

Environmental, Social and Governance Report

Overview – the Company in 2016

As a good corporate citizen, CITIC Limited incorporates sustainability into its development strategies and day-to-day management for the benefit of our shareholders, customers, business partners, employees, the environment and community. In 2016, we continued to provide employment opportunities and established our human resources strategy based on “bolstering the company through the appointment of high-calibre personnel” (the “Talent Strategy”). This strategy is being carried out by fostering five talent teams. We also continued to deliver high quality products and services to customers, underpinned by constant improvements in our service regime to ensure complete customer satisfaction. In addition, we formed three CITIC Coordination Circles so that

we can work more closely with our partners and create a responsible supply chain. These Coordination Circles fully utilise our strengths and help to achieve mutual benefit with our partners. In accordance with the Government’s principle of green development, we have undertaken water treatment, solid waste disposal, energy conservation and discharge reduction projects in China and Singapore through our subsidiary CITIC Environment. We also provided programmes tailored to the needs of the community and encouraged employees to participate in voluntary services through the respective volunteer organisations of our subsidiaries. During the year, CITIC Construction’s Young Volunteers Association of Africa won the gold prize in the grand finale of the 3rd China Young Voluntary Service Contest.

Staff Development	<ul style="list-style-type: none"> Employed 127,610 staff, a reduction of 5,916 employees from the previous year. Formed five teams among our senior management; provided industry leadership and advanced technology for international business and outstanding young talent. Organised a total of 52 training sessions at the Head Office, with a total enrolment of approximately 4,700 participants. Seminars on the 5 major development concepts^{Note 1}, a tripartite joint training programme CITIC-CP Group-Itochu and training sessions for Hong Kong-based CITIC employees were held for the first time.
Promoting Business Ethics and Integrity	<ul style="list-style-type: none"> Successful handover by CITIC Construction of the Malanje Farm project in Angola, a signature project for CITIC in the country; CITIC Heavy Industries named National Advanced Enterprise in Quality and Integrity. Formed three CITIC Coordination Circles: CITIC Mini Union, CITIC PPP^{Note 2} Union and CITIC PPP Coordination Circle. Organised two visits for relevant company personnel to the ICAC in Hong Kong to learn about the SAR’s measures in the regulation and prevention of corruption.
Environmental Protection	<ul style="list-style-type: none"> CITIC Environment completed its investment in Chongqing Sanfeng Environmental Industrial Group Co., Ltd (“CSEG”) to build a business platform for solid waste processing; acquired 21 projects in the domestic and international markets to enhance our water treatment business platform, representing total investments of close to RMB4,600 million and an increase in our daily water processing capacity to nearly 5 million tonnes.
Support for local communities	<ul style="list-style-type: none"> CITIC Limited and its subsidiaries contributed RMB31.76 million and HK\$18.69 million in community donations. CITIC Construction’s Young Volunteers Association of Africa won the gold prize in the grand finale of the 3rd China Young Voluntary Service Contest, and CITIC Heavy Industries Young Volunteers’ Association received the 11th China Young Volunteers Award for Outstanding Organisation.

Notes:

- The 5 major concepts in development refers to the concepts of “innovation, coordination, greenness, openness and sharing” proposed by the Chinese Government in October 2015.
- PPP is short for Public and Private Partnership.

Growing together with our employees

One of the missions of CITIC Limited is to build a platform on which employees can showcase their talents and abilities. More than asking what employees can do for us, we are concerned with what we can do for our employees. Through a variety of initiatives, we are committed to achieving growth for both our employees and the Company.

Equality as the foundation of growth

Legal Compliance

All of our labour contracts were established and modified in strict accordance with relevant laws and regulations to protect the legal rights of our employees and to develop a harmonious relationship

with our staff. Our labour contract signing rate was 100%.

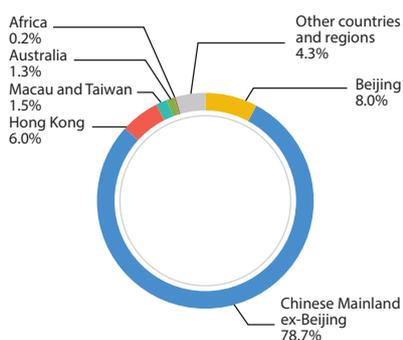
Equal job opportunities

We remained committed to the provision of fair opportunities in our staff recruitment process by adhering to the principle of open recruitment based on merit, without regard to race, nationality, religion, physical disability or gender. CITIC Group was named one of the Top 100 Best Employers in China 2016 by zhaopin.com and the Peking University Social Survey and Research Centre.

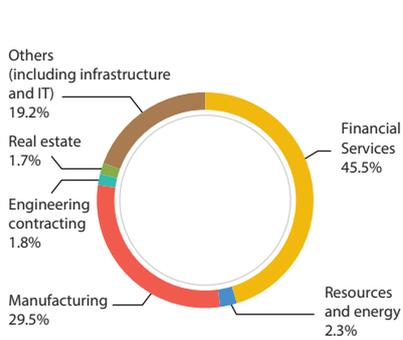
Staff overview

At the end of December 2016, CITIC Limited had a total of 127,610 employees, a reduction of 5,916 employees as compared with the previous year.

