



Group Sustainability Report

December 2016

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Scope of the report

This report has been produced by CLSA to document our corporate, social and environmental governance, practices and activities. It provides both general and specific information and covers the period of the full year 2016 but also references data from years prior.

Requests for further information can be made to communications@clsa.com

SECTION 1: ABOUT CLSA

Who we are, what we do, where we do it and how we do it.

- **Company Profile**
- **Business Overview**
- **30 Years of Insights**
- **Global Reach**
- **Ownership & Management**
- **Quick facts**

1. ABOUT CLSA

Company Profile

CLSA is a global Asian investment group head quartered in Hong Kong. Renowned for our service excellence and product innovation we serve the world's leading fund managers, asset owners, governments and high net worth individuals through our equity broking, corporate finance & capital markets and asset management businesses.

We are consistently voted the leading broker in Asia for our unrivalled Insights, best in class Execution and leading Capital Markets deals. We serve our clients from 25 cities in Asia, Australia, Europe and The Americas.

INSIGHTS

- Award-winning research, analysis and insights into global issues through an Asian lens
- #1 Most Independent Research for 25 years (*Asiamoney*)

EXECUTION

- 13 Asian exchange memberships and access to 56 markets globally
- CLSA retains 9.54% share of the Asia equity trading market 1H2016 (ex-Japan) (McLagan)
- Best-in-class, global execution and proprietary electronic trading platforms

CAPITAL

- Direct access to China for foreign companies seeking to partner or invest into China
- #1 Equity Capital Markets deals 1H2016 (Asia ex-Japan) (Dealogic)
- A global platform for Chinese investors to reach international institutional investors

Business overview

At CLSA, clients always come first. Our overarching objective is to provide unparalleled Insights, differentiated Execution and access to Capital that empower their investment decisions.

The company's key areas of business are:

- Equity brokerage
- Corporate Finance & Capital Markets
- Asset Management

30 Years of Insights

CLSA was founded in 1986 by Jim Walker and Gary Coull, two former journalists who ensured CLSA's research was differentiated, independent and required reading.

For thirty years we have told the story of Asia and, as the region's influence has grown, we have established research teams in Australia and the Americas to assess the impact of Asia on those markets. Over the years, we have led the conversation on topics that have fuelled the growth of Asia while also raising issues that impact investment outcomes.

Our market-leading analysts, economists and strategists are renowned for producing unparalleled research, differentiated ideas and insights from a unique Asian perspective. With our extensive on-the-ground presence, CLSA is first to spot emerging issues and trends driving the region.

Global Reach

CLSA's 1500 employees leverage their local knowledge and global experience to serve institutional investors, governments, family offices and corporations and other investors from 25 cities across 14 markets in four continents.



Asia*	15 locations	<ul style="list-style-type: none"> • Equity Broking • Corporate Finance & Capital Markets • Asset Management
Australia	2 locations	<ul style="list-style-type: none"> • Equity Broking • Corporate Finance & Capital Markets • Asset Management
Europe	2 locations	<ul style="list-style-type: none"> • Equity Broking • Corporate Finance & Capital Markets
The Americas	6 locations	<ul style="list-style-type: none"> • Equity Broking

*In Taiwan, CL Securities Taiwan Company Limited is the official licensed broker-dealer and exclusive research provider to CLSA

*In Sri Lanka, CT-CLSA is the official research provider to CLSA

1. ABOUT CLSA

Ownership and Management Team

CLSA is a wholly owned subsidiary of CITIC Securities. CLSA is governed by a BV Board which meets quarterly, three times per year in The Netherlands and once per year in Hong Kong.

CLSA's global operations are overseen by the CLSA Executive Committee, details of which are provided in the Governance and Leadership section of this report. The Global Management Committee (GMC) is responsible for the day-to-day operations.

CITIC Securities

CLSA's parent company CITIC Securities is China's leading brokerage and investment bank*.

With the mission to become a world-class, China-focused, global investment bank, CITIC Securities acquired CLSA in July 2013 and became the first Chinese brokerage to purchase a global financial institution. CLSA is now a wholly-owned subsidiary of CITIC Securities, China's leading securities firm and largest underwriter of Chinese debt and equity.

CITIC Securities was established in October 1995 and headquartered in Shenzhen. The Company offers a wide range of financial services and products including securities brokerage, investment banking and asset management, to a large and diverse client base encompassing corporations, financial institutions, governments and individuals.

Together, CITIC Securities and CLSA share the common vision of becoming a dominant force in global broking and investment banking driven by a culture of excellence, integrity and independence.

For any further information, please see www.cs.ecitic.com

** CITIC Securities was No.1 Securities Company in China in terms of Revenue and Net Profit in 2015 according to its 2015 full year financial results announced in March 2016.*

Quick Facts

- Global headquarters in Hong Kong
- Located in 25 cities in Asia, Australia, the Americas and Europe
- Equity Broking / Fixed Income / Corporate Finance & Capital Markets / Asset Management
- No.1 Most independent equity research house in Asia (*Asiamoney* 2016)
- Since 2007, CLSA Chairman's Trust has pledged over US\$24.8 million to more than 120 non-profit organisations
- 1,500 employees globally
- CLSA's parent company is CITIC Securities

For more information about CLSA please visit our website www.clsa.com

SECTION 2: CORPORATE RESPONSIBILITY

How we take care of and support our key stakeholders while building economic and human capital.

- **Client Care**
- **Employee Engagement**
- **Social Contribution**
- **Environmental Stewardship**
- **Responsible Investing**

SECTION 2: CORPORATE RESPONSIBILITY

CLIENT CARE

CLSA’s clients represent many of the world’s largest institutional fund managers, hedge funds, governments, sovereign wealth funds, family offices, private companies and listed corporations.

As a dedicated agency broker, CLSA provides award-winning sales and execution services to institutional investors and corporates world-wide. CLSA is the largest agency-only brokerage in Asia with memberships on 13 Asian exchanges.

CLSA’s Asia-sales and Asia-trading teams are some of the largest globally. Our sales-trading and execution teams offer a suite of high-touch and electronic trading strategies. We do not run a proprietary trading desk and all corporate finance and capital markets deals are considered carefully by our Deal Committee.

