



2016

環境、社會及管治報告

Environmental, Social and Governance Report

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## NOTES ON PREPARATION OF THE REPORT

This report introduces the activities and performance of China Galaxy Securities Co., Ltd. (the “Company” or “Galaxy Securities”) and all of its subsidiaries (the “Group”) in respect of environmental, social and governance matters for 2016, with the same scope as the scope of disclosure of 2016 annual report of the Company. It covers the period from 1 January 2016 to 31 December 2016 (the “Reporting Period”), unless otherwise specified.

All financial data in this report are derived from the audited financial statements of the Company for 2016, and all amounts herein are expressed in Renminbi unless otherwise specified.

This report has been prepared in accordance with Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), the Notice on Strengthening the Listed Companies’ Assumption of Social Responsibility and Publishing the Guidelines on Disclosing Environmental Information of Companies Listed on the Shanghai Stock Exchange, the Guidelines on Disclosing Environmental Information of Companies Listed on the Shanghai Stock Exchange, and Appendix 2 “Guidelines on the Preparation of Corporate Social Responsibility Report” contained in Memorandum No. 1 for the Reporting Work by Listed Companies for 2009 issued by the Shanghai Stock Exchange (the “SSE”). The contents of this report are in compliance with the relevant requirements of the aforementioned guidelines. During the Reporting Period, the Group had complied with the “comply or explain” provisions set out in Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The contents and data disclosed in this report have been considered and approved by the board of directors of the Company.

This report is available in pdf file at: the HKEXnews website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>), the website of the SSE (<http://www.sse.com.cn>), and the website of the Company (<http://www.chinastock.com.cn>).

## INFORMATION ON THE COMPANY

### (I) Corporate Profile

Galaxy Securities is a leading integrated financial services provider in the PRC securities industry, providing comprehensive securities services, including brokerage, sales and trading as well as investment banking. On 26 January 2007, with the approval of China Securities Regulatory Commission (the “CSRC”), the Company was established by China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), as the principal promoter, together with four domestic institutional investors.

On 22 May 2013, the H shares of the Company became listed on the Hong Kong Stock Exchange (with stock short name of “CGS” and stock code of “06881”). Up to 13 June 2013 when the over-allotment option was exercised in full, a total of 1,606,604,500 H shares were issued. On 5 May 2015, the Company issued 2 billion H shares through placing. In January 2017, the Company issued 600 million A shares through initial public offering, which became listed on the SSE on 23 January 2017 (with stock short name of “CGS” and stock code of “601881”).

Its scope of business is: securities brokerage; securities investment consulting; financial consulting relating to securities trading and securities investment; securities underwriting and sponsorship; proprietary securities trading; margin financing and securities lending; distribution of securities investment funds; provision of intermediary services to futures companies; distribution of financial products; securities investment fund custodian business; insurance agency business; sale of precious metal products.

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Currently, the Company has four wholly-owned subsidiaries, being Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司) and Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司); and a non-wholly-owned subsidiary, being Galaxy Futures Company Limited (銀河期貨有限公司).

As at 31 December 2016, the Company had a total of 360 securities branches in mainland China.

Upon listing on the Hong Kong Stock Exchange, the Company was successively included in the FTSE All-World Index, the FTSE All-Emerging Index, the FTSE China (HK Listed) Index, as well as the Hang Seng China H-Financials Index, the Hang Seng Global Composite Index, the Hang Seng Composite Index, the Hang Seng Composite Industry Index-Financials and the Hang Seng Composite MidCap Index among the Hang Seng Index Series, which has significantly boosted the image of the Company.

## (II) Corporate Culture

The Corporate Culture Manual of China Galaxy Securities Co., Ltd. is an embodiment of its corporate culture and values and covers the operation and management of the Company in all respects and areas. In particular, corporate spirit, business philosophy, corporate vision, corporate mission and promotional slogan are five elements of the corporate culture concept of the Company and constitute the basis of its corporate culture. Professional ethics, work etiquette, civilized language and code of conduct are the extension and embodiment of its corporate culture concept and an integral part of its corporate culture.