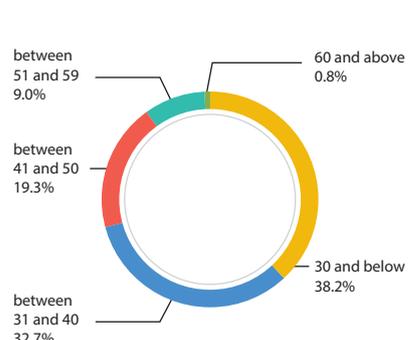
Percentage of employees by region



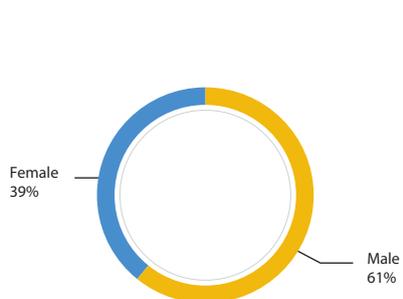
Percentage of employees by business segment



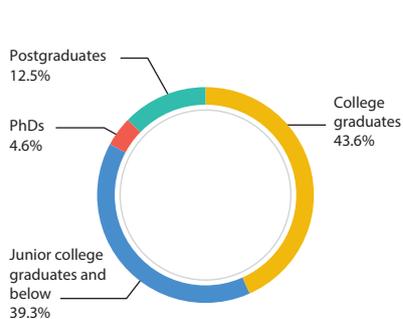
Percentage of employees by age group



Percentage of employees by gender



Percentage of employees by educational background



Incentives to consolidate growth

Staff compensation

Remuneration management

We have a medium-to long-term remuneration mechanism in place across all of our subsidiaries, which is guided by the remuneration policies of relevant local governments and based on business results. This market-oriented mechanism makes reference to statistical data on salaries and remuneration prepared by professional consultants with equal emphasis on market competitiveness and fairness. In accordance with national policies, we are investigating the feasibility of a staff shareholding scheme to attract and retain talent and enhance the Company's competitiveness and staff morale.

Welfare and benefits

We continued to improve the insurance, benefit schemes, working hours and annual leave provisions we offer to our staff. In accordance with local government requirements, we provided basic social insurance policies, and most of our subsidiaries have instituted corporate annuities (supplementary pension insurance) and supplementary medical insurance schemes.

Appraisal mechanism

We optimised our performance appraisal and remuneration systems during the year. Based on the different business characteristics and development stages of our subsidiaries as well as the principle of "one company, one policy", we made improvements to the industry benchmark matching system. This

helped to create a closer link between performance appraisal results and staff remuneration/incentives, with a strong emphasis on value creation and shareholder returns for our subsidiaries, as well as for the Company's overall strategic direction. We also reallocated our remuneration pool in response to concerns about the gap in remuneration between the senior management and general staff of the subsidiaries. Instituting a remuneration regime that is appropriately valued, reasonably structured, uniformly administered and effectively supervised has enabled us to motivate employees at all levels more effectively.

Training for future growth

Career paths

In line with our people-oriented philosophy, we arranged for staff postings and exchanges between the headquarters and subsidiaries, among subsidiaries, and between CITIC and relevant provincial and municipal governments. This has broadened the training of our staff and gave them exposure to our operations in the field. We also identified qualified younger people to replenish our talent pool and launched training programmes for our younger officers through our CITIC Excellence Training Project.

Talent strategy

For the implementation of our Talent Strategy during the 13th FYP period, we formed five teams comprising the senior management team, industry leaders' team, a senior technical team to provide advanced skills and technologies, the international team, and outstanding young officers' team. These teams will act as a talent pool in support of the Company.

Training programmes

In the Company's education and training plan for the 13th FYP period, we have proposed to optimise the allocation of resources and provide innovative training approaches, which aim to foster innovative leadership for company leaders, creativity for specialised technical personnel and executive power for management teams. The annual plan for education and training encourages the sharing of training resources among subsidiaries.

In 2016, the Head Office organised 52 training sessions with a total enrolment of approximately 4,700 participants. New seminars were held based on the five major development concepts. New trainings also include the tripartite CITIC-CP Group-Itochu joint training programme, training for Hong Kong-based CITIC employees, and training for senior managers. Additionally, we entered into agreements for reciprocal staff postings with reputable overseas

corporations, including Daiwa Securities in Japan for 10 key officers. The annual expenditure of CITIC Securities on staff training amounted to RMB22.67 million, and each employee received an average of 20 hours of training. CITIC Heavy Industries worked with Zhejiang University and China Europe International Business School (Online) to launch a joint training programme. CITIC Construction organized staff to post online micro-class to give lecture on the Company's rules and regulations for overseas staff, while CITIC Dicastal implemented its China-US-Germany joint personnel training initiative for domestic employees and expatriate employees. CITIC Pacific (China) Investment Co., Ltd. developed a new induction training system for new staff, open lessons and large-group lectures for general staff, specialisation training for business personnel, Eaglet training camps for management trainees, and Flying Eagle training camps for intermediary and senior management.

Selected training programmes in 2016

No.	Project	Contents	Participants	Enrolment	Duration
1	CITIC Limited: CITIC — CP Group — Itochu joint training programme	Introduction to China, Thailand and Japan corporate cultures, corporate governance structure and business management	Senior managers or above of CITIC Limited	10	10 days
2	CITIC Bank: basic skills for international personnel	Training in international business and project rotation	The second group of international personnel of CITIC Bank	45	19 days
3	CITIC Heavy Industries: training for leaders of worker-maker teams	Craftsmanship, advanced processes and technologies, mastery of key technologies and sharing experiences in innovation	Leaders of worker-maker teams of CITIC Heavy Industries	22	3 days
4	CITIC Pacific: workshop for human resource strategies	Strategic HR diagnosis and analysis by participants for their respective business units under the instruction of a professor from Hong Kong Baptist University	HR supervisors and managers of CITIC Pacific at various levels	28	1 days

Case study:

Training to promote cooperation and interaction between Mainland Chinese and Hong Kong staff

CITIC organised two training sessions for Hong Kong employees in June and October 2016, respectively, to promote a better understanding of CITIC by Hong Kong-based employees and greater interaction and cultural inclusion between employees in the Mainland and Hong Kong. Experts were invited to provide lectures on CITIC's corporate culture and business development. Participants also had the opportunity to visit CITIC Heavy Industries, CITIC Pacific Special Steel and the CITIC Bank Credit Card Centre, and to attend a forum with CITIC Chairman Chang Zhenming as well as other senior management. Through these activities, staff were able to increase their knowledge of the Company and enhance their sense of pride as members of the CITIC team. We plan to incorporate this into the regular training programme of the Company in 2017 with improvements in format and scheme as this will contribute to the development of CITIC.



