regularly. In the reporting period, the Company and its subsidiaries would be able to regulate the use of third party data and information, with no complaints of violations of intellectual property rights of third parties.

VI. PROMOTE DEVELOPMENT OF REAL ECONOMY

1. GIVE FULL PLAY TO BUSINESS ADVANTAGES AND SERVE THE DEVELOPMENT OF MEDIUM, SMALL AND MICRO-SIZED ENTERPRISES

The Company makes efforts to promote the initial public offering and listing of medium and small innovative and entrepreneurial enterprises. The equity financing projects completed by the Company in 2016 include IPO of 3 private enterprises, e-financing of 18 private enterprises and acquisition and reorganization of 4 private enterprises. Especially the overseas merger and acquisition project of Joyson Electronics, it finished the cross-border merger and acquisition of two world's top auto parts suppliers in America and Germany through one-time financing, meeting the demands of client to realize globalization strategy. With regard to bond consignment sales, the Company finished the consignment sales of set credit enhancement bonds of Xi'an Investment holding Co., Ltd., involving a scale of RMB400 million.

2. ACTIVELY PROMOTE LOCAL ECONOMIC DEVELOPMENT

To support Shanghai State-owned Assets Reform, the Company took its geographic advantage as located in Shanghai and had deep cooperation on many projects in Shanghai. Equity financing projects in Shanghai finished in 2016 include non-public offering projects of Shanghai Industrial Development Co., Ltd., Bailian Group, New World Group and Jiaoyun Group, involving with financing of about RMB7.5 billion. Shanghai Pudong Development Bank's acquisition of Shanghai Trust is the first case that a listed bank acquires the trust license by issuing shares. The acquisition was approved by the State Council. It promoted the Shanghai State-owned Assets Reform, gained recognition of market, realized the unification of Shanghai financial resources and played a model role in Shanghai State-owned Assets Reform. For the preferred stock project of the Bank of Communications, Haitong attributed RMB45 billion for its financing as the co-lead manager. Besides, the Company undertook many financing and merger and acquisition projects of enterprises in Shanghai that related to science and technology, culture and finance and other fields, making a contribution of the capital market to Shanghai for becoming an economic, cultural and science and technology center.

In aspect of bond financing, the Company continued supporting local economic development and underwrote bonds issued by all kinds of local enterprises valued at more than RMB150 billion in 2016. In aspect of use of funds raised, the Company used the funds raised for security housing, public facilities, transportation, aviation, tourism, electricity, medicine and other people's livelihood industries to stimulate the local economic growth and promote the local employment, and for replacement of other high-interest financing of local enterprises to reduce the local financing cost through direct financing channels. In aspect of varieties of debt financing instruments, in addition to traditional tools, the Company also made full use of renewable bonds, green bonds, project income bonds, special bonds and other new varieties to prolong debt maturities and reduce financing costs, thus to increase the service efficiency of funds.

VII. ACCELERATE THE DEVELOPMENT OF EMPLOYEES AND STIMULATE COHESION

The Company has been always adhering to the talent strategy “people first and powerful-talent company”, considering the implementation and maintenance of the interests of all the employees as the starting point and foothold of work, protecting various rights and interests of employees, optimizing the employees’ incentive mechanism, promoting the employees’ value realization and comprehensive development, protecting the employees’ physical and psychological health, caring the employees’ lives, actively creating a good growth environment where the employees could fully display their talents, continuously improving the employee growth and development system by starting from the stimulation of the employee potential and realization of personal value and providing security and creation conditions for the employees so that the employees and the Company can grow together.

1. SCIENTIFIC CAREER PLANNING FOR EMPLOYEES

The Company hires employees through open recruitment, fair competition and strict appraisals and recruits workers on a selective basis in accordance with the standard of “having both ability and political integrity”; the Company provides equal employment opportunities and does not treat labors differently because of the nationality, race, gender and religious belief. There are specified position descriptions for the corresponding positions of the Company’s employees, in which the responsibilities and basic qualification requirements of each position are described in detail, including the lowest educational qualification, financial experience, etc. The Company signs a labor contract with every employee to establish a labor relation in accordance with regulations in Labor Law and Labor Contract Law on the principle of “legitimacy, justice, equality, free will, unanimity through consultation and good faith”. A labor contract includes the contract period, work time, rest, vacation, labor remuneration, insurance benefits, labor protection, labor conditions, changes and termination of the contract, etc.