Details of the corporate culture concept of the Company are as follows:

1. Corporate spirit: Loyalty, tolerance, innovation, excellence.
2. Business philosophy: Customer first, staff-oriented.
3. Corporate vision: Provide first class services to become the best investment bank.
4. Corporate mission: Creating values, increasing wealth.
5. Promotional slogan: Galaxy brings you wisdom, wealth and golden mountain.

## (III) Development strategies

The Company will adhere to the development target of “building a carrier securities broker and a modern investment bank” and further deepen the development strategy of “One Core, Two Wings and Coordinated Development”. It will grasp the currently rare opportunities in the securities industry and actively respond to the fierce competition to adapt to the new normal in economic growth and the new trend in the development of the securities market. It will promote the coordinated development of big brokerage, big investment banking, big asset management, big investment, internet and overseas merger and acquisitions businesses based on the listing of A shares with the reform of the internal mechanisms as the guarantee to improve the capacities of the Company in serving national strategies and real economies.

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## ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

### (I) Environmental

#### A1 Emissions

The Company strictly follows the national environmental protection related laws and regulations of the PRC, including the Environmental Protection Law, the Air Pollution Prevention Law, the Water Pollution Prevention Law and the Solid Waste Pollution Prevention Law, when doing daily production and operation, and actively promotes the concept of environmental protection and puts into action in emissions, resource consumption, green travel. There were no major environmental issues during the Reporting Period.

The Company's emissions are mainly from carbon emissions generated by energy consumption, domestic sewage, office and domestic waste generated by daily office work and other non-toxic waste. Carbon emissions are mainly greenhouse gas emissions in scope 1 and scope 2. Scope 1 emissions are emissions of three kinds of greenhouse gas, being carbon dioxide, methane and nitrous oxide, generated by the combustion of gasoline by business vehicles, and scope 2 emissions are emissions of greenhouse gas carbon dioxide generated by consumption of purchased electricity. The Company has formulated a greenhouse gas emissions reduction system and a greenhouse gas emissions reduction plan to reduce greenhouse gas emissions. It encourages all employees to use public transport for green travel to reduce greenhouse gas emissions. The Company promotes water saving during daily operation and leaves domestic sewage and domestic waste produced to property and municipal services department for handling.

#### A2 Use of Resources

The Company advocates green office and has actively adopted measures to reduce resource consumption and energy consumption.

The resources consumed by the Company mainly include water, electricity, oil consumption for vehicles (gasoline and diesel) and gas consumption at logistics canteens (natural gas and coal gas). The Company strives to maximize the conservation of resources, to save the Company and the society resources and to contribute to the building of an environment-friendly society by encouraging paperless office, promoting the use of FSC-certified paper, using office supplies sparingly, actively adopting video conferencing to reduce travel, arranging business vehicles in reasonable manner, etc. The 2016 renovation office area, with a total area of about 6,000 square meters, all adopted LED energy-saving light source.

The Company actively promotes green travel, encouraging all employees to use public transport for "low-carbon travel" to reduce energy consumption.

#### A3 Environment and Natural Resources

As a member of the Standing Committee of the Green Finance Committee of China Society for Finance and Banking, the Company vigorously advocates and promotes green finance, actively participates in the formulation of industry standards and promotion of market development and combines them with the specific business of the Company, sets green bond as the focus of innovation of bond business of the Company, and explores actively the green bond underwriting business, with the aim of promoting the development of green projects in the market to indirectly protect the natural environment and ecological resources.

In July 2016, the Company acted as a sole lead underwriter for Huaneng Renewables Corporation Limited's 2016 green corporate bonds with the issue size of RMB1.14 billion. As the first green bonds issued by a central enterprise in China, the bonds play a positive guiding and modelling role for the further development and growth of China's green bond market.