Our client base can be broken down as follows;

Equity Broking	Global Investors <ul style="list-style-type: none"> • Institutional fund managers • Hedge funds • Family offices / HNWI 	Mainly from The Americas, Europe, Asia, Australia
Corporate Finance & Capital Markets	Global Companies <ul style="list-style-type: none"> • Private companies • Listed corporations • Governments / SWF 	Mainly from Asia, Australia, Europe
Asset Management	Global Investors <ul style="list-style-type: none"> • Institutional fund managers • Governments / SWF • Endowment funds • Family offices / HNWI 	Mainly from The Americas, Asia and Australia

Customer Satisfaction

CLSA is renowned amongst global investors and corporates for providing outstanding client care.

Our Equity Broking client management teams support our clients across 25 offices world-wide. They are dedicated to ensuring the highest levels of client care, always putting the client first.

Our clients have recognised our outstanding sales service through industry polls.

ASIAMONEY Brokers Poll 2016	
#1 Overall Regional Sales	Asia ex Japan & Australia
#1 Overall Regional Sales	Asia ex Japan & Australia. As voted by most active traders
#1 Best Team for Regional Sales	Asia ex-Japan
#1 Best Team for Regional Sales Trading	Asia ex-Japan
#1 Best Regional Brokerage for Execution	Asia ex-Japan
#1 Best Sales Person	Servicing hedge funds
#2 Client Service Coverage	Servicing hedge funds

Independent Research

Our commitment to our clients is to publish research that is impartial, independent, clear, fair, and not misleading. Analysts may not receive compensation from the companies they cover.

To maintain the independence and integrity of CLSA's research, our Corporate Finance, Sales Trading and Research business lines are distinct from one another. This means that CLSA's Research department is not part of and does not report to CLSA Corporate Finance (or "investment banking") department or CLSA's Sales and Trading business.

Accordingly, neither the Corporate Finance nor the Sales and Trading department supervises or controls the activities of CLSA's research analysts. CLSA's research analysts report to the management of the Research department, who in turn report to CLSA's senior management.

Award-winning research through a single portal

Our dedicated research portal provides broking clients direct and secure access to CLSA's award-winning research. This includes economic, company and country research, micro analysis and customised charting capabilities.

With research reports dating back 30 years, CLSA's extensive archive of research reports represents what we believe to be the largest collection of proprietary Asian research globally.

CLSA is constantly enhancing the functionality of the research portal to ensure clients have access to the most relevant and timely information to support their investment decisions.

Execution Services

For the past 30 years, we have consistently retained a top-tier execution team to help our clients capitalise on our best-in-class research. Our high-touch teams are complemented by low-touch solutions supported by one of the most experienced teams in Asia.

As a leader in Asia's equities markets, we source more genuine and natural flows than our global or local competitors, whilst our uniquely broad local presence gives us early access to important information.

Transaction Cost Analysis: CLSA has teamed up with Markit, allowing us to provide our clients with an unbiased and transparent assessment of our execution performance through customised reports. Did the CLSA trader outperform or just benefit from market movements? CLSA can, and will, tell the difference.

Commission Sharing Agreements: CLSA has a dedicated team ready to assist our clients with setting up and administering Commission Sharing Programmes. We follow the rules and regulations in each jurisdiction and design programmes suitable to the specific requirements. We offer clients access to a web-based platform for a clear view of their balances and transactions and to allow easy management of the payments process.

Front-to-back Service: Integrated Middle / Back Office operations ensure a highly attentive and holistic trade-servicing through SetClear, a CLSA-owned company headquartered in Singapore.

Sales and Marketing Practices

In most jurisdictions in which CLSA operates, CLSA's broking licence does not permit marketing of our products or services to retail clients. We are extremely mindful of these restrictions and adhere to all regulations regarding sales practices, disclosure of information, and promotion on social media.

Client Communication

CLSA communicates with its clients across the group through messaging platforms, email, phone calls, face to face meetings and at our events. We ensure that all digital communications with clients occur on secure platforms and the highest level of security is applied to protecting client data and information.

CLSA Technology Platforms

CLSA's customised client information system (CIS) ensures our broking clients receive the highest levels of customer care. CIS provides our sales teams with visibility on client preferences around research, events, roadshows and trading. In addition, feedback from client reviews is fed into the system, flagging issues that arise across client accounts, allowing us to escalate and actively address concerns. This is a key function of our client management strategy.

In addition to CIS, we have developed in-house technology platforms to manage the renowned CLSA Forums. Constantly striving to enhance our clients experience at our award-winning conferences we have developed the CLSA Forum App to provide clients digitised meeting schedules, presentation materials and company and speaker profiles.

As markets turned digital, we have built our own proprietary electronic trading platforms which allow us the flexibility to meet our clients' needs and innovate rapidly as the trading environment changes.

SECTION 2: CORPORATE RESPONSIBILITY

EMPLOYEE ENGAGEMENT

CLSA's most valuable asset is its employees. The sustainability of our workforce is critical to ensuring ongoing value creation for our clients and other key stakeholders.

Our workforce is diverse

Across CLSA's global network of 25 offices, 34 different nationalities speak 24 languages.

We are also reasonably gender diverse, with slightly more than one-third of our employee population being female. However, at the top of the organisation less than 10% of senior management roles are held by women.

Our staff are reasonably young! More than 90% are under the age of 50 with close to half the work force falling into the 20-35 year age bracket.

Baby Boomers: 1946 - 1964	9% of CLSA's work population
Generation X: 1965 - 1979	45% of CLSA's work population
Generation Y / Millennials: 1980 - 1995	46% of CLSA's work population

Recruitment, Retention and Promotion

At all times and without exception, our primary objective is to hire the best candidate for the job in accordance with global best practice selection principles. CLSA's Human Resources Department works closely with the business and hiring managers to ensure candidate recruitment is managed effectively and equitably.

CLSA believes in building a diverse and inclusive workplace. We believe in equal opportunity and do not discriminate on gender, race, physical ability or age. In this regard, we comply with all equal-opportunity and anti-discrimination legal responsibilities. Employees and Managers are reminded they are bound by the standards and policies outlined in the CLSA Code of Conduct and Employee Handbook.

CLSA always seeks to promote staff internally before filling roles externally. The Job Opportunities @ CLSA page is accessible to staff via the CLSA intranet, and lists internal job openings. It aims to capture interested, internal talent as part of CLSA's candidate sourcing strategy.

Keeping and retaining our talent is essential to the on-going success of our business, and in order for us to be successful in doing this it is imperative that we have managers who are skilled in the art of management and consequently able to empower, manage and motivate their teams.

The CLSA Management Essentials course has been developed in house and aims to assist those who have moved into a management role, or who may not have had any formal management development, in developing their own management toolkit. Delivery is very much from the CLSA perspective, which keeps it relevant and real!