1. Reporting session of the action-based learning programme for middle and young officers of CITIC Limited.
2. Worker-maker training session at CITIC Heavy Industries.
3. HR strategic workshop at CITIC Pacific.
4. Hong Kong employees attend Beijing Guoan football match at its home pitch.
5. Visit by Hong Kong employees to Rong Yiren Memorial Hall.

Employee Health and Safety

As part of our commitment to providing a safe and healthy work environment, we keep improving

safety management regimes at the headquarters and subsidiaries level to safeguard our employees against occupational diseases and to promote their physical and psychological well-being.

2016 Safety Management and Measures

Business sectors	Safety measures
Financial services	Safety management regimes and related regulations were introduced with regard to fire prevention, traffic safety, office safety and safety at other business venues. The safety officers for each level have been specified. Manual, physical and technical preventive facilities for office areas were enhanced and regular safety inspections of all facilities conducted to eliminate safety hazards. No material safety incidents were reported during the year.
Resources and energy	CITIC Resources: the Seram HSE and medical teams conducted an emergency medical evacuation drill at Bula Airport to ensure maximum protection of staff in the event of a real emergency. The Non-Bula Block of the Seram Oilfield reported a consecutive safe production run of over 6 million work hours, without any incident that would result in a production halt. This was above the safety standard of 5 million work hours without halting incidents set by the local government for medium-sized upstream oil exploration and production companies. As a result, the Seram Oilfield received the MIGAS Safe Production Award 2016 from MIGAS, the petroleum and gas authority of the Indonesian Ministry of Energy and Mineral Resources.
Manufacturing	<p>CITIC Heavy Industries continued to make improvements to its HSE regime in order to identify, assess and ascertain environmental hazards specific to each production unit. Real-time classified management of dangerous operations was implemented for key operations. Protective standards that are more exacting than national standards have been formulated for key positions subject to toxic hazards, and special protective gear, such as toxic masks, has been introduced. Inspections for identifying occupational hazards are conducted on an annual basis and measures such as process improvement and equipment replacement are adopted where there are excessive indicators. In 2016, a total of 595 specific safety training sessions were held at the 15 principal production units and auxiliary units of CITIC Heavy Industries, with an aggregate enrolment of 80,839 participants.</p> <p>CITIC Dicastal conducts regular investigations of position-specific risks. Risk control is maintained through assessments of inherent risks and evaluations of the effectiveness of existing technologies and control measures with suggestions proposed and implemented to reduce these risks. In 2016, safety management staff and selected production section leaders of CITIC Dicastal received occupational health training. Professional medical personnel were invited to instruct participants on first aid for work injuries, such as bandages for bone fractures and resuscitation; drills and practice sessions were also held.</p>



Emergency medical evacuation drill at Bula Airport conducted by the Seram Oilfield of CITIC Resources.



Fire-fighting training and drills organised by the African Business Department of CITIC Construction.

Business sectors	Safety measures
<p>Engineering contracts</p>	<p>CITIC Construction has set up a safety management committee to review relevant rules and regulations and contingency plans on a regular basis. All business departments and project departments have conducted emergency drills in strict compliance with the Overseas Safety Contingency Plan and other regulations to enhance the response capabilities of overseas staff. Working reports on local safety conditions were submitted to the emergency office on a bi-weekly basis. In 2016, the Latin American Business Department and the African Business Department of CITIC Construction prepared contingency plans to ensure the safety of staff in areas where public security is a concern. In addition, the African Business Department invited the public health specialists of the Chinese Centre for Disease Control and Prevention stationed in Angola to conduct training on the prevention of epidemic diseases for the staff of CITIC Consortium.</p>

Promoting Business Ethics and Integrity

In keeping with our customer-centric philosophy, our subsidiaries are committed to providing premium products and integrated service so as to improve service regime. Based on our strengths in business integration, we strive to achieve all-win with our partners and to ensure that we have a responsible

supply chain with partners who comply with our high standards of business ethics opposed to corruption and bribery.

Product and service responsibility



Harvest at the Malanje Farm built by CITIC Construction in Angola



Three publications by CITIC Press were named among the Top 50 Books People Love to Read 2016, making it first among all publishers in China in terms of the number of publications making the list.

<p>Provision of quality products and services</p>	<p>CITIC Bank introduced a 10-step service model^{Note 1}, the 6S management model^{Note 2}, smart tellers and integrated financial services with the aim of offering the best customer experience. Its network of self-service outlets has been optimised with improved self-service facilities that support contactless cards and mobile payments using services such as Apple Pay and Samsung Pay. As at the end of 2016, CITIC Bank's network comprised 1,424 outlets, among which 47 outlets were named among the Top 1,000 PRC Bank Branches in Standardised Services 2016. Financial services were provided to 4.85 million customers by 93,700 staff. Financial products issued by the Bank have generated direct gains of RMB38,071 million for customers.</p> <p>CITIC Construction has undertaken signature projects that have elevated the CITIC brand, such as the Malanje Farm project in Angola. This modern farm required five years of development before its completion in 2016 and now produces annual corn volume of 10,000 tonnes on what was once wasteland. Manuel Vicente, the vice president of Angola, visited the farm and hailed it as the exemplary model for the revival of agriculture in Angola.</p> <p>CITIC Press has introduced an innovative publisher platform to create diversified content, which aims to consolidate publishing resources to develop a hierarchical product pool to meet differentiated needs from mass readers. In 2016, a number of CITIC Press publications were named among the Top 50 Books People Love to Read 2016, by the State Administration of Press, Publication, Radio, Film and Television, Most Beautiful Books of China by Shanghai Press and Publication Bureau, and Monthly Picks of Good Books in China by the China Book Review Institute.</p>
<p>Improved service system</p>	<p>Protection of investors' interests is a top priority for CITIC Trust, as indicated by its rules and regulations covering all stages of production and sales. In 2016, CITIC Trust launched the Trust Culture in China campaign to raise public awareness of investors' rights, including improvements to the mechanism for handling consumer complaints and protecting investors' interests, which has been included as one of the benchmarks for appraising performance. CITIC Trust also established a crisis response mechanism for monitoring and responding to negative media reports or material events related to investor rights.</p>
<p>Strengthened quality control</p>	<p>CITIC Heavy Industries visited over 100 units engaged in mining, building materials, metallurgy and frequency converter under the Quality Promotion Scheme 2016 and introduced plans to improve customer service and its brand. In addition, the Company implemented product upgrade projects that have taken the Company to a new level in product quality, process management and on-site management. In 2016, CITIC Heavy Industries received National Advanced Enterprise in Quality and Integrity, the Second Session of the China Quality Award and was named an Advanced Enterprise of Henan Province in Quality Management and AAA Industrial Enterprise of Henan Province in Institutions for Quality and Integrity.</p>