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## (II) Social

### B1 Employment

The Company adheres to the employment-related rules of the PRC and the jurisdictions in which it operates. It has been in compliance with the Labour Law, the Labour Contract Law, the Provisions on the Prohibition against the Use of Child Labour and other applicable rules of the PRC, and has developed and strictly implemented a series of human resource management policies such as the Administrative Measures for Staff Recruitment, the Administrative Measures for Positions and Ranks, the Interim Administrative Measures for Determination of Ranks for New Employees at the Headquarters, the Administrative Measures for Remuneration, the Administrative Measures for Staff Benefits, and the Administrative Measures for Attendance and Leaves to protect employees' rights and provide them with benefits. It strives to eliminate all kinds of discrimination in matters such as recruitment, salary, training and promotion in order to ensure that all employees are provided with fair, just and open work opportunities to promote their diversified development.

#### 1. Information on employees

As at 31 December 2016, the Group had 10,465 employees (including client managers in sales), of which 9,473 (including client managers in sales) were employees of the Company, and their composition is set out below:

Number of existing employees of the Company	9,473
Number of existing employees of major subsidiaries	992
Total number of existing employees	10,465
Number of retired employees for whom the Company and major subsidiaries were required to pay expenses	300

Type of professions	Professions	Number of individuals
Securities brokerage		8,078
Futures brokerage		467
Investment banking		344
Asset management		117
Proprietary trading		64
Private equity investment		12
Investment research		139
Clearing		100
Legal/Risk control/Audit		276
IT		396
Planning and finance		241
Administrative management		231
Total		10,465

Education level	Educational Background	Number of individuals
Doctors		75
Masters		1,425
Bachelors		6,463
Associate degree and below		2,502
Total		10,465



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## 2. Remuneration and benefits

The Company strictly complies with national and local laws and regulations and the rules and regulations of the Company to conduct staff entry and departure procedures, ensuring the legal compliance in employment. In view of the job nature of employees, the Company has implemented standard working hour system to reasonably arrange overtime work in light of job requirements, provides overtime compensation to staff according to law and arranges compensatory leave for staff. The Company provides its employees with fair and reasonable remuneration, which comprises allowance, performance bonus and benefits in addition to basic salary. The Company has provided social insurance and housing provident fund and other statutory benefits to its staff according to relevant requirements of the PRC. Meanwhile, in order to improve the protection level of benefits, the Company has also provided annuity fund and supplementary medical insurance for its employees.

## 3. Actively absorbed talents to boost employment

In 2016, the Company continued to respond to the call from the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Education in the “Notice Concerning State-owned Enterprises Employing College Graduates in 2013-2014” (Guo Zi Ting Fa Fen Pei [2013] No. 37), and employed 237 college graduates throughout the year. In addition, the Company widely attracted talents in the form of social recruitment and employed 1,743 persons from the society throughout the year.

In accordance with the needs of society from the integration of production, education, research and practice, the Company actively invited college students to work as interns at the Company so as to improve their practical abilities and their competitiveness in employment. In 2016, approximately 1,000 college students had worked as interns at the Company.

## 4. Focused on talent development

In order to effectively promote the scientific management of human resources, the Company has established a fully-marketized performance management mechanism and talent development mechanism. Its remuneration allocation is performance-oriented and aims to achieve division of performance targets by level and interaction among levels with reference to appraisal results. Remuneration incentives are inclined towards “high performance”; bonuses may increase or decrease and either job promotion or demotion can be made. A marketized job position and rank management mechanism has been established to accelerate the promotion of outstanding young employees and standardize the promotion conditions of employees at medium and high levels so as to realize diversified development of talents. It has established a reserve of key talents and backup talents for general managers of securities branches, and focuses on their cultivation and training in order to provide solid human resource support for the sustainable development of the Company.

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## B2 Health and Safety

The Company adheres to the people-oriented philosophy, cares for the health and safety of employees, improves the health protection mechanism for employees, and carefully implements safety drills, education and training.