Employee Development

Learning and Development (L&D) is an important function of the wider Human Resources team and a focus for CLSA as we work towards developing an active learning culture.

The key strategic priorities for L&D at CLSA are:

- To ensure that we are effectively managing our talent across the business
- To build on the group wide capabilities of our key assets, our peoples.

CLSA BOOST is a series of short, sharp learning modules that can be attended by managers or the general CLSA population, depending on the topic. The programme is coordinated and supported by the HR team. The sessions are run by internal subject matter experts and external specialists.

Our Lunch and Learn programme offers regular Hong Kong based sessions hosted by CLSA HR for staff; a variety of speakers are invited, in house as well as external, to share their knowledge and expertise. All CLSA offices can attend via videoconference; alternatively the videos can be accessed after the event through the staff intranet, CLSA CONNECT.

The Herrmann Brain Dominance Instrument (HBDI) Profile is scored from a 120-question survey that measures individual thinking preferences in four unique and distinct modes of thinking. Inspired initially by Nobel Prize winning research, the HBDI has been completed by over 2.5 million individuals and is utilised in many of the world's leading corporations.

The HBDI tool has been used by CLSA for over 15 years and over that time it has helped managers and employees alike to develop an enhanced self-awareness when it comes to communication, problem solving, team management and decision-making.

Mandatory training at CLSA. In addition to the above to ensure we comply with all local regulations we run the following mandatory training sessions:

- Code of Conduct
- Diversity and Inclusion
- Incident Management

Online training. CLSA has developed a robust online training portal for all CLSA staff to augment their skills and knowledge across a variety of topics. Called Intuition@CLSA, this is provided through Intuition, a financial markets online training provider. This excellent development tool can be accessed via the HR home page on the staff intranet. The content provided is detailed and varied and aligns with our three pillars of effective learning: technical expertise, management effectiveness and personal development.

Since Intuition launched in late 2015 it has been utilised by over 400 staff members from 14 locations across 18 departments. Popular courses include: 'Equities-Trading', 'Life of a Trade-An Introduction', 'Effective Communication', 'Accounting – An Introduction' and 'Effective Time Management'.

Staff development for young executives. The CLSA Broking Academy aims to bring exceptionally talented individuals from diverse professional backgrounds to CLSA to train them to be the future leaders of our Broking business. Those who succeed in being accepted into the rigorous and demanding 12-18 month programme are trained in the core areas of our equities broking business: research, sales and sales trading. The CLSA Broking Academy demands the very best of individuals who are determined to build a career in finance, born to lead, and have something special to offer.

Evaluation and Compensation

CLSA salaries are on par with industry standards. We have a comprehensive Performance Management System that is utilised company-wide to evaluate and assess all staff, at minimum on an annual basis. Staff are evaluated and graded with a score which allows managers to identify those staff who are performing above and beyond required and those who are performing below. Staff are measured against objectives set by managers which feed up into supporting the overall organisational goals.

Welfare / Health

CLSA cares about the health and welfare of all employees. All permanent staff are automatically enrolled in healthcare and pension plans. CLSA encourages staff to lead healthy lives through informative health, lifestyle and anti-stress seminars; discounted gym memberships; and informal group exercise programs.

Some CLSA staff in India and Hong Kong participates each year in the Trailwalker, a 100km-hiking marathon. A range of other charitable sporting competitions are on offer for staff, and exercise is often incorporated into events with clients.

All CLSA offices are non-smoking environments.

Employee Networks

CLSA encourages staff to form internal networks, such as CLSA Women in Technology, in Pune, India, and SetClear Singapore's Sharity & Charity volunteer network. Informal networks such as Run Clubs and Book Clubs are also popular in a number of locations.

Employee communication & engagement

CLSA strives to ensure open lines of communication across its network. We make a particular effort to communicate where possible through:

- CONNECT: an internal online portal offering a staff directory, up to date news, a Human Resources portal, training programs, job vacancies, community outreach information, access to CLSA research and much more
- Regular CEO Town Hall meetings
- Quarterly business updates circulated via email and posted on CONNECT
- Global department meetings and individual office town halls

SECTION 2: CORPORATE RESPONSIBILITY

SOCIAL CONTRIBUTION

Each and every day CLSA commits people, capital and ideas to serve our clients, stakeholders and communities across the globe.

CLSA Chairman’s Trust

The CLSA Chairman’s Trust provides financial and human capital to support disadvantaged individuals, groups and communities across Asia, Australia, Europe and the Americas.

With a core mandate of poverty alleviation, the Trust disburses grants to support measurable and sustainable projects within small to medium sized non-government organizations in a range of sectors that include education; health and welfare; commercial and environmental enterprises.

Since 2007, the Chairman’s Trust has touched the lives of over half a million individuals. We have provided our ideas, people and funding of almost US\$25 million, to support the incredible work of more than 120 grassroots NGOs across Asia, Australia, Africa, the United Kingdom and the United States.

The Trust is self-funded through the annual CLSA Chairman’s Trust Dealing Day. CLSA broking clients are encouraged to trade with CLSA on the Dealing Day as all net commissions from this day’s trading are contributed to the Trust. As CLSA supports the operating costs of the Trust, 100% of all funds raised go to the chosen funding recipients.

Grants are disbursed to a range of innovative non-profit organisations affecting social change. We partner with organisations that demonstrate a clear social impact, and are able to provide us with metrics to monitor the efficacy of our partnerships. A stringent monitoring and evaluation process ensures the success of this program.

A unique aspect of the Chairman’s Trust is the Staff Sponsorship programme. All funded projects require a CLSA employee to champion the partnership. The staff sponsor is responsible for pre-funding due diligence, funding applications, regular reporting and annual project visits. Staff sponsorship is critical to the success of the Trust, ensuring accountability, active social engagement and awareness.

Projects

A list of all fund recipients can be found on CLSA’s public website.

Impact

30 Schools built From Thailand to India, we’ve rebuilt schools following natural disasters, added additional classrooms to teach more children and laid the foundations for new campuses.	7,000 School scholarships We help educate children at risk of being trafficked in Cambodia, underprivileged girls in southern Vietnam, and Indigenous students in Australia.	1,372 University scholarships Providing higher learning opportunities to orphans in Japan, medical students in Thailand and many others in Indonesia, Vietnam, China and beyond.
4,000 Free medical procedures Funding of lifesaving surgery for orphaned babies in China, rehabilitative procedures for the rural poor in Cambodia, and medical outreach in Laos.	55 Doctors trained We believe in capacity building and long-term sustainability. We provide grants to train doctors and surgeons in Cambodia and Laos so they can use their new skills to improve conditions locally.	38,871 Students given internet connectivity In the Philippines, we’ve partnered with the Ayala Foundation since 2008, providing information and communication technology systems to schools throughout the country.