Note

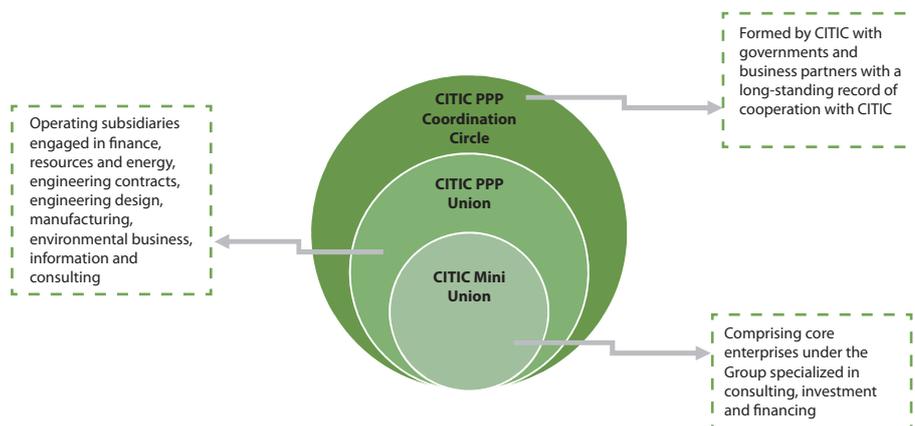
1. 10-step service model comprises "greeting, smiling, inquiring, guiding, reminding, instructing, caring, offering drink, showing the way and saying goodbye".
2. The 6S management model comprises "Sorting, Setting in order, Shining, Standardising, Safety and Sustaining".

Improving our coordination strategy

In recent years, in keeping with national PPP policy, CITIC Limited has participated in CITIC Group's initiatives to upgrade its coordination strategy and improve the related systems and mechanisms. Capitalised on CITIC Group's diversified businesses

and mature practices in business coordination, CITIC Limited have contributed a lot to the establishment of three CITIC Coordination Circles.

The Three CITIC Coordination Circles



Responsible procurement

All companies within CITIC Group have procurement duty committees responsible for the management of their respective supply chains according to the Measures for the Administration of Procurement and

Tenders formulated by CITIC Limited. According to our rules and regulations, we support and purchase products and services from responsible suppliers.

Case study:

Procurement at CITIC Heavy Industries: A Sunshine Policy

As part of its effort to drive sustainable development, CITIC Heavy Industries has incorporated the concept of social responsibility into its end-to-end supplier management, seeking to jointly create and develop a responsible supply-chain regime that is fair, just and open.

Enhanced transparency of procurement	<ul style="list-style-type: none"> A strategy of "Sunshine procurement" has been adopted through the ERP information system and network in strict accordance with CITIC Heavy Industries' administrative regulations that pertain to procurement control procedures and tenders.
Improved systems and regimes	<ul style="list-style-type: none"> A range of regulations for supply-chain management have been formulated including Supplier Management Measures that are designed to enhance the audit and management of the entire life cycle of a supplier. This encompasses criteria for admission through the establishment of a transparent and efficient merit-based mechanism for the selection and removal of suppliers so as to enhance fulfilment ability of suppliers and to effectively lower the risks of supply-chain management

Stringent management of supplier admission

- Stringent legal checks on the suppliers' business licenses and examination of their qualifications in quality management and HSE systems;
- Due diligence on the supplier's ability to provide assurances in the quality of its products and services, in HSE matters and in compliance with pertinent laws and regulations;
- Stringent on-site inspections to examine the supplier in respect of 6S compliance and assurance of corporate security;
- Further elements including the supplier's legal compliance, their integrity regarding business co-operation and their execution of social responsibilities are documented in survey sheets. These are contractual and binding undertakings.

Enhanced processes and dynamic management

- If the suppliers deviate from agreed responsibilities, warning letters will be sent demanding timely rectification and preventive measures. These will encourage them to improve the supervision and control of any potential risks inherent in the supply chain.
- The suppliers' performance and cooperation will be regularly appraised, as will their credentials, creditworthiness, quality, services, social responsibility and trade security. Any non-compliant suppliers will be removed in order to optimise our portfolio of suppliers and develop a quality supply chain.

There are currently 2,286 qualified suppliers on the list of CITIC Heavy Industries located in China, Japan, Germany, Sweden, Switzerland, the United Kingdom, the United States, Brazil and Australia. There are 2,123 Chinese suppliers, accounting for 92.87%, 1,208 Henan-based suppliers, accounting for 52.84%, and 914 Luoyang-based suppliers, accounting for 39.98%. Co-operation with locally-based suppliers has not only improved our efficiency but also greatly supported local economic development.

CITIC Heavy Industries aims to grow into a top tier Chinese company with an international reputation. Its objective in procurement is to improve the quality of its products, ensure their timely delivery, enhance fulfilment of its social responsibilities and lower procurement risks by purchasing primarily from well-known domestic and international manufacturers and suppliers. This collaborative relationship with suppliers endeavours to create a healthy, safe and sustainable business environment for the industry.