The Company has set up labor policies including Employee Handbook to prohibit employing forced labor and child labor in the business operation. In the process of employment of the Company, the Human Resources Department verifies employees’ identities. In addition, the Company will regularly check the overtime and labor intensity of employees to ensure compliance with the relevant labor laws and regulations. In this reporting period, the Company and its subsidiaries comply with laws and regulations greatly influencing the Company including Labor Law of the People’s Republic of China and Labor Contract Law of the People’s Republic of China and do not use child labor and forced labor. In 2016, an employee in the Company died of a heart attack, accounting for 0.018% of the total number of employees.

Around the various objectives and tasks determined according to the Company’s collectivization and internationalization development strategy and combined with the most realistic, the most concerned and the most direct demands of the employees, the Company promotes innovation of talent management mechanism, helps the employees determine career development paths, makes sequence plans for position promotion, design different promotion routes and shows the employees of different development paths. Thus to ensure that the employees with different abilities and qualities and different work interest can find out their own development paths and improve the sense of work direction. The Company has prepared MD Position System Management Method of Haitong Securities Co., Ltd., increased the employees’ career development paths, expanded the professional sequence development space and further guided excellent employees to develop into professional channels.

VII. ACCELERATE THE DEVELOPMENT OF EMPLOYEES AND STIMULATE COHESION

2. A SOUND LABOR WELFARE SYSTEM

The Company attaches great importance to the talent attraction, motivation, training and use and promotes the harmonious development of the Company through promoting the construction of the collective contract system, holding congresses of workers and staff and promoting the democratic governance of the Company. The Company arranges employees to take vacations in weekends, on a New Year's day, in Spring Festival and on International Labor Day, National Day and other holidays stipulated in the laws and regulations, and makes and implements a system of annual vacation with pay for the employees according to national regulations, and strictly adheres to laws and regulations which have a significant impact on the Company. The Company pays attention to the external competitiveness of salary level and the internal fairness of salary system and implements a salary system which considers the market level as the salary determination basis and the performance evaluation result as the distribution guide. In accordance with relevant national and local laws and regulations and the articles of association, the Company has established and perfected a multi-level and comprehensive employee benefit security system to give the employees more care. In addition to the state-specified basic medical insurance, the Company has also established a supplementary medical insurance system to give the employees appropriate medical aid and solve worries of employees with difficulties in life. Meanwhile, the Company has also established a corporation pension plan to improve material amenities of the employees after retirement and further strengthen the Company's cohesion. The Company has complied with the relevant laws and regulations of occupational health and safety of the PRC. Apart from providing employees with regular annual health check and comprehensive medical insurance plan, the Company has also organized rich cultural and sports activities. In the reporting period, no non-compliance of occupational health and safety of the Company's employees occurred.

3. SUFFICIENT CADRE TALENT RESERVES

The Company, adhering to correct personnel selecting guidance, has constantly improved and perfected the mechanism of selection and employment, actively explored in aspects such as innovation of cadre selection methods, improvement of evaluation methods, expansion of success channels and strengthening of the incentive and restrictive mechanism on the principle of "openness, equality, competition and merit" and improved the transparency and public participation in cadre selection through recommendation with democracy, investigation organization and competitive employment, thus a group of young outstanding talents has stood out and the cadre team has been adjusted and supplemented in a timely manner. At present, cadres with bachelor degrees or above in the Company account for 94% of the total number of cadres. The Company has adequate cadre talent reserves with a reasonable structure and strong market competitiveness.

The Company firmly establishes a guiding ideology of "talent resources are the first resources", considers the talent team construction as one of the four pillars and includes it in the Company's development strategy, makes efforts to build a talent selection and training mechanism adapting to the Company's collectivization and internationalization development, constantly perfects the long-term mechanism of personnel management that meets the needs of development of the Company and optimizes talent resource configuration. According to the personal development demand of talents and their ability and quality and in combination with different career paths, the Company gives chances of learning, training, practice and improvement to different categories of talents and implements track inspection and dynamic management to help the employees to improve their comprehensive ability.