Community Outreach

Intrinsic in the culture of CLSA is the philosophy of helping those in need. Community outreach programmes are co-ordinated locally across our network of 25 offices engaging staff in meaningful causes close to home.

- In 2016, 120 staff and 89 family and friends have 13 Community Outreach activities in Hong Kong, from making mooncakes for Mid-Autumn Festival and delivering them to the elderly, to cleaning recycled soap to distribute to those in need
- In 2016, SetClear and CLSA staff in Singapore volunteered at Willing Hearts soup kitchen, helped out at a beach clean-up, and organised a day of sporting events and outdoor activities for 11 children from Melrose Home
- In 2015, CLSA Hong Kong participated in 16 Community Outreach volunteer initiatives, from rice packing, to visits with the elderly and tree planting
- In Tokyo, CLSA staff visit St. Kodomoryo orphanage regularly, to celebrate birthdays and other festive holidays. 7 staff distributed presents to 50 orphans in December 2015
- In London, CLSA UK is a member of Heart of the City, which promotes and facilitates CSR activities for companies based in the City of London. In 2015 staff promoted political engagement to teenagers, by running a session at a local school for 30 students
- In New York, CLSA staff volunteer annually with The Boys and Girls Club of Newburgh to distribute school supplies and Christmas presents to disadvantaged children
- In Thailand, staff volunteer at the Child Protection and Development Centre in Pattaya
- Since 2011, CLSA Korea has worked with a shelter for street children, 'Mine and Our Home'. In 2015, staff donated supplies and helped to plant flowers and tend to the garden of their new facility. In 2016, CLSA staff participated in the Incheon Songdo Marathon, raising money for a local orphanage in the process

Chairman's Trust staff sponsors also visit all of their projects on an annual basis in order to conduct due diligence. Often they provide skills-based guidance and training to these partner organisations.

Volunteering

CLSA employees across our network volunteer hundreds of hours per year to their local communities.

While most volunteer activities occur on the weekend, employees are encouraged to take volunteer leave to get out of the office and into the community. An entitlement of two days' paid leave per year can be used to visit and conduct due diligence on Chairman's Trust projects, assist at charity events or participate in community outreach.

In 2015, 50 employees utilized this leave. 78% of these employees are based in Asia. In 2016, 37 employees have taken volunteer leave.

SECTION 2: CORPORATE RESPONSIBILITY

ENVIRONMENTAL STEWARDSHIP

Environmental Management System

CLSA is committed to reducing its use of natural resources and its impact on the environment.

CLSA's Environmental Policy provides a charter to ensure responsible, sustainable, energy and material efficient, and regulation compliant service provision. The majority of CLSA's offices are ISO14001:2004 certified.

CLSA has been certified annually since 2007. In order to maintain our global certification, CLSA Hong Kong is audited annually, and regional offices take turns to be audited every three years. Our global certification has been successfully renewed each year, as no major nonconformities have been found in the annual audits.

CLSA is focused on reducing, reusing and refusing as part of our environmental policy.

Waste disposal – Wherever possible we segregate our waste and recycle newspapers, plastics and aluminium. These are collected from the office by authorised vendors who clean and separate the materials ready for recycling.

In Hong Kong, our building manager, Swire Properties, is also ISO 14001 certified, and therefore we have full support from building management. Swire Properties segregate all waste collected, and also arrange environmentally friendly activities for tenant periodically.