Anti-corruption

Through adherence to the principles of honesty, integrity and fair competition, and via internal and external supervision measures, we have effectively prevented any ethical risks, safeguarded the Company's assets and upheld its corporate image. In 2016, we enhanced relevant education and training by arranging anti-corruption presentations at our headquarters and the offices of our subsidiaries. This

enhanced training for middle-level management ensured compliance with the CITIC Limited Code of Staff Conduct; more than 90 supervisory staff from our subsidiaries were also trained. We also arranged two visits for relevant departments to the ICAC in Hong Kong, where they learned about measures to prevent corruption, with staff gaining useful experience in strengthening corporate governance and improving the Company's internal anti-corruption systems.

Environmental Protection

As CITIC Limited has grown and the public's expectations of a company's environmental performance has risen, we find ourselves faced with challenges regarding environmental protection. In line with government policy, CITIC Limited has strictly complied with the environmental laws and regulations of the countries and regions in which it operates. Its subsidiaries have continuously worked to improve their environmental impact, while remaining committed to corporate citizenship regarding environmental protection.

Contributions to the development of carbon emission trading in China

We have been working to enhance the management of carbon assets with initiatives that have included coordinating carbon emission resources across various segments. Subsidiaries with significant carbon emissions have conducted exploratory investigations and adopted effective measures to reduce carbon and conserve energy. Subsidiaries in the financial sector have continued to develop green finance business models with rigorous controls implemented on loans extended to enterprises with high levels of energy consumption and emissions. These collaborative efforts will help the nation achieve its goals in the reduction of carbon dioxide emissions.

Case study:

Development of carbon emissions trading in China

The professional carbon trade and investment team formed by CITIC Securities in 2011 has been actively involved in carbon trading in China and elsewhere. Their goal has been to drive the development of the financial aspect of China's carbon market and to help enterprises gain value from their carbon assets. They have also been encouraged to expedite technological upgrades to lower energy consumption, pollution and carbon emissions across various industries. In 2015, CITIC Securities completed trades in carbon emission rights with a total volume of over one million tonnes, while also launching China's first ever forward trade of carbon emission quotas. By the end of the third quarter of 2016, CITIC Securities had undertaken green bonds (including asset securitisation products) with an aggregate amount of RMB3 billion. This ranked them second among eleven lead underwriters of green bonds and managers of green asset securitisation products, according to the Green Charity Ranking published by the Securities Association of China.

Did you know: The China Emissions Exchange, the first platform for the trading of carbon emission rights in China, commenced operation in Shenzhen on 18 June 2013, a key milestone towards the development of the country's first carbon market. Since then, carbon emission trading has been conducted on a trial basis in Beijing, Tianjin, Shanghai, Guangdong, Hubei and Chongqing. According to the China-US Joint Presidential Statement on Climate Change issued in September 2015, China has pledged to commence a national carbon emission trading system by 2017.

A new platform for the environment business

Through CITIC Environment, we have made concerted efforts to commence operations relating to water treatment, solid waste disposal, energy conservation and a reduction in emissions in China and Singapore. This subsidiary serves as a platform for energy conservation and our environmental businesses, one which has made positive contributions to advances in energy conservation technologies and industrial upgrades.

In 2016, CITIC Environment completed the acquisition of a 13.58% equity interest in Chongqing Sanfeng Environmental Industrial Group Co., Ltd (CSEG) in order to acquire a capability in solid waste processing. To expand its water treatment business, a total of 21 water treatment projects in the domestic and international markets were taken on with this acquisition, representing a total investment of close to RMB4.6 billion.

<p>Water treatment</p>	<p>Daily waste water processing capacity close to 5 million tonnes In 2016, CITIC Envirotech owned almost 60 water treatment plants across China with an average daily processing capacity of close to 5 million tonnes. CITIC Changyang Water Treatment Co., Ltd and Ningbo Daxie Development Zone Ecology Sewage Treatment Co., Ltd processed approximately 13 million tonnes of waste water during the year.</p>
<p>Solid waste disposal</p>	<p>Acquisition of CSEG In August 2016 CITIC Environment completed its investment in CSEG to become the second largest shareholder. As of at the end of 2016, they have invested in 25 BOT/PPP projects in power generation resulting from waste incineration, with a total designed processing capacity of 37,000 tonnes per day, up 30% year on year. It ranks top on the industry's chart in terms of total PPP project. In 2016, CSEG has an aggregate processing capacity of 4,690,000 tonnes per year, up 27% year on year and has a total power generation capacity of 1,560 million kwh per year, up 31% compared with 2015.</p>
<p>Energy conservation services</p>	<p>Power consumption savings of approximately 30 million kwh for project owners CITIC Environment has invested in a number of energy conservation projects such as the LED energy-saving conversion project for municipal roads in the Daxie Development Zone and an energy-saving conversion of the compressed air station of Xingcheng Industry Gas Co., Ltd. Elsewhere, projects have included LED road lighting in Meishan, lighting along the Chongqing Expressway, lighting system conversion at CITIC Dicastal Industrial Park and the upgrade of the furnace energy conservation control system of Daye Special Steel. The total power savings for owners in 2016 amounted to approximately 20 million kwh. The residual heat power generation project of a subsidiary, Ningxia Jingxin Energy Conservation and Environmental Protection Co., Ltd. completed approximately 10.50 million kwh of power generation in 2016, while reducing coal consumption by 4,512 tonnes of standard coal and carbon dioxide emissions by 10,062.77 tonnes.</p>

Development of Green Finance

Green Credit

CITIC Bank has stated that it will “strongly support the development of green, recycling and low-carbon economies, such as energy conservation, environmental protection and new energy, while stringently controlling financing for high-consumption and high-pollution sectors; it would vigorously support industrial upgrades for high-end

and traditional manufacturing sectors and strictly comply with the ban in loans against four types of projects in its credit policies, for sectors including equipment manufacturing, petrochemical, cement production and auto manufacturing¹, as well as the 6 pre-requisites for the approval of project loans². For 2016, the balance of loans under the green loan projects of CITIC Bank amounted to RMB25,478 million, representing an increase of RMB1,782 million, up 7.52% compared with 2015.