VII. ACCELERATE THE DEVELOPMENT OF EMPLOYEES AND STIMULATE COHESION

4. PERFORMANCE CULTURE WITH UNITY AND PROGRESS

The Company has established a complete performance management system and the performance management has played a positive role in such aspects as Company strategy transfer, goal achievement, personnel training, employee career development and cadre selection. The Company carries out performance management on the principle of conformity, objectivity and fairness, quantitative priority, openness and transparency, practicability and timely feedback, links appraisal results to employee career development through publicity propaganda of performance concept, performance result application and other links and establishes a performance and ability oriented performance concept, and initially succeeds in construction of performance culture with unity and progress.

The Company's performance management system decomposes the Company's strategic planning and annual management index to units and employees at all levels so that each employee can clearly know the relationship among the Company's development vision, annual business plan and personal work goals. In the process of performance management, the Company, through regular performance review and guidance, points out problems and deficiencies in work of cadres and employees, guides and helps units and employees at all levels with improvement of work performance and achievement of performance targets, and leads and encourages the employees to actively participate in the Company's overall business development; meanwhile, as one of the important links in the Company's performance management flow, the annual performance evaluation assesses the employees' annual work completion objectively and fairly, thus to further arouse the enthusiasm of the employees and stimulate the enthusiasm of the employees to work creatively.

5. PERFECT EMPLOYEE TRAINING MANAGEMENT SYSTEM

The Company complies with the trend of industrial talent training and development, stands on the demand of employees for on-the-job learning and career improvement, relies on Haitong Wealth Management Institute and comprehensively establishes a training system meeting the Company's development demand and constantly promotes the common development of the Company and the employees through system improvement, course system construction, implementation of key training program and a variety of training activities, lecturer team training and training management standardization. The Company issued two training systems – Management Method of Training Curriculum System of Haitong Securities Co., Ltd. (Trial) and Training Management Manual of Haitong Securities Co., Ltd., having established a comparatively complete training system and provided a standardized and orderly system guarantee for the training system of the Company. In 2016, the Company implemented 150 training programs and 34 on-site training programs with 2,627 participants and 44.5 training hours per capital. At present, a multi-level face-to-face training system has been formed, including reserve cadre training, new cadre training, large investment bank businesses, new employee training and internal trainer training, to comprehensively improve the employees' comprehensive quality and professional skills and help with the career development of the employees.

VII. ACCELERATE THE DEVELOPMENT OF EMPLOYEES AND STIMULATE COHESION

6. FULLY PLAY THE POSITIVE ROLE OF LABOR UNION AND YOUTH LEAGUE COMMITTEE

The Company actively implements Regulations of the Shanghai Municipality on the Workers Congress and strengthens democratic management of the workers to construct a harmonious labor relation. The Company implements the system of equal consultation and signing Collective Contract and earnestly implements the terms of Collective Contract. Therefore, Collective Contract is under normal operation. The Company's labor union actively organizes and carries out employee contribution competition activities to further arouse the employees' subjective initiative and enthusiasm, promote innovation, improve service quality and promote position promotion. In the reporting period, the Company emphatically carried out employee contribution competition activities on the subject of "system innovation, good service and skill improvement" and did a good job in sympathy and help for employees with difficulties – in 2016, the Company expressed sympathy with 50 employees with difficulties and issued RMB200,000 as the supporting amount; the Company promoted registration and issuance of union members and constantly enriched the additional value function of membership card. In 2016, there were more than 1,000 employees who opened union membership cards in the company headquarter.

The Company's labor union, focusing on the construction of employees' homes, further strengthens the organization and construction of labor union and enhances the vitality of the labor unions at the grass-roots. In 2016, the labor union promoted the construction of employees' homes, created a health room and a reading room, continued carrying out the construction activity of "mommy cabin", and also carried out activities during Spring Festival and New Year's Day and sympathy activities in summer and winter, gave better play to its positive role in rallying and organizing the employees, maintained employee rights and benefits, took care of female employees, organized and arranged physical examinations for the employees and special physical examinations for female employees.