### 1. Care for employees

The Company organises annual body check for employees, establishes a medical room to provide supplementary medical protection to all employees, and actively boosts the construction of the supplementary protection system such as enterprise annuity in order to ensure physical and mental health of employees. The Company strictly implemented the Labour Law of the PRC and relevant regulations of the local people's governments at all levels, and maintained various social insurances for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance. Meanwhile, the Company also contributed the housing provident fund for its existing employees to the housing provident fund management departments in Beijing and the cities where the branches were located. On this basis, the Company established a supplementary medical insurance system for the employees, which, outside of the national basic medical system, would provide the employees with more comprehensive medical coverage; the Company set up an enterprise annuity plan for the employees to choose for participation, which, outside of the national basic pension coverage system, would establish more adequate pension coverage for the employees. The Company has adopted an enterprise annuity system, and its enterprise annuity plan began operation in August 2011. Over 6,600 employees have taken part in the annuity plan. At present, the annuity plan is under standardized operation with stable proceeds.

Pursuant to the Administrative Measures for Sending Warmth, in 2016, the Company's labour union granted the subsidies of more than RMB200,000 to the employees with serious illness, provided monetary blessings in the amount of more than RMB950,000 to employees for their birthdays, marriages and child births, and sent the warmth fund of more than RMB1,510,000 to the employees in sick and difficulty, internal retirees and retirees during the period from the New Year's Day to Spring Festival. It realized the systematization, timeliness and normalization in respect of sending warmth, achieved "no omission, full coverage with tracking and paying attention to service", which made the employees deeply feel the care from the Company's Party Committee and the warmth from the "Big Family" of the labour union.

### 2. Protection of employee health and safety

The Company adheres to safety production by defining duties, strictly assigning responsibilities and carrying out the principal responsibility system. It strengthens internal enterprise management and carries out safety and stability maintenance work. It adheres to the principle of "precaution comes first with active prevention", established a sound system and improves measures in order to realize accountability. It seriously implements the work approach on fire-fighting of "precaution comes first with a combination of prevention and fighting", and strengthens training to all staff on fire-fighting knowledge and management of fire-fighting facilities and equipment at the headquarters of the Company. It has formulated emergency treatment measures, regularly carries out safety drills, and amends and improves emergency plans from time to time. It deals with all kinds of emergencies and prevents the incidents that will affect social stability. It also improves security and fire safety awareness of staff through training on safety knowledge for new staff at the headquarters of the Company. During the Reporting Period, the Company had experienced no major incidents involving information technology system, security, and health and safety responsibilities.

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## B3 Development and Training

The Company attaches great importance to the diversified development of employees, actively promotes daily communication and formulates strict training programs to boost their development and make full use of their strengths.

In order to effectively improve the overall quality of employees, thereby improving customer satisfaction and income contribution, contributing to the development of the securities industry talents and achieving the “win-win-win” situation for its customers, employees and shareholders, the Company carried out various training in 2016.

- ① According to staff development and job requirements, the Company actively selected employees to participate in policies and regulations, security education and business and job training provided by the Securities Association of China, Beijing Securities Industry Association, National Association of Financial Market Institutional Investors, the SSE, the Shenzhen Stock Exchange (the “SZSE”) and China Financial Training Centre and other institutions and educational organizations.
- ② In response to China’s “Belt and Road Initiative” economic development strategy and in view of the actual situations of economic development in Xinjiang and Guizhou, the Company held two 5-day advanced seminars on financial development and financial innovation during the period from 29 August 2016 to 7 September 2016. The training was provided in a combination of internal and external training, mostly external training. The main external courses were taught by well-known experts at Tsinghua University and the internal courses were taught by heads of the relevant departments of the Company. This has enabled the Company to better serve the governments and enterprises in Xinjiang Autonomous Region and Guizhou and promoted the economic and social development of Xinjiang and Guizhou.
- ③ In order to improve and enhance its standardized services including “service process, service etiquette, service environment and service information”, to further regulate the management standards for its securities branches including “system standards, decision-making standards, personnel standards, implementation standards, job specifications, safety management and emergency handling”, the Company organized three on-site “Standardized service and standardized management” (the “Two Standards”) business exchange training sessions at its securities branches, during which the in-depth analysis and discussions about “unifying management concepts, standardizing service behaviour and improving professional service level and customer satisfaction” were conducted, in order to play the leading role of model securities branches, to help pilot securities branches improve the “Two Standards” work, to solve the problems encountered by pilot securities branches in the “Two Standards” work at different stages, and to improve the quality of staff and professional service ability to realize improvement in both “external shape and internal spirits”. As a result, it effectively improved the operating efficiency of the Company, fully created the services with outstanding “shape, spirits and soul”, and excelled in serving customers, creating values for customers and allocating products for customers.