Loans to sectors subject to high pollution, high emissions and excessive capacity

CITIC Bank monitored risks associated with high pollution, high emission and industries with excessive capacity. Through a new policy, companies are differentiated and rated on a case-by-case assessment as “supported, maintained, reduced or terminated”. As at the end of 2016, the balance of loans extended to “high-pollution” and “high emissions” sectors by CITIC Bank amounted to RMB43,745 million, representing a decrease of 12.82%, a decrease of 0.28 percentage points as a share of total company loans. Breaking down this number further, the balance of loans to the steel industry amounted to RMB21,963 million, representing a decrease of RMB314 million, down 1.41%, the balance of loans to the coal-fired power plant amounted to RMB9,426 million, a decrease of RMB2211 million, down 19.00% compared with the previous year.

Upgrading e-banking transactions

Along with the rapid growth in e-banking, CITIC Bank has continued to roll out mobile finance initiatives on the back of Internet-based finance. This is in line with the strategy of balanced dual development underpinned by initiatives to “enhance the financial aspects of Internet businesses” and to “introduce Internet-based financial businesses”. As at the end of 2016, CITIC Bank had 19,584,800 mobile phone banking customers, representing a 53.89% increase compared with the end of the previous year. Its

personal Internet banking business also reported stable growth with 23,081,900 existing users, representing an increase of 5.05 million new users, or 28.01% compared with the end of the previous year. The replacement ratio related to e-banking transactions was 97.83%, which was 1.7 percentage points higher compared with 2015.

- 1 “Four types of projects banned for loans”: these are projects that have not obtained the approval of official environmental authorities; new projects under the “restricted” category and projects under the “phase-out” category of national industrial policies; high-pollution projects included under the categories of “restricted regions” or “restricted river coastal regions”; and enterprises and projects involved in violations of environmental laws.
- 2 “Six pre-requisite conditions”: fulfilment of regulations and requirements such as industrial policies and market entry thresholds; project approval and examination or filing procedures, pre-examination for land use, approval of environmental impact assessment, energy conservation assessment and examination, and credit, safety and city planning. No credit facilities should be granted to projects that do not comply with the “six pre-requisite conditions”.

Resources and Energy

CITIC Resources is committed to clean production through the employment of advanced technologies, which is part of our concerted effort to protect the natural environment of our operating areas and the local communities.

Description	Initiatives	Achievements
Discharge control	Full-scale environmental monitoring over water and air pollution controls, hazardous waste management and control of the discharge of oil-contaminated at the Seram Oilfield in Indonesia. All involve reporting to local governments on a regular basis	The Seram Oilfield achieved a “Blue” rating in the Program for Pollution Control, Evaluation, and Rating (PROPER) overseen by the Indonesian government with the purpose of enhancing environmental performance.
Waste water treatment	The Yuedong Oilfield in Liaoning investigated and researched the existing conditions of waste water discharge systems from its domestic equipment manufacturers and domestic offshore platforms. It formulated a waste water system upgrade plan applicable to all platforms across the Yuedong Oilfield.	Waste water discharge indicators are in compliance with national standards following the completion of waste water system conversion across all platforms.

Case study:

Karazhanbas Oilfield: protect environmental with better management

Since its acquisition of the Karazhanbas Oilfield in Kazakhstan in 2007, CITIC Resources has continued to deal with environmental issues inherited from past operations. Through an annual plan, they have continued their efforts to deliver on its environmental responsibilities. In an international market of persistently low oil prices, last year the Karazhanbas Oilfield formulated its Environmental Work Plan 2016-2025, pledging to resolve underground and surface oil contamination and other historical environmental issues of the oilfield over the next 10 years. It has further undertaken advances in environmental treatment and protection through greater efforts to protect and restore the operating environment. The plan has been approved by local environmental authorities.

CITIC Mining International renewed its environmental management system in accordance with international and Australian standards as well as the recently updated ISO/AS 14001. At the Sino Iron project, the HSE performance was upgraded under SinoSAFE environmental initiatives. In addition, as

an important part of its environmental management initiative CITIC Mining International has also monitored the terrestrial and marine habitats surrounding the Sino Iron project site to minimise the impact of its operations.



Discharge samples for testing at the Seram Oilfield



Inspection of coral samples by CITIC Mining International

Manufacturing

At the beginning of each year, **CITIC Heavy Industries** conducts a meeting on energy conservation and emissions reduction, during which they analyse current conditions and formulate plans and interim measures. In 2016, the desulphurisation gypsum and dehydration GDYT filter for power plants developed by CITIC Heavy Industries was officially delivered to

Luoyang Thermal Power Co., Ltd. and presentations were made to market the unit to the power industry. The unit is capable of reducing the integrated energy consumption of power plant desulphurisation systems by 50%-80%, while preventing the generation of waste water, acid waste and other forms of environmental pollution.

CITIC Dicastal adopted the following measures in environmental protection, energy conservation and emissions reduction in 2016:

Description	Initiatives	Achievements
Waste water treatment	Planning on water consumption for production processes at the industrial park zone; recycling water used in production processes into crude water.	Recycled water is used in garden irrigation and for surface cleaning. Statistics indicate estimated annual savings of RMB1.09 million in water consumption.
Utilisation of energy	Conversion of existing residual heat equipment at east plant area.	The recovery of flue gas heat at the smelting furnace and the utilisation of heat generated from the air compressor's circulating water has increased heat generation by 1300KW, thereby providing heat and warmth for the new spraying line.

CITIC Pacific Special Steel puts a strong emphasis on the processing of gas, waste water and particles. Major environmental initiatives in 2016 have included the following:

Description	Initiatives	Achievements
Waste water treatment	Deep-processing of reclaimed water at Xingcheng Special Steel	Facilitating zero discharge of waste water through deep-processing. Upon commissioning, the project is expected to reduce the discharge of industrial waste water into the Yangtze River by 3.60 million tonnes each year.
Utilisation of energy	New PSA oxygen generator unit project of Xingcheng Special Steel	Protection of oxygen consumption at the blast furnace and lowering of oxygen generation costs by reducing per-unit energy consumption. The project is expected to facilitate annual cost savings of approximately RMB17.44 million upon commissioning.