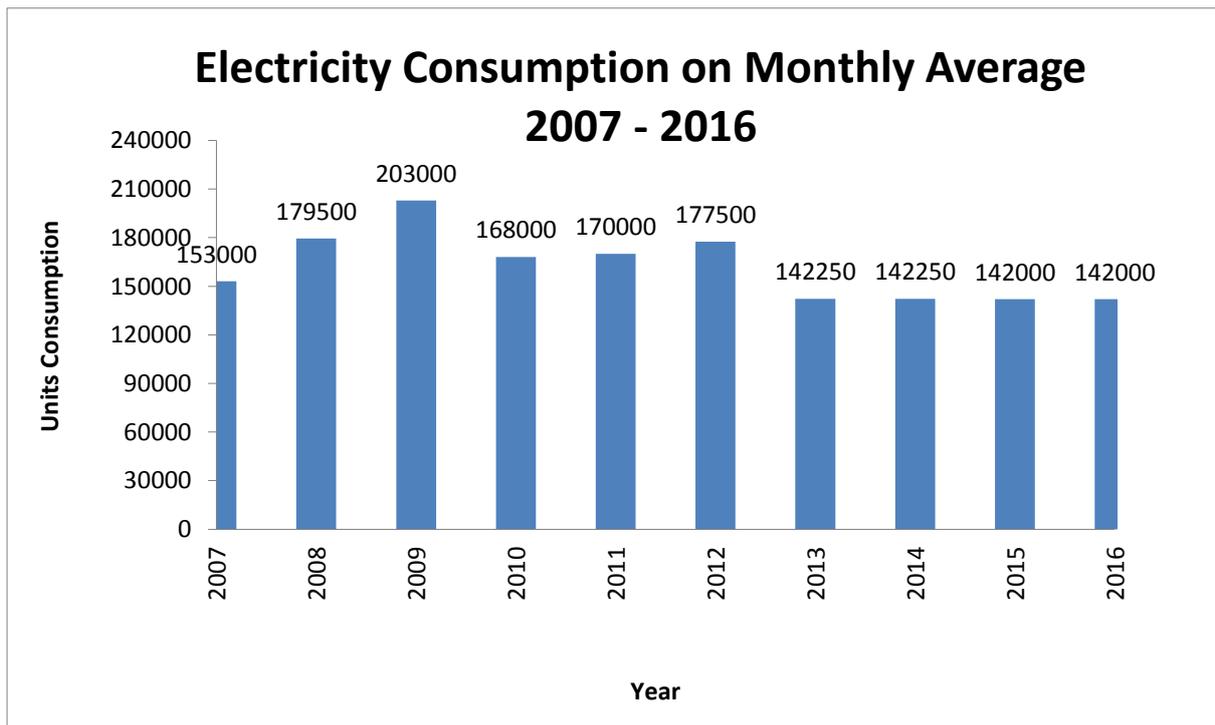
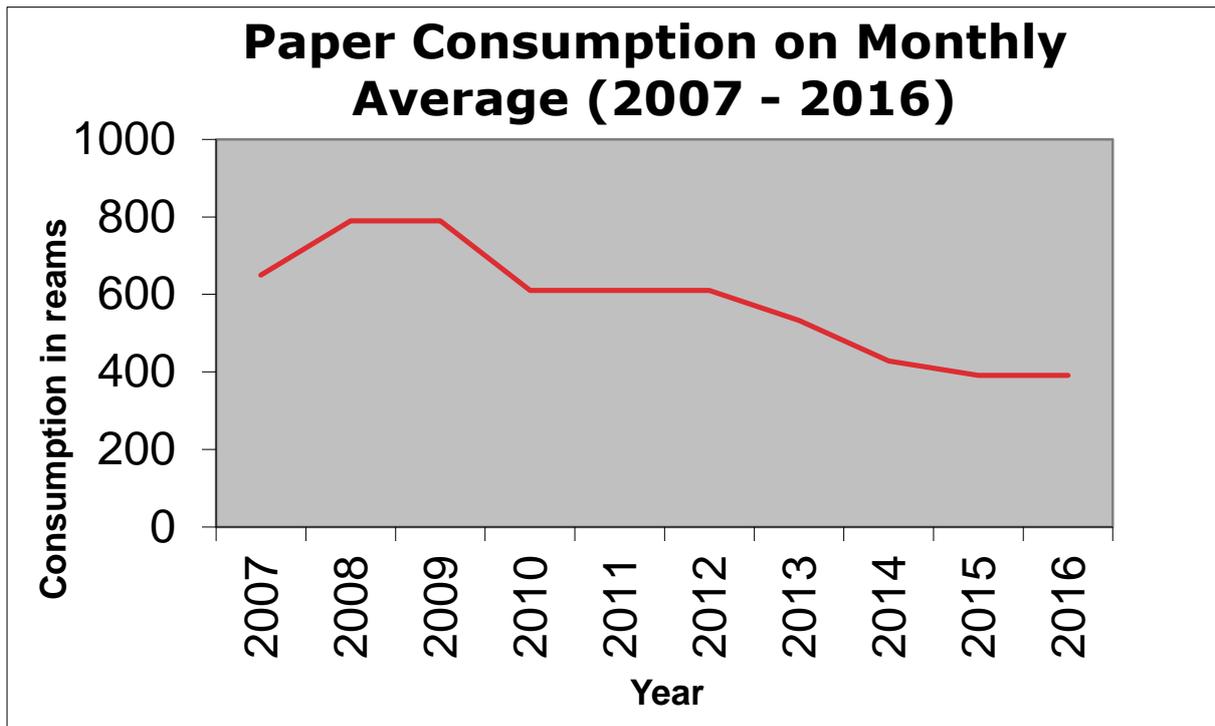
Plastics reduction – In most offices water filters have been installed to eliminate the use of plastic water dispensers. This is both healthier and reduces the potential waste of large plastic water bottles and the associated delivery costs. We are providing reusable plastic chopsticks and metal cutlery in the office pantry to avoid the use of disposable wooden and plastic cutlery.

Vendor Auditing – as part of the ISO 14001 standard requirements, CLSA suppliers are asked to complete an annual questionnaire to determine their environmental activities. We ascertain if they have an established EMS, if they are ISO certified, if they recycle their waste products and if they document evidence of their environmental controls. This is conducted by all CLSA offices.

Indoor Air Quality - All CLSA offices are strictly non-smoking environments, and maintain suitable room temperatures. In Hong Kong, the air conditioning units and carpets are cleaned regularly, and pest control is conducted quarterly.

Consumption Metrics 2007-2016

Paper Materials (A3/A4 paper)	Reduced from 650 reams (2007) to 391 reams (2016) per month
Electricity	Reduced from 153,000 units (2007) to 142,000 units (2016) per month



Communities and the environment

CLSA is an active participant in global environmental initiatives such as Earth Hour and World Earth Day. Through our community outreach our employees engage in tree planting and beach clean-up programmes.

In Hong Kong, CLSA participates in community activities that support the environment organised by SWIRE, the building managers. These include:

- Electronic Waste Recycling Campaign
- Wood Collection & Recycling - Christmas Tree/Peach Trees
- Lai See Packets Reuse & Recycling Program
- Charity Book Drive
- Project Green Moon: Mooncake Boxes Collection
- Mooncake Donation
- Textile Recycling Campaign

The CLSA Chairman's Trust has funded a number of projects focused on the sustainability of local communities and environments. They include:

China Institute for Environment and Development	an eco-campus project in Qinghai, including initiatives such as solar powered hot water and environmental education
China One Earth Designs	a project to provide solar cookers to rural communities in Qinghai
India Maharogi Sewi Samiti	an agricultural project to develop sustainable water resources and watershed development projects
India World Toilet Organisation	a project to provide safe and affordable sanitation to low income communities, whilst promoting ecological, economic and social sustainability
Indonesia Blacksmith Institute	a project to remediate land contaminated by lead acid recycling activities, and develop a model for remediation in Indonesia
Philippines SOS Children's Villages	a demonstration farm, providing food for orphans and developing agriculture skills of adults and children in Bataan village
Vietnam Phu My Project	a wetland conservation and community development project

Funding has also been contributed to aid in disaster relief activities across Asia, namely:

Typhoon Haiyan Rehabilitation, Philippines	We distributed food aid and emergency supplies immediately post-Typhoon Haiyan, and then rebuilt a school in Iloilo, as well as providing fishing boats and nets to this community
Cyclone Nargis Relief, Myanmar	We provided one-off grants to Medecins Sans Frontier, Merlin and Save the Children following Cyclone Nargis.
Qinghai Earthquake Relief, China	We partnered with the Chinese Government to distribute aid to those affected by the Qinghai Earthquake
Sichuan Earthquake Relief, China	We provided funding to the Red Cross Society of China for earthquake relief efforts

SECTION 2: CORPORATE RESPONSIBILITY

RESPONSIBLE INVESTING

CLSA is an active proponent of responsible investing.

Through our award-winning research, events, investments and corporate initiatives, CLSA provides socially responsible investors with visibility on environmental, social and governance issues that may impact their investment mandates.

CLSA supports and integrates Environmental, Social and Governance benchmarks across our business.

Asset Management

CLSA's alternative asset management business, CLSA Capital Partners, is committed to thorough consideration of ESG issues in portfolio company investments. The fund managers work against self-prescribed ESG guidelines and those developed by the US Private Equity Growth Capital Council (PEGCC)*.