The Company's Youth League Committee, focusing on creation activities of Youth Civilization, guides and motivates young workers to give full play to the functions of the youth group as the fresh troop based on their positions and professional dedication. In 2016, 4 youth groups were selected and honored as annual "Youth Civilization" and 27 groups were reviewed and honored as company-level "Youth Civilization"; meanwhile, the Company hosted a youth growth TED sharing session on theme of building dreams of Haitong and sharing the youth, and carried out a series of Haitong youth culture salon activities and 2016 debate competition of the youth of Haitong Securities on theme of abiding the law and compliance and fulfilling responsibilities to establish a platform for young employees to show their talents and promote and encourage mutually.

VII. ACCELERATE THE DEVELOPMENT OF EMPLOYEES AND STIMULATE COHESION

Table 1 Classification Statistics of the Number of Employees and Turnover Rate of Haitong Securities

Classification	Number of Employees in 2016	Turnover Rate in 2016
Total number of employees	9800	9.87%
Include: total number of male employees	5665	11.32%
Include: total number of female employees	4135	7.84%
By age:	—	—
Total number of employees under the age of 36	5841	11.50%
Total number of employees at the age of 36-45	2513	8.56%
Total number of employees at the age of 46-55	1261	5.13%
Total number of employees at the age of 56 and above	185	11.75%

For employees who violate the Company's rules and regulation, the Company has established a set of procedures to terminate the employment contracts. Terms and conditions of employment termination have been outlined in the Employee Handbook of the Company. In all cases, the management personnel will consult the Human Resources Department to ensure compliance to regulations of applicable laws.

VIII. ADVOCATE GREEN ENVIRONMENT AND PROMOTE ENERGY CONSERVATION AND EMISSION REDUCTION

In the reporting period, the Company adheres to integrating the ideas of sustainable development and green environmental protection into the Company's development strategy, actively advocates all employees' practice of green development concept and advocates development of circular economy and improvement of resource utilization efficiency. The Company and its subsidiaries strictly abide by Environmental Protection Law of the People's Republic of China and other laws and regulations which have a significant effect on the Company. In the reporting period, the Company and its subsidiaries didn't have any environmental pollution incident or non-compliance event or lawsuit related to environmental protection. The Company will be committed to continuous improvement of environmental performance and development of green finance in the future.

1. IMPROVE ENERGY EFFICIENCY THROUGH TECHNOLOGY AND EQUIPMENT UPDATING

The Company is a non-manufacturing company and the main influences on environment in the process of daily normal operation are consumption of paper, power and water.

In 2016, the Company continued to comprehensively promote paperless projects, made business process documents electronic, reduced operating costs, improved the unified management ability of the headquarters and saved printing and use of a large number of paper documents. A total of 13.59 million electronic agreements were produced throughout the year and 94.61 million A4 papers were saved. Based on a 70g copy paper, the saved papers weighed 414 tonnes, equal to more than 40,000m³ water resource and 6,000 trees.

In 2016, the Company purchased hyper-converged equipment for concentrated transaction and local emergency machine rooms, adopted virtualization software and improved the resource utilization of hardware equipment through the technology of software to define storage resources, computing resources and network resources. During implementation of new systems and replacement of overdue equipment, the Company considered using virtual machines preferentially. In 2016, 216 virtual machines were increased, saving about 11 cabinet spaces. The power consumption of each virtual machine running on the hyper-converged server was reduced to 12.5% of each entity machine server. About 900 kilowatt-hours were saved every day and about 328,500 kilowatt-hours could be saved throughout the year.

In 2016, backup stations were arranged in Southern Trading Center for the Company's systems including online trading, portal, account opening online, call center and net department, and about 50 servers were purchased in total, all adopting the virtualization technology. Due to the implementation of online trading stations in Southern Center, original stations in Shenzhen and Guangzhou will be gradually offline. Servers at offline stations which are not scrapped can be reused to maximize the use of all resources of hardware platform, simplify system structure, reduce management difficulty, improve equipment effectiveness, reduce power consumption and equipment space occupation and achieve the purpose of energy conservation and consumption reduction. The use of virtualization technology improved the average utilization ratio of each server from 7% to 60-80% and reduced the power consumption by 70-80%. Based on the fact that an entity server can be virtualized to 8 virtual machines, 400 servers were used and 350 servers were saved. Based on 460w power consumption of each equipment, about 161 kilowatt-hours were saved every day and about 57,000 kilowatt-hours were saved throughout the year.