Desulphurisation gypsum and dehydration GDYT filter for power plants developed by CITIC Heavy Industries



Conversion of residual heat equipment at the east plant area of CITIC Dicastal

Green office and low-carbon living

CITIC Limited and its subsidiaries advocate the philosophy of green office and low-carbon living by encouraging careful moderation of staff consumption

of water, electricity, food and more. Employees are also asked to conserve resources by exercising self-discipline.

Case study:

e-office progress for the paperless office

CITIC Limited continued to enhance the development of its e-office programme in 2016. Two upgrades of the original OA system were introduced before it was then implemented across all subsidiaries, meaning that CITIC Limited now transmits all internal non-classified business documents via electronic means. In addition, the mobile office system and senior management e-bulletin allow business documents, mail, internal publications and statements to be read by staff on mobile devices during business trips, as opposed to the former method of faxing office work to remote locations. This has resulted in greater efficiency and further advancements of the paperless office at CITIC.

Support for local communities

CITIC Limited believes that contributing to the prosperity of the communities in which it operates will also benefit its businesses. Consequently, our subsidiaries support the development of these

communities through education programmes and aid for the underprivileged. Programmes are tailored to address the needs of each community and employees are encouraged to offer their time and skills via our subsidiaries' volunteer platforms.

Educational donations

At CITIC Trust, the Aerospace Science Charitable Trust (the Company's first charitable trust) made an initial donation of RMB2.2 million to support the 5th CITIC Aerospace Talent Award which, under the Soong Ching Ling Foundation, recognises 10 outstanding aerospace scientists. CITIC Trust will continue to provide strong support to the development of charitable trusts.

CITIC Pacific has committed HK\$1 million to Lingnan University in Hong Kong for two new schemes, the CITIC Pacific Faculty of Business Scholarships and CITIC Pacific Overseas Exchange Scholarships. The Faculty of Business Scholarships were awarded to Faculty of Business students with outstanding academic achievements, while the Overseas Exchange Scholarships support less privileged students in overseas exchange programmes. Over the next five years, these annual scholarships are expected to provide financial assistance to 10 academically-outstanding students.



Award ceremony of the 5th CITIC Aerospace Development Talent Award under the Song Qingling/Soong Ching Ling Foundation.



Zhang Jijing, Chairman of CITIC Pacific, and other members of the company's leadership team meet with Lingnan University's scholarship awardees.

Aid to the underprivileged

Building “nurseries closest to the sun”

Following local government approval, CITIC Securities has been supporting nurseries in Xainza since 2013 through the construction or upgrade of facilities to provide more pre-school places for local children. In the past four years, CITIC Securities and its subsidiary China Asset Management have invested more than RMB12 million in local pre-school services through the construction of four village-level nurseries: Baza Rural Area No. 7 Village Meiduo Nursery (opened in September 2014), Taerma Rural Area No. 4 Village Zhunbu Nursery (opened in September 2015), Xiong Mei Town No. 8 Village Jiaxiong Nursery and Xainza County No. 6 Village Qubu Nursery (both scheduled to open in April 2017).

The construction of four nurseries in Xainza, which is 4,700 metres above sea level, was understandably difficult. Arguably the highest altitude nurseries in China, they are known as “the nurseries closest to the sun”. Local people praised CITIC Securities’ efforts by comparing the nurseries to the precious snow lotus of the highlands.



Handover ceremony of No. 4 Village Zhunbu Nursery in Taerma Rural Area



Baza Rural Area No. 7 Village Meiduo Nursery



Ceremony to mark the completion and inaugural term of The Confucius Institute of The Agostinho Neto University

Contributing to community development

The Confucius Institute of The Agostinho Neto University:

A new platform for Chinese-Angolese cultural exchange

The Confucius Institute of The Agostinho Neto University in Luanda, Angola, was founded by CITIC Construction, The Agostinho Neto University and Harbin Normal University, and is the first to be sponsored by a Chinese enterprise. CITIC Construction has donated almost US\$1.5 million for the construction of the academic block and the faculty and staff quarters. Covering more than 600 square metres, the Institute includes a local language research centre, library and multi-functional hall that provide a versatile venue for teaching, seminars and activities. The foundation laying ceremony for The Confucius Institute of The Agostinho Neto University was held in Luanda, the capital of Angola, in February 2015. Then, in September 2016 the completion ceremony was held to mark the inaugural term. Adam do Nascimento, Angola’s Minister of Higher Education, commented: “The Confucius Institute of The Agostinho Neto University is an important platform for Chinese-Angolan cultural exchange and its commencement opens the door to the learning of Chinese culture for Angolan students.”

**Feature Story: CITIC Young Volunteers:
Harnessing the Energy of Youth**

CITIC Limited and its subsidiaries have launched multiple voluntary programmes over the years to encourage staff participation in community development and neighbourhood care. Formed by the Company in 2014, the CITIC Corporation

Young Volunteers Association have developed voluntary service programmes, supported by our subsidiaries’ volunteer groups, to promote the spirit of devotion, friendship, mutual help and progress. CITIC voluntary service programmes include care for the underprivileged, community service and environmental initiatives to combat pollution.