In 2009, Capital Partners launched **Clean Resources Asia Growth Fund** to partners with innovative companies in the clean technology sector via the provision of capital for growth and expansion. The fund focuses on sustainable agriculture, water, recycling, energy efficiency and cleaner energy.

- Sustainable agriculture is highly correlated to water as over 80% of water in Asia is used in the agriculture sector. Areas of interest include environmentally friendly fertilizers, weed/pest control and water conservation technologies.
- Water is divided into supply, treatment and wastewater. Investable areas include desalination, irrigation solutions and wastewater treatment.
- Recycling is a high growth area the fund expects to become a major investment area for us as it matures, with increasing emphasis on the sustainable management of waste streams such as electronic waste, plastic and rubber.
- Energy efficiency includes solutions that reduce energy consumption for buildings and applications that require significant amounts of energy for temperature control (e.g. data centers).
- Cleaner energy encompasses natural gas, solar and wind energy, biofuel substitutes, hydro, geothermal, clean coal technology.

Corporate Finance

As facilitators of institutional investment, CITIC CLSA Securities incorporates ESG benchmarks into investment analysis and decision-making processes wherever possible, aligning both fiduciary and governance requirements.

Equity Research

CLSA was one of the first financial firms in Asia to write about pollution, carbon trading and 'the greening of Asia'. Our sustainable research team regularly covers a range of issues from supply chain labor, to clean water, clean technology and corporate governance.

The core of our ESG research is the CLSA Corporate Governance score. Since 2001, CLSA has scored listed Asian companies on corporate governance issues. Factors influencing the score are reviewed annually in partnership with the Asian Corporate Governance Association.

Some of our key Environmental, Social and Governance related reports are:

- Clean & Green Research
- Corporate Governance Research
- ESG Research including:
 - *CG Watch 2016*
 - *ES – Beyond the choir*
 - *Asia's path to better home-grown governance*
 - *Asia environment: Who is leading palm oil reform?*
 - *Global autos: Cleantech disruption winners and losers*
- CLSA U publications are co-authored with industry experts such as :
 - Tony Seba, author of Clean Disruption
 - Alex Tancock, General Manager, Wind Prospect Hong Kong
 - Benjamin McCarron, leading expert on responsible finance
 - Vic Shao, CEO, GreenCharge Networks
 - Debra Tan, Director, China Water Risk

Events

CLSA's renowned Investor Forums are a key platform for knowledge exchange on Environmental, Social and Governance related trends, theories, technologies and services. CLSA secures global speakers and industry experts to present at CLSA Forums or to participate in our CLSA University programme.

- CLSA Forums have included speakers such as:
 - Jack Lifton, Founder, Technology Metals Research
 - Joseph Stiglitz, Nobel Prize winning Economist
 - Karen See, founder of Embrace which champions women in leadership and diversity
 - Steve Radelet, International Development Economist
 - Evelyn Browning Garriss, historical climatologist
- Third party speaking engagements:
 - Tony Seba, Clean Disruption
 - Benjamin McCarron, who has presented courses on 'Socially Responsible Investing: Screening risk with environmental and social factors' and 'Sustainable Palm: Leaders and laggards in palm oil industry reform'
 - Chet Lyons, Founder & Principal of Energy Strategies Group has presented courses including 'Clean Disruption Conference II' and 'Lithium-ion Battery Technology'
- CLSA Roadshows including Sustainability Tours in China

Partnerships

CLSA was built on the basis of active engagement in social and environmental issues. Founding Chairman Gary Coull was a leading proponent of sustainable development and environmental action in Asia. Former chairman, Rob Morrison, is a director on the Asian advisory board of The Nature Conservancy and was also a member of the Copenhagen Climate Council.

ACGA

CLSA is a founding member of the Asian Corporate Governance Association. This non-profit membership association is dedicated to promoting substantive improvements in corporate governance in Asia through independent research, advocacy and education. ACGA engages in a constructive dialogue with regulators, institutional investors and listed companies on key corporate governance issues and works towards making improvements.

Together, CLSA and ACGA have co-published eight CG Watch reports in 2003, 2004, 2005, 2007, 2010, 2012, 2014 and 2016. ACGA endorses the methodology used in the CLSA company survey and undertook the market rankings, with input from CLSA. This is an eagerly sought-after report that is unique and provides a comprehensive analysis of corporate governance practices and regulatory developments in the markets in this region. CLSA also sponsors the ACGA annual conference.

SECTION 3: GOVERNANCE & LEADERSHIP

A robust approach to governance guides our corporate culture. This section explains our approach to governance at CLSA, how we manage risk and our ethical management practices.

- **Company Governance**
- **Risk Management**
- **Ethical Management**

SECTION 3: GOVERNANCE & LEADERSHIP

COMPANY GOVERNANCE

At CLSA we have established a corporate governance framework that ensures the oversight, stewardship and sustainability of CLSA's businesses and reputation.

Our objective is to ensure ongoing capital creation for our clients and sustained value for key stakeholders such that CLSA is making a positive contribution to the global economy and the communities in which it operates.

Board Oversight

According to the CLSA Corporate Governance Policy, the CLSA B.V Board (the Board) has overall responsibility for overseeing the Group's activities.

The Board advises CLSA management on how to drive long-term value creation for our clients, staff and key stakeholders. Central to the board's responsibility is the consideration of CLSA's reputation and sustainability. The Board meets quarterly to discuss and approve Group strategy, budgets, consolidated and unconsolidated CLSA BV financial statements, annual review of the remuneration structure and receives reports from management on a variety of matters impacting CLSA.

Board of Directors

The Board of Directors is responsible for overseeing the organisations activities. Membership of the Board is comprised of the following individuals:-

- Chairman and CEO of CLSA Group
- Three members who are appointed by CITIC Securities International
- Four independent Dutch resident Directors

Board Committees

The Board has established two committees: The Audit Committee and the Remuneration Committee. Each Committee shall report regularly to the Board summarizing the Committee's actions and any significant issues considered by the Committee.

The Audit Committee is the forum where matters in relation to financial reporting, internal controls and compliance requirements for financial reporting are discussed. The Committee has received delegated authority from the BV Board and is required to escalate issues to them.

The Remuneration Committee addresses all matters relating to remuneration and recruitment of senior management. The Committee also considers and recommends the annual performance bonus for the Executive Directors, senior management and general staff based on the company's performance, their achievements against the performance criteria and with reference to market norms.