VIII. ADVOCATE GREEN ENVIRONMENT AND PROMOTE ENERGY CONSERVATION AND EMISSION REDUCTION

Operation and maintenance logs of branches are electronic, providing convenience for the headquarter to know the operation of information system of branches, saving papers and achieving low carbon and environmental protection.

Table 2 Energy and Water Consumption in Shanghai Area of Haitong Securities

Index	UOM	In 2016		In 2015	
		Consumption	Sum of consumption (RMB Thousand)	Consumption	Sum of consumption (RMB Thousand)
Gas	m ³	0	0	78348	353
Natural gas	m ³	101198	398	0	0
Gasoline	L	338480	2032.52	346052.2	2304.17
Electricity	Kilowatt-hour (degree)	9806682	12914.5	9672757	13055.23
Total energy (equivalent value)	Ton (standard coal)	1700.34	15345.02	1603.02	15712.4
Total energy (indifference value)	Ton (standard coal)	3437.1	15345.02	3316.06	15712.4
Tap water	m ³	40915.61	205.5	43173.23	215.44

2. STRINGENT MANAGEMENT PROCEDURES OF SUPPLY CHAIN

The Company keeps cooperating with many domestic and overseas suppliers which provide the Company with a wide variety of goods, equipment, materials and services. The Company requires that the suppliers must comply with the relevant environmental, social and control criteria, and supports their continuous improvement in capacity for sustainable development. The establishment of trust relationships with suppliers helps the Company to control potential environmental and social risks and meanwhile improves the operational efficiency.

VIII. ADVOCATE GREEN ENVIRONMENT AND PROMOTE ENERGY CONSERVATION AND EMISSION REDUCTION

3. ATTACH GREAT IMPORTANCE TO THE ISSUANCE OF GREEN BONDS

Green bonds means any debt instrument using the capital acquired dedicated for the funding of green projects meeting the prescribed conditions or debt instrument refinancing these projects. The innovation of green bonds is to provide proprietary bond varieties to green enterprises and green projects and offer supports in several aspects such as review, distribution, circulation, finance and taxation to reduce the financing costs and encourage investment in the green industry. Currently, according to the policies of People's Bank of China and NDRC, key support projects of green bonds include energy conservation and emission reduction, green urbanization, clean energy, circular economy, ecological agriculture, pollution control, clean transportation, etc.

Green bond series products are green financial service products recommended by Haitong Securities Co., Ltd. for green enterprises and green industry projects which are designed to solve the financing difficulties of green products in China, promote better development of green industry in China, and open up a path in the ecological environment governance of China.

In 2016, the Company has underwritten 6 green bonds of all varieties with issuing scale of RMB82.5 billion. Among them, "16 Pudong Development Green Financial Bond 01" mainly underwritten by the Company is the first domestic green financial bond with issuing scale of RMB50 billion and "16 Beijing Automotive Group Green Bond 01" is the first domestic green corporate bond with issuing scale of RMB2.5 billion. In addition, the Company has other several green bonds to be issued with approval documents and several more under audit. The underwriting performance of the Company's green bonds were recognized by the competent authority and market and deeper coverage were made by several media including Shanghai Securities News, China Economic Herald, Economic Information Daily and Securities Times.

IX. IMPLEMENT “ONE COMPANY FOR ONE COUNTY” PAIRED SUPPORT POLICY AND COMMIT TO SOCIAL CHARITY WITH FULL EFFORTS

1. ATTACH GREAT IMPORTANCE AND ACT POSITIVELY TO PROMOTE THE IMPLEMENTATION OF TARGETED POVERTY ALLEVIATION PLAN

Since the State Council, CSRC and SAC issued the work notice on securities companies’ implementation of targeted poverty alleviation plan, the Company has deeply realized the importance of national poverty alleviation and development work, positively responded to the call for actions helping state-level poor counties and earnestly formulated overall plan for poverty alleviation work. Company thinks, as a large-scale comprehensive securities operating company, it shall play the role of a pacesetter in national poverty alleviation strategy, make full use of its resources and professional advantages in capital market, vigorously develop the financial poverty-aid and industrial poverty alleviation to accelerate the poor areas to realize economic transformation development and industrial upgrading. To strengthen organizational leadership, the party committee of the Company set up a poverty alleviation support leading group whose leaders are secretary of the party committee of the Company and chairman of the board of directors. The group consists of working groups and functional work organization, and the investment banking department, bond financing department, merger and acquisition financing department, NEEQ and structured financing department and other professional departments are included in the working groups to ensure the support actions are put in practice and substantial results are achieved.