## B4 Labour Standards

The Company, in strict compliance with labour regulatory requirements, does not hire child labour or practice forced labour, and provides reasonable holidays and leaves to the employees. During the Reporting Period, the Company was not aware of any violations of labour standards by the Company such as child labour or forced labour.

The Company’s labour union promoted and improved democratic management in the basic form of employees’ representative meeting according to law, and regularly performed the general election program. After the democratic election by the majority of employees, 320 employees’ representatives were legally elected. On 31 October 2016, they held the first meeting of the second session of the employee representative meeting (by video conference), listened to work reports of the Company, its labour union and the employee directors and supervisors, etc., considered and passed some systems related to the employees’ vital interests in the form of internet voting (WeChat “Business Account”), which realized the employees’ rights to know, participate, express and supervise.



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## **B5 Supply Chain Management**

The Company carries out procurement work fairly, impartially and openly, and has established the relevant rules including the Procurement Management System of China Galaxy Securities Co., Ltd., the Procurement Management System at the Headquarters of China Galaxy Securities Co., Ltd., and the Procurement Management System at the Branches of China Galaxy Securities Co., Ltd.. In the course of implementation, in response to issues such as relatively high ratio of permission by the procurement and tender team leader at the headquarters of the Company for projects exceeding the procurement limit, the Company revised the requirements of the Procurement Management System at the Headquarters of China Galaxy Securities Co., Ltd. with respect to the qualification of the leader of the procurement and tender team, the method of nomination of team members, and the leave application and authorisation by team members, and promulgated the same for implementation. It makes public the procurement information through a variety of ways, provides equal opportunities to suppliers participating in each stage of the operation of procurement projects to ensure fairness, and strives to ensure impartial results through collective decision-making, independent voting by assessors, equal right for every vote and other measures. For suppliers who have moral or credit problems, or have a record of bad conduct, the Company will reject or restrict their participation in the Company's projects in accordance with the systems.

## **B6 Product Responsibility**

The Company actively fulfils its corporate social responsibility, safeguards the lawful interests of investors, offers investor education and services, continues to improve customer service system and improve its ability to serve customers, and attaches great importance to customer information security.

### **1. Protection of investors' interests**

The Company actively guides investors to establish a rational investment philosophy and raise awareness of risk prevention, effectively protects the legitimate rights and interests of investors, and actively arranges for investor education activities. In addition, it continues to regulate and improve investor suitability management and investment education, improves counter operation flow, and organises the relevant training and examination to enhance the ability of the practitioners at its branches to effectively implement investor suitability management and customer securities trading behaviour management. By organising finance challenge games among university students, it went to colleges to educate and protect investors who are youth groups in colleges.

- (1) The Company co-organized investor rights protection public welfare activities with theme of "Making Rational Investments and Guarding Wealth".

During the period from September to December 2016, the Company, as a co-organizer, participated in the investor rights protection public welfare activities with theme of "Making Rational Investments and Guarding Wealth" held by the China Securities Regulatory Commission Beijing Bureau and Beijing Municipal Bureau of Finance. In a series of public welfare activities, the Company planned for and organized the launch ceremony and the summary conference, hosted special promotional activities with the theme of "Diversified Dispute Resolution Mechanism", and won the award of "Best Organizer" at such activities.

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- (2) The Company actively organized investor education activities.