Subcommittees

A further five subcommittees are charged with overseeing the CLSA Group operations, these committees and their terms of reference are defined in the CLSA Corporate Governance Policy.

Risk Committee (RC)	<p>Responsible for the implementation and oversight of the Group's risk management framework for market and credit risk. The RC's terms of reference state that the committee is responsible for:</p> <ul style="list-style-type: none"> • Overseeing the Group's internal risk management and ensuring risks are managed in line with the Group's risk appetite • Overseeing the Risk Management Framework and approving Risk Metrics • Reviewing the risks associated with significant transactions, including but not restricted to transactions giving rise to changes in the capital and financing structure of the Group
Operational Risk Committee (ORC)	<p>Responsible for matters relating to operational risk framework, operational risk incident and business continuity matters. The ORC's terms of reference state that the committee is responsible for:</p> <ul style="list-style-type: none"> • Reviewing and approving CLSA's Operational Risk Management framework • Monitoring CLSA's Group-wide operational risks and profiles by business function and by country • Reviewing all major OR exposures and major incidents submitted by Business Heads local heads or functional heads (as per the Incident Escalation Policy) • Ensuring consistent Group-wide application of OR measurement
Disciplinary Committee (DC)	<p>Responsible for disciplinary decisions for any violations of misconduct by CLSA Group employees. The DC's terms of reference state the committee's responsibility to make decisions on matters involving:</p> <ul style="list-style-type: none"> • Alleged violations of CLSA's Code of Conduct and/or any applicable rules and regulations • Formal complaints concerning the allegations of misconduct by licensed employees of CLSA
Executive Committee	<p>CLSA's Executive Committee sets the strategy for CLSA Group under guidance of the CLSA BV Board and CLSA Chairman and CEO.</p>
Internal Audit and Compliance Committee	<p>To ensure that the operations of the Group are conducted with integrity and are in accordance with the highest ethical standards and that an Integrated Control Framework is properly established.</p>

Executive Committee Members

CLSA's Executive Committee is comprised of the following individuals:

Title	Name	Year joined CLSA
Chairman and Chief Executive Officer	Mr. Jonathan Slone	1988
Vice Chairman	Ms. Helena Wai	1989
Global Chief Operating Officer	Mr. Donald Skinner	1986
Global Head of Research	Dr. Edmund Bradley	1992
Global Head of Sales	Mr. Xen Gladstone	2012
Global Head of Trading and Execution	Mr. Nigel Beattie	2014
International Head, Corporate Finance & Capital Markets	Mr. Andrew Low	2015
Head of Corporate Finance & Capital Markets	Mr Richard Taylor	1995
Chief Executive Officer, CLSA Europe	Mr. Richard Ziegler	2003
Chief Executive Officer, CLSA Americas	Mr. Rick Gould	2014
General Counsel	Ms. Jaclyn Jhin	2014
Chief Information Officer	Mr. Max Nam-Storm	2014
Managing Director, Organisational Development	Mr. Laurie Young	1997

Management

CLSA Global Management Committee, which reports into the Executive Committee, is responsible for implementing the business strategy as defined by the Executive Committee, formulating and monitoring financial targets, maintaining oversight of the Group's IT operations, considering reports from Risk and Compliance and for the day-to-day running of CLSA Group's operations.

Reporting into the Global Management Committee are the following committees:

- Asset Liability Committee
- Broking Executive Committee
- Investment Banking Committee
- Capital Partners Executive Committee
- New Product Committee
- Internal Audit and Compliance Committee
- Asia Counterparty Administration Committee

SECTION 3: GOVERNANCE & LEADERSHIP

RISK MANAGEMENT

Central to CLSA's success is the effective management of the risks that are inherent to our business.

A key focus of sound governance and Board oversight, our comprehensive risk management processes assist CLSA in identifying, monitoring, evaluating and managing the risks we face in conducting our business in the 15 markets in which we operate.

Reputational Risk is assessed throughout the risk management process and imbedded into our risk framework. All activities are assessed according to their potential impact on CLSA's reputation – positive, negative or neutral. Those that potentially have a negative impact are reviewed, tested, challenged and finally directed to ensure the reputational risk is neutral or better.

Principles

Risk management is an intrinsic component of CLSA's corporate governance structure. CLSA's risk management principles provide a guideline for creating higher corporate value even during times of market volatility.

CLSA supports an independent risk oversight mechanism, the Risk Department, which has remit and resources to assess and appraise each risk and to escalate to RC, GMC as well as to CEO and COO whenever necessary. The Risk Department maintains a comprehensive view of all CLSA's risks and has delegated authority to impose measures and controls where required.

Framework

CLSA's Chief Risk Officer has overall responsibility for the design and implementation of the risk management framework. Risks have been categorised as arising due to operational, credit, market and technology risk.

Chief Risk Officer				
Head of Operational Risk Management	Head of Credit Analysis	Head of Credit Control	Head of Risk (US)	Head of Market Risk

Operational Risk Management	Assesses the impact to CLSA's bottom line and/or our ability to continue operating part or all of our businesses due to a compromise of internal processes (e.g. fraud, operational workflow failures) or from external forces (such as power outages, flooding, earthquakes etc). Operational Risk Management also reviews risks to the business that include: <ul style="list-style-type: none"> - Legal and Regulatory Risk - Business Process risk - Financial Crime Risk - People Risk - Change Risk - Governance Risk
Credit Risk Control/Credit Analysis	Assesses the impact on CLSA's bottom line due to a failure of a client or counterparty to pay what it owed to CLSA. Credit Risk teams are responsible for performing credit analysis over counterparties, assigning internal ratings, setting credit terms, establishing credit limits, monitoring credit exposures and performing periodic limit reviews.
Market Risk Management	Assesses the impact on CLSA's business of market-driven events such as equity market fluctuations, foreign exchange, interest rates and political instability. Market Risk Management is responsible for establishing limits, measuring, monitoring and reporting market risk exposures.
Technology Risk Management	Technology Risk is the impact on CLSA's technology infrastructure from malicious or erroneous actions that may cause infiltration of viruses, loss of confidential information and intellectual property, destruction or corruption of data or systems failures. Components of management of technology risk include reviewing change releases, follow-up of mitigations for data leakage or system failure, monitoring control reports and issue escalation.

Risk Control

CLSA's three lines of defence model is used to provide clarity to staff and management around their roles with respect to identification, management and monitoring of risks. Responsibilities of staff vary depending on which line of defence they are in.