2. FORMULATE FOLLOW-UP POVERTY ALLEVIATION PLAN

According to the Company’s poverty alleviation plan, poverty alleviation work mainly focuses on three aspects. Firstly, establish a comprehensive cooperation relationship with the local government by signing the “one company for one county” paired support framework agreement with national-level poor counties and fully use the market means to develop “hematopoiesis” project to help local governments to build up a long-term stable income mechanism, promote regional sustainable development and stable economic growth and help poor people out of poverty. The Company strives to help local government complete regional economic transformation and realize the goal of overcoming poverty and achieving prosperity in three years. Secondly, continuously carry out a new round of rural comprehensive support work for a period of five years in the process of accelerating the development of Shanghai urban and rural integration, promote the implementation of action plan of “beautiful villages and ecological Chongming” and steadily push forward the realization of blueprint plan for the new rural construction in Chongming District of Shanghai. Thirdly, carry out urban and rural party organizations paired support work with poor villages and towns in Shanghai suburbs, help the local economic development and improve the construction of village appearance by relocating or settling real economies, establishing a long-term visit mechanism, creating cultural construction brand activities, financial service professionals’ going to the countryside and other various support means to achieve the goal of helping poor people to have a better life.

IX. IMPLEMENT “ONE COMPANY FOR ONE COUNTY” PAIRED SUPPORT POLICY AND COMMIT TO SOCIAL CHARITY WITH FULL EFFORTS

3. PRELIMINARY RESULTS WERE ACHIEVED FOR TARGETED POVERTY ALLEVIATION

With the joint efforts of the whole company, the Company has made some progress in performing the social responsibility for poverty alleviation, which is mainly shown in three aspects. Firstly, the implementation of industrial poverty alleviation has effectively promoted the economic transformation and upgrading in poor areas. In 2016, the Company carried out multi-level capital market financing businesses via investment bank, bond financing, futures business, capital investment, equity pledge financing, etc. and successively financed RMB3.3 billion for enterprises in poor areas with corporate poverty alleviation financing business covering nearly 20 areas of the country. It used the real economies of capital market financing services, which does not only solve the capital bottleneck gap problem for the enterprises, but also provides “hematopoiesis” project for local economy. The continuous growth of the Company’s business income in the later period brought sustained growth momentum and energy for the local economy. Secondly, it implemented the social poverty alleviation, helping people in poverty wholeheartedly. The Company has established a special poverty-alleviation fund of annual RMB3 million for three paired counties supported, forming a great poverty alleviation pattern with joint efforts of the government, the Company and the society to help people in straitened circumstances to timely get access to supports. The party committee of the Company carried out the urban and rural party organization paired support proposal, providing people in straitened circumstances and poor students with comforts and financial support each year. In 2016, the Company has successively provided 949 people in straitened circumstances with assistance in poverty alleviation. Thirdly, the Company put ecological protection for poverty alleviation into practice and achieved significant effect in ecological construction of Chongming Island of Shanghai. Ever since the start of a new round of rural comprehensive support for Chongming Island of Shanghai in 2013, the Company has granted RMB20 million for the construction of beautiful countryside over the four years. Currently, there are “three-transverse and fifteen-longitudinal” themed framework landscape corridor, Shanghai safe agricultural products production base, national modern agricultural demonstration park, Xisha Wetlands, Dongping National Forest Park, Mingzhu Lake and other scenic spots with improved tourist function established in Chongming Island, which promoted the synchronous realization of economic development and ecological construction in Chongming Island and greatly improved the overall appearance of new rural construction.