In 2016, in order to consistently follow the “Opinions on Further Strengthening the Protection of Legal Rights and Interests of Medium- and Small-sized Investors in the Capital Market” issued by the General Office of the State Council and the spirits of the National Securities and Futures Supervision Conference for 2016, the Company carried out investor education activities with the theme of “Making Rational Investments and Guarding Wealth”. By carrying out these activities, it had further helped investors to establish rational investment awareness, improved their ability to identify and prevent risks and better protected the lawful interests of investors. Details of the regular investor education activities conducted by the Company in 2016 were as follows:

- ① From March to May 2016, the Company carried out two-month activities with the theme of “Making Rational Investments and Guarding Wealth – 3•15 Investor Rights Protection Month”. In addition to the themed activities, the Company also conducted extensive publicity through multiple channels and methods to guide investors in making rational investments by making use of propaganda films of the “Open Class from the Chief Economist” and “Making Rational Investments and Guarding Wealth” and the “Sharing My Investment Story” work collection.
- ② From September to October 2016, in order to strengthen the sense of securities practitioners on investor protection responsibility and enhance the investors’ understanding of their own rights and obligations, the Company carried out the “Popularization of Investor Protection Knowledge” investor education activity. The activity focused on providing knowledge on investor protection including investor suitability system, investors’ rights and obligations, securities dispute’s diversified resolution mechanism and prevention of illegal securities activities. By adopting various means including designing and producing publicity brochures, organizing and participating in “Investor Protection Knowledge Q&A” and producing “Special Education Products for Investor Protection”, it further expanded the scope of publicity about investor protection knowledge and guided investors to conduct self-learning.
- ③ From November to December 2016, in order to protect the lawful interests of investors, to guide investors to establish a correct investment mindset and to stay away from illegal securities activities, the Company organized one-month promotion activities with a theme of “staying away from illegal securities activities and passing on positive energy”. It educated investors about the features, hazards and typical cases of illegal securities activities through multiple online and offline methods in order to improve the investors’ ability to identify and prevent illegal securities activities. In 2016, the Company strengthened education for investors in its designated poverty alleviation area on fighting against illegal securities activities in line with local actual situations, which had generated positive publicity effects.

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- (3) The Company carries out investor education and services by adhering to its core principle of suitability sales and suitability services.

① In light of its business development needs, the Company further regulated and improved its investor suitability management and education. In 2016, the Company improved its private equity fund sales process in accordance with the Administrative Measures for Private Equity Fund-raising Activities; amended and circulated the Implementation Rules for Customer Suitability Management of China Galaxy Securities Co., Ltd. (2016 Revision) and the Implementation Rules for Hong Kong Stock Connect Business Investor Education of China Galaxy Securities Co., Ltd. (2016 Revision) in accordance with suitability management requirements for the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect businesses; commenced the preparations for the detailed rules for suitability management and investor education for structured funds investors in accordance with the structured fund business guidelines issued by the SSE and the SZSE; and commenced the work arrangement relating to the suitability management and investor education for investors participating in bond pledge repurchase transaction in accordance with the settlement risk control guidelines for bond pledge repurchase transactions issued by China Securities Depository and Clearing Company Limited, the SSE and the SZSE.

② It actively carried out inspection and internal training in accordance with the suitability management requirements for key business. In May 2016, the Company organized the classification and closure of customer accounts for which the status for GEM trading application is “pending”, and further improved its GEM counter business operation process in accordance with its business conducting requirements. In September 2016, the Company conducted internal suitability management self-inspection in order to implement the requirements of investor suitability management and in accordance with the arrangement of the SSE. In December 2016, the Company carried out internal training on investor suitability management and customer securities trading management at all branches through video training and organized relevant examination, in order to further improve the practitioners at its branches to effectively implement investor suitability management and customer securities trading management.

- (4) The Company actively participated in the “I’m a Shareholder”, “Accessing Listed Companies” and other investor education activities organized by the SSE and the SZSE.

The Company regularly promoted activities “I’m a Shareholder”, “Accessing Listed Companies” through various channels and by various means, and promoted the importance of the shareholders’ rights to investors. It promoted the awareness of shareholders and the ideas of rational investment and value investment among investors. Through on-site visits of listed companies, investors were stimulated to participate in activities, which enabled investors to further build up their awareness of shareholders’ rights and strengthen their self-protection ability. In 2016, the Company organized 9 “Accessing Listed Companies” activities for investors and successfully held two “I’m a Shareholder” special brokerage activities.