<p>Growth</p>	<p>Development of voluntary service groups, Building solidarity among CITIC volunteers</p>	<ul style="list-style-type: none"> • The CITIC Corporation Young Volunteers’ Association was formed by joining our subsidiaries’ volunteer groups with our own. The association now comprises 28 teams. • More than 12,000 volunteers.
<p>Footprints</p>	<p>Enhancing the CITIC brand through voluntary service</p>	<ul style="list-style-type: none"> • In 2015, more than 40 voluntary service outings enabled 8,000 participants to volunteer in 10 cities, including Beijing, Shanghai, Guangzhou and Luoyang. • More than 60 voluntary service outings with over 10,000 participants were organised in more than 20 cities including Beijing, Shanghai, Hangzhou and Wuhan in 2016.
<p>Honours</p>	<p>Promoting the spirit of volunteering Harnessing young peoples’ energy</p>	<ul style="list-style-type: none"> • Love, Trust, Be Together won gold in the 2015 grand finale of the 2nd China Young Voluntary Service Contest. • In 2016, CITIC Construction’s Joint Fleet Young Volunteers Association of Africa won gold in the grand finale of the 3rd China Young Voluntary Service Contest. CITIC Heavy Industry’s Young Volunteers Association won the best organizing award of the 11th China Young Volunteers ceremony.

Our brand

Our range of branded voluntary service programmes delivered excellent performance in 2016.

Summer internships for Hong Kong students in Mainland China

For two years running, CITIC Corporation has organised summer internships in Mainland China for Hong Kong university students. These have helped to enhance exchanges between young people in the Mainland and Hong Kong, while allowing Hong Kong university students to better understand economic and social developments on the Mainland. The programme has since been designated by the All-China Youth Federation as an “internship base for Hong Kong university students”.

In 2016, CITIC Corporation Young Volunteers’ Association placed 38 university students from Hong Kong with CITIC Bank, CITIC Securities, China Securities, CITIC Trust and CITIC Prudential, allowing them to follow individual learning programmes tailored to their respective academic

backgrounds and career aspirations. In addition, a national forum for young financial professionals and a sharing session for university interns from Hong Kong was also organised. Mr Chang Zhenming, Chairman of the Company, attended the event and delivered the opening speech, while government officials and senior business leaders including Mr John Tsang Chun-wah, Financial Secretary of the Hong Kong SAR Government, Mr Guo Ligen, Vice Chairman of the China Banking Regulatory Commission and Mr Ju Weimin, Deputy General Manager of China Investment Corporation delivered keynote speeches. Eight young senior management members of financial institutions from the Mainland and Hong Kong were invited to join in a dialogue, Meet-ups, sharing sessions and ceremonies were also held for university interns, including a Beijing Guoan football match. These initiatives were all enthusiastically received by the Hong Kong students.



Eight young senior management members of financial institutions in the Mainland and Hong Kong take part in a dialogue session



University interns from Hong Kong watch a Beijing Guoan match

Love, Trust, Be Together – Let charity begin with us

Love, Trust, Be Together is a community welfare programme launched by CITIC Bank's Credit Card Centre. Participants are given the option to redeem their credit card points for charity programmes such as Dreams Come True, Volunteer Teachers Trips and Summer Camps, in which funds or redeemed items are donated to groups in need.

In 2016, under the Love, Trust, Be Together programme, 61 "dream centres" were built in 20 regions around the country, while 783 staff and cardholder participants enrolled in supportive education trips, covering a combined distance of more than 20,000 km. A large painting entitled Our Dream, a collective creation by students as part of their Summer Camp activity, raised RMB530,000 at an auction to fund the construction of dream centres at five schools, ultimately benefitting some 40,000 students. More than 70,000 CITIC Bank credit card holders took part in the Dreams Come True initiative and donated more than 6 billion points accrued from their credit card spending. These were then converted into RMB600,000 worth of books to be used by 50,000 students. As a result, the Love, Trust, Be Together programme participation in charitable endeavours has become much more accessible.



Dreams Come True, Volunteer Teachers Trip



The 7th Love, Trust, Be Together Summer Camp



Instructing an Angolan student in Chinese calligraphy at the BN Vocational School



Paying visit to Lar Kuzola Orphanage in Luanda, Angola

Cultural aid to Africa

CITIC Construction's Joint Fleet Young Volunteers Association of Africa is the first overseas service team for young volunteers in China's financial sector. They have launched several cultural aid programmes for Africa, including Charity training for BN vocational school, Confucius Institute-sponsored supportive education, Urban maintenance services, Table tennis cultural promotion, Charitable aid to community primary schools and Taking talent to China for expertise training. All the initiatives aim to promote mutual cultural understanding and represent a new opportunity for young Chinese volunteers to serve abroad.

In 2016, the Joint Fleet Young Volunteers Association of Africa organised numerous charitable campaigns, including a community welfare open day at the BN Vocational School, a Chinese education programme at the Confucius Institute and a donation initiative – Love for K.K. – benefitting orphanages.

By the end of 2016, 10 voluntary service teams had been formed under the Joint Fleet Young Volunteers Association of Africa; sponsorships were provided to six underprivileged Angolan teenagers; one coach provided table tennis training in China; and 17 agricultural researchers, 30 mining technicians and 19 city planning technical personnel were supported in their further studies at universities and research institutes in China. These efforts have all been widely applauded by the community.

Our unique characteristics

In addition to their ongoing voluntary services and voluntary work programmes, the CITIC Corporation Young Volunteers' Association and its branch



The East China Young Volunteers' Cadets was formed by Headquarters in association with subsidiaries in East China to provide voluntary services, including directing traffic, street cleaning, consultation, translation and more for the G20 Summit held in Hangzhou.

associations launched a wide variety of new volunteer programmes in 2016 that made use of their business expertise and local insights.



CITIC Bank charity concert, the Voice of Youth



CITIC Trust made a presentation on wealth management planning for students at the Dongtiying No. 2 Primary School in Beijing.



The Chongqing and Guizhou branches of CITIC Industrial Investment launched the Operation Warm Winter voluntary service programme during the peak Chinese New Year travel season.



The Care for children with special needs; warming up the world of the hearing-impaired charity campaign, launched by the Jiangsu Lidian Energy Group



CITIC Dicastal hosted the 5th Outdoor Cleaning Day and first Clean and Protect the Great Wall initiative in Qinhuangdao, held in collaboration with the Zongheng Shanghai Outdoor Sports Association.