IX. IMPLEMENT “ONE COMPANY FOR ONE COUNTY” PAIRED SUPPORT POLICY AND COMMIT TO SOCIAL CHARITY WITH FULL EFFORTS

4. ENGAGE IN COMMUNITYWIDE POVERTY ALLEVIATION AND SOCIAL CHARITY WITH FULL EFFORTS

While creating economic benefits, the Company also positively repays the society. It enthusiastically devoted itself to charity and made efforts to create corporate social value. The Company positively performed the corporate social responsibilities by donation to schools, poverty alleviation charity, loving charity and other various social charity activities and formed a positive atmosphere of helping the poor within the enterprise. In 2016, the communist youth league of the Company launched a city orienteering public welfare activity named “love in Haitong and walk for love”, particularly supporting the poor children in Chishui City of Guizhou province and improving their learning and education conditions. The Business Department at Jianguo Street, Wuwei City of Gansu Province has continuously donated to schools in national-level poverty counties Gulang and Tianzhu for 6 consecutive years since 2011. The party general branch of Shaanxi Branch and party branch of Tangsan Village, Lantian County conducted seminars to exchange views on helping the villagers to establish information platform. Sichuan Branch held financial literacy training seminar in the community to help poor people to stay away from financial fraud and build correct investment consciousness; Business Department at Yiman Street of Harbin provided examination-aiding activities for students during the college entrance examination for two consecutive years; Fullgoal Fund Management Co., Ltd. promoted the volunteer work with the environmental protection public welfare foundation and poverty alleviation for Chongming Huaxi Village as the starting point. Participating in public welfare activities has become a shared belief of Haitong staff and it has become a new trend of Haitong corporate culture for all staff to actively participate in public welfare activities and vigorously promote spirit of charity.

X. CORPORATE SOCIAL RESPONSIBILITY AND AWARDS

In 2017, the Company will continue to integrate the construction of social responsibility into company development and daily operation management, continuously insist on compliance management in accordance with the established strategy, improve the internationalized layout, strengthen synergistic effect and improve company's comprehensive strength and ability to undertake social responsibilities.

1. TAKE RESPONSIBILITY, MAKE PERSISTENT EFFORTS AND PROMOTE TARGETED POVERTY ALLEVIATION WORK TO A NEW LEVEL

Firstly, positively carry out the "one company for one county" paired support action, strive to make use of the Company's financial advantages to conduct further cooperation with local county government in aspects of financial poverty alleviation, industrial poverty alleviation, poverty alleviation through consumption, talent training and use of support funds on the basis of contract signing and pairing with three national-level poor counties; secondly, continuously implement the beautiful country action plan for Chongming Island of Shanghai, fully pushes the completion of support development plan, build national modern agricultural demonstration park and create a perfect market circulation system for agricultural products to accelerate the development of tourism projects and create new highlights for Chongming new rural construction; thirdly, deepen the financial poverty alleviation and industrial poverty alleviation work, track the progress and achievements of developed projects on the basis of securities and futures poverty alleviation projects developed in 2016, continuously improve the implementation measures for existing projects and promote the poverty alleviation effect; fourthly, strongly support the social and public welfare undertakings, continue to give play to the public-spirited and charity-supported excellent tradition and deepen various feedback activities in various forms to the society.

2. TAKE ADVANTAGE OF THE COMPANY'S INTERNATIONAL BUSINESS AND SUPPORT THE "B&R" STRATEGY

After years of integration and development, the Company has set up a mature overseas business platform and its international business strength ranks leading in the industry. In future, cross-border capital flow will be more active in the background of economic globalization and renminbi internationalisation and under the guidance of "B&R" strategy, so the cross-border mergers and acquisitions, cross-border investment and financing shall be continuously increased. The Company will continue to strengthen the integration of various international business segments, take the first-mover advantage and talent advantages of the company in the overseas development, actively give play to the synergistic effect of domestic and overseas businesses, and provide more professional and comprehensive financial services for domestic enterprises to go out and domestic investors to make overseas investment.

3. CONTINUE TO ENHANCE CLIENT SERVICE LEVELS AND COMPLETE APPROPRIATE INVESTOR MANAGEMENT AND INVESTOR PROTECTION WORK

In 2017, the Company will continue to accelerate the construction of Internet finance and improve business efficiency and system performance based on customer experience. It adheres to market-oriented product development mechanism based on customer demand in aspect of wealth management. The Company will continue to pay return visits to customers and deal with customer complaints in strict accordance with the relevant requirements and establish an investor education and investor protection work system so that it is more close to the actual demands of the investors and market.