- (5) The Company offered cooperation in respect of the investor surveys conducted by China Securities Investor Protection Fund Corporation Limited.

In 2016, the Company completed the survey of investors’ confidence, the survey of market hot spots and various special or integrated surveys as scheduled in accordance with the sampling plan for investors surveys and survey matters formulated by China Securities Investor Protection Fund Corporation Limited, which provided support to securities regulatory authorities in understanding the expectation of investors and research on securities market. It also actively participated in survey of managers’ confidence at securities branches.

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- (6) The Company organized the third session of “China Galaxy Cup” finance challenge games for national university students.

In order to educate and protect investors who are youth groups in colleges, and to cultivate qualified market investors, the Company partnered with Royal Flush Information Network Co., Ltd. to hold the third session of “China Galaxy Cup” (中國銀河杯) finance challenge games from September to December 2016 for national university students. More than 54,000 people from over 2,300 colleges and universities participated in individual competitions, and more than 400 college teams participated in group competitions. During the event, the Company arranged professionals to conduct on-site investor education activities for participating students at renowned colleges including 135 well-known universities such as Sun Yat-sen University, Zhejiang University, Shandong University, Sichuan University, Northeastern University, Shenzhen University, South China University of Technology and Beijing Normal University, in order to help university students understand the capital market earlier and establish rational investment mind and to cultivate the future market participants of the PRC capital market, which has played a positive role in enhancing brand awareness and social influence of the Company and also demonstrated its spirits of taking the initiative to conduct investor education and protection, and actively performing its social responsibilities.

## 2. Improvement in customer services

The Company adheres to meeting customer needs as its central goal, continues to optimise its customer service supporting system, improves the establishment of its customer service system and enhances its customer service ability. With customer needs and asset allocation as the guide, the Company optimises its business flow, and strengthens efforts in business innovation to provide customers with diversified business and services. It also strives to provide investors with more efficient and convenient services by leveraging the business and network advantages of the Internet to realize the online-offline combination.

- (1) Improved the establishment of customer service system

The Company continued to optimise the supporting system for its “Jiutian Wealth” customer service system. On top of this basis, it continued to promote the “Jiutian Wealth” customer service system at its branches through means of personal service process appraisal, moment-of-truth key assignment and quality inspections, and the APP installation rate of its mobile work platform among its staff at securities branches reached over 90%. The customer service system stimulated the vitality of its service staff and significantly improved their overall services. As a result, customer loyalty was enhanced and a strong competitive advantage was formed.

- (2) Enhanced customer experience

It promoted the sales of financial products through marketing activities. At the beginning of the year, the Company organized the “New Starting Point • New Leap” Semi-annual Product Marketing Contest (「新起點 • 新跨越」雙季產品營銷競賽) and “Easy Trading • Easy Financing” (「易交易 • 易融資」) continuous marketing activity. Amid market adjustment in 2016, the Company’s revenue from product sales performed significantly better than the level of the overall brokerage business. Its financial product agency business continued to maintain a healthy development momentum. Its product appraisal and introduction was professional and objective, supported by accurate and efficient marketing and attentive customer services. The Company strictly controlled risk events and adhered to the bottom line of compliance practice.

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In 2016, the Company obtained over 1.2 million new customers and provided more investors with securities trading services, product allocation services, wealth management services and investment and financing services, which has played a professional role as a securities company in the preservation and appreciation of wealth of investors and serving local real economy, and has laid a solid customer base in preparation for the listing of the A shares of the Company and improving its size and revenue. In active response to the policy adjustment of “one person with a maximum of three accounts”, the Company simplified its business handling process and strengthened business innovations to ensure rapid business growth on a continuous basis. Such measures have effectively enhanced customers’ experience and realized the online-offline combination by leveraging the business and network advantages of the Internet to provide investors with better services.