- **First line:** Front Office supervised by Heads of Business, the COO and Responsible Officers. The ultimate owners of risk within the organisation, they are responsible for designing appropriate mitigating controls.
- **Second line:** Risk and Compliance. Supports the first line by way of monitoring and oversight of risk and control effectiveness.
- **Third line:** Internal Audit. Provides independent assurance to senior management and the board over the effectiveness of the first and second lines.

CLSA's Risk and Control Self-Assessment (RCSA) assists the three lines of defence with identification, mitigation and monitoring of risks.

Business continuity

CLSA is committed to ensuring staff safety and maintaining an effective business survival capability in the event of a significant disruption event such as loss of office premises, loss of systems, or unavailability of staff due to a contagious disease or other event.

Every office within CLSA's global network maintains and regularly tests business continuity capability so as to be able to sustain business activities after the occurrence of an incident. The key aims are to:

- Protect staff, clients, counterparties, exchanges/clearing and markets from losses
- Protect CLSA from losses
- Protect CLSA from increased risks
- Minimize any interruption to the business
- Maintain compliance with laws and regulations under which the business is conducted

Compliance

The compliance function plays a critical role in ensuring the CLSA Group of businesses and their staff is licensed and compliant with the rules and regulations governing our global business activities.

Throughout the organisation, we foster a culture of honesty, fairness and transparency through proactive training of staff, offering practical regulatory advice to the business. Early identification, assessment and resolution of potential compliance issues is our focus.

The CITIC Securities Global Compliance manual governs all aspects of our business. CLSA staff are required to acknowledge their understanding of the manual on an annual basis.

CLSA staff are also required to comply with a number of internal policies, including but not limited to, Staff Dealing, Outside Directorships, Anti-Bribery and Corruption and Gifts and Entertainment.

CLSA Group Compliance supports staff that require regulatory licences and continuous professional training requirements. Ensuring CLSA Group staff understand their compliance obligations through ongoing training is a key aspect of the CLSA Group Compliance remit.

Control Room

The purpose of the Control Room is to ensure that actual or perceived conflicts of interest that may arise between any of the following i) The Firm and its associates; ii) The Firm's Employees; iii) Clients and iv) Affected counterparties are managed in line with regulatory requirements and principles. This is to ensure that the firm is safeguarded from any potential regulatory fine or censure and any potential reputational damage stemming from conflicts of interest between two parties.

SECTION 3: GOVERNANCE & LEADERSHIP

ETHICAL MANAGEMENT

Ethical management underpins our approach to corporate governance, compliance and the day-to-day management of our business.

CLSA holds to the highest principles its staff and its operations to ensure the sustainability of our business, the impact we have in the market, our responsibility to our stakeholders and the maintenance of brand and reputation.

Corporate Culture & Compliance

CLSA's corporate culture is built on hard work, openness and inclusiveness. Over more than 30 years, we have built our business out across Asia and globally through the acceptance and celebration of clients and staff of all cultures, religions and genders. We recognise that our most valued assets are our people, reputation and intellectual capital.

Business Principles

- **Excellence:** We aim to surpass the ordinary through excellence in all that we do.
- **Innovation:** We turn original ideas into commercial realities.
- **Integrity:** We base our actions on moral and ethical principles.
- **Inclusion:** Everyone is valued and essential to our success.
- **Celebration:** We work hard to win and celebrate our achievements.

Code of Conduct

Our Code of Conduct empowers CLSA employees to deliver superior value and service to clients and to support employees and the communities in which we live and operate.

The Code of Conduct covers our business dealings with clients, appropriate use of assets, intellectual property, and confidentiality of information, conflicts of interest, electronic communications, media policy and social media guidelines. It outlines how our employees approach ethical decision making and what the business expects in terms of honesty, integrity, professionalism, diversity, non-discrimination and equal opportunities. It provides guidelines to for health and safety, freedom of association, community involvement and outlines roles and responsibilities of managers and employees.

Violations of the Code of Conduct are dealt with by CLSA's Disciplinary Committee and are treated with the utmost seriousness and confidentiality.

Whistleblowing

CLSA encourages a culture of confidence among staff to report suspected wrongdoing as soon as possible in the knowledge that their concerns will be taken seriously, investigated appropriately and that their confidentiality respected.

CLSA's Whistleblowing Policy enables employees to confidentially disclose information in good faith, without fear of adverse consequence, when they have reason to suspect illegal or unethical behaviour within the Group or about their clients.

To ensure this, CLSA has a dedicated telephone hotline for whistleblowing which protects staff from retaliation when making a report in good faith.

Local laws and regulations may also impose certain mandatory whistle blowing obligations on staff, such as matters relating to money laundering or terrorist financing. Where legal or regulatory requirements impose higher standards than the requirements of the Whistleblowing Policy, those legal and regulatory requirements shall prevail.

Internal Controls

CLSA has embedded company-wide internal controls across the organisation to ensure a culture of transparency and ethical business practices.

These include but are not limited to incident escalation, anti-money laundering and know your customer (KYC) policies; gift and benefit declarations; anti-bribery and corruption declarations; data-protection, IT security and systems that protect clients, the staff and the business. Staff must also declare outside interests and any directorships they hold on listed or non-listed companies including not-for-profit organisations. CLSA's Internal Audit plays a vital role in ensuring regular checks on business practices and procedures.

CLSA has put in place a number of internal controls designed to manage conflicts of interest that may arise as a result of CLSA engaging in Corporate Finance, Sales and Trading and Research activities. These controls include: the use of information barriers and other information controls designed to ensure that confidential information is only shared on a "need to know" basis and in compliance with CLSA's Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among CLSA's Research personnel, Corporate Finance and Sales and Trading personnel, CLSA's financial product issuers and CLSA's research analysts do not compromise the integrity and independence of CLSA's research.

Training

CLSA instils integrity, ethical business practices and a compliance mind-set across the organisation so that employees are fully aware of their legal and corporate responsibilities.

Training is conducted regularly across the organisation. This includes but is not limited to companywide corporate training as well as mandatory training for:

Risk Management

- Operational Risk Management training is provided annually to COOs across the CLSA Group.

Compliance Training:

- Financial Crime Training

SECTION 4: APPENDIX

Further information about CLSA is provided through the CLSA website.

- Awards: www.clsa.com/about/who-is-clsa/
- Offices: <https://www.clsa.com/global/office-locations/>
- Contacts: www.clsa.com/about/contacts/

This is the end of the CLSA Group Sustainability Report 2016.

Should you have any questions or queries please direct them to communications@clsa.com