X. CORPORATE SOCIAL RESPONSIBILITY AND AWARDS

4. PROMOTE THE SOCIAL RESPONSIBILITY CONSTRUCTION WITH OWN DEVELOPMENT

In 2017, while donating economic value to the society, the Company will continue to adhere to the concept of the Company and society harmonious development, integrate the enterprise social responsibility construction into the Company's development strategy, operation management and various business lines and vigorously develop the green finance to pay back the shareholders and interested parties, increase service entity economy, improve service levels, build a harmonious labor relations, regard the ecological resources and environment protection as own duty and blaze new trails, make contribution to society to promote the harmonious and common growth of the company and the society.

5. AWARDS OF THE COMPANY IN 2016

Top 20 best practice among boards of supervisors of listed companies – China Association for Public Companies, Shanghai Stock Exchange, Shenzhen Stock Exchange
Security company with greatest transmissibility in 2016 – the 21st Century Economic Report
Excellent corporate bond underwriter – Shanghai Stock Exchange
Securities trader with most Internet spirit – Securities Firms in China
Securities trader with most + Internet – Securities Daily
Shanghai excellent website – organization committee of the 7th Shanghai excellent website contest
Top five Jinniu team award for Jinniu analysts in China securities industry – China Securities Journal
Listed company with greatest brand value – Ta Kung Pao
Best CEO of listed companies – Ta Kung Pao
Research institute with second greatest impact – New Fortune
Second best local sales service team – New Fortune
Third best local research team – New Fortune
Top 100 enterprises in Shanghai – Shanghai Federation of Enterprises, Shanghai Entrepreneurs' Association, Shanghai Federation of Economic Organizations
Top 10 comprehensive strength securities trader – the 21st Century Economic Report
China best wealth management organization – Securities Times
China best securities brokers – Securities Times
China best Internet securities companies – Securities Times
China best products with absolute return – Securities Times
China best fixed recycle investment team – Securities Times
China excellent futures information management brand – Securities Times
Annual top 10 brand securities trader – China IPO
Excellent corporate bond underwriter of Shanghai Stock Exchange – Shanghai Stock Exchange
First direct distribution among top 5 securities trader of China best private equity investment institution – annual list of China venture
China excellent wealth management organization – Securities Times
Third prize of the fifth securities and futures science and technology award – committee of securities and futures science and technology award
Best market maker in China region stock transfer system – Securities Times
Five-star credit creation enterprise – organization committee of enterprise credit creation activities in Shanghai
ISO10015 training management system international standard certification – CQC ISO10015

ATTACHMENT: INDEX TABLE OF ENVIRONMENT, SOCIAL AND GOVERNANCE REPORTING GUIDE BY STOCK EXCHANGE

Aspects, general disclosures and KPIs	Description	Disclosure chapter
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Major category A. Environment

Aspect A1. Emissions

General disclosure A1	Information on:	VIII.
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	

Aspect A2. Use of resources

General disclosure A2	Policies on the efficient use of resources (including energy, water and other raw materials)	VIII.1.
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Aspect A3. Environment and natural resources

General disclosure A3	Policies on minimising the issuer's significant impact on the environment and natural resources	VIII.1.
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Major category B. Society Employment and Labour Practices

Aspect B1. Employment

General disclosure B1	Information on:	VII.1.
	(a) the policies; and	VII.2.
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	VII.3.
	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	VII.4

ATTACHMENT: INDEX TABLE OF ENVIRONMENT, SOCIAL AND GOVERNANCE REPORTING GUIDE BY STOCK EXCHANGE

Aspects, general disclosures and KPIs	Description	Disclosure chapter
Aspect B2. Health and safety		
General disclosure B2	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	VII.2. VII.6
Aspect B3. Development and training		
General disclosure B3	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	VII.5.
Aspect B4. Labor standards		
General disclosure B4	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labour.</p>	VII. 1.
Major category B. Community and operating practices		
Aspect B5. Supply chain management		
General disclosure B5	<p>Policies on managing environmental and social risks of the supply chain.</p>	VIII.2

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Aspects, general disclosures and KPIs	Description	Disclosure chapter
Aspect B6. Product responsibility		
General disclosure B6	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	V.5.
Aspect B7. Anti-corruption		
General disclosure B7	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to bribery, extortion, fraud and money laundering.</p>	IV. 3
Aspect B8. Community investment		
General disclosure B8	<p>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.</p>	IX. 4