(3) Provided diversified business services

- ① The Company actively developed the Hong Kong Stock Connect business and seized the opportunities brought by the launch of Hong Kong Stock Connect. It actively communicated with customers, conducted business training, and won strong attention from investors.
- ② In 2016, the SZSE launched the Shenzhen-Hong Kong Stock Connect business. The Company has established a special working group, completed technical tests of the exchange, and launched the Hong Kong Stock Connect transaction services under the Shenzhen-Hong Kong Stock Connect as scheduled to provide investors with services. It also publicized and popularized the business knowledge on the Hong Kong Stock Connect to the public through a number of channels including its official website, WeChat and the on-site investor education area in its securities branches in order to guide investors in making rational investment.
- ③ Since the launch of stock option products in the PRC market, its trading volume has been on a steady upward trend, providing a flexible asset allocation and risk management tools for domestic investors. In order to help customers better understand stock options and related investments and to provide them with more business services, the Company partnered with the SSE and held 13 “Option Lessons” on-site investor education activities in its core business regions including Beijing, Shanghai, Shenzhen, Zhejiang and Wuhan, etc. The lessons covered basic knowledge, trading rules and risks, market analysis and common basic strategies, and combined the elements of option contracts with vivid examples in real life. The explanation in simple terms enabled visiting customers to quickly understand the characteristics of stock options and how to take the first step in the practice of options. The event attracted nearly 3,200 participating customers and received enthusiastic response. The “Option Lessons” event was an important form for the Company to promote stock options and educate investors. In the future, the Company will continue to enhance its cooperation with the SSE and various institutions to better develop stock option business and serve customers.

### 3. Protection of customer information security

The Company attaches great importance to the safe operation of the information system. According to the international and national information safety management systems and standards with best practice, the Company has formulated comprehensive safety management rules and regulations, including the “Information Safety Protection Management Measures”, and the “Information System Operation and Maintenance Management Measures”, which are scientific, complete and operable and meet the needs of business development, so as to develop information safety management in an efficient and standardised manner.

The Company provides resources to fully support the operation and maintenance of its information system, which ensures the safe operation of such system and protects the interests of investors to the maximum. No major failure has occurred in the information system of the Company throughout 2016.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B7 Anti-corruption

In accordance with the anti-corruption policies of the PRC in respect of bribery, extortion, fraud and money laundering set out in the Criminal Law, the Anti-Unfair Competition Law and the Interim Provisions on Prohibition of Commercial Bribery, the Company has established an anti-money laundering internal control system and developed more than 30 anti-money laundering rules including the Anti-Money Laundering and Anti-Terrorism Financing Work Management System. The Company has also established an Anti-fraud Management System. In the work of anti-corruption, the Company focuses on prevention, improves system restrictions, strengthens supervision and enforcement of discipline, changes the concept of punishment, further checks misconduct early and meticulously, imposes penalty frequently and immediately, and constantly strengthens constraints on managerial personnel, thereby eradicating the unhealthy tendency as well as blocking corruption-breeding channels from the source, so as to provide a favourable environment for enterprise development.

The Company also actively carries out various forms of honest culture education, training and propaganda activities, and strengthens the awareness of honesty and self-discipline of employees at all levels; effectively integrates the prevention and elimination of risks in ideology and morality, position responsibility, business process and institutional mechanism into daily operation and management, urges leading cadres at all levels to seriously implement the “two duties for one post” requirement, and constantly improves the penetration of honest risk prevention and control; enhances the supervision and inspection of critical fields, key areas and important posts, such as expenses, election and appointment of individuals, formulates and revises the Interim Accountability Measures and the Measures for Handling Violations of Disciplines and Regulations of Employees, broadens channels for report of issues and clues by publishing a reporting email and hotline, and further improves the accountability system. During the Reporting Period, the work of anti-corruption of the Company was overall satisfactory with no major negative events.

## B8 Community Investment

In 2016, the Company regarded poverty alleviation as its important political responsibility and social responsibility, actively responded to the call of the Chinese Communist Party and the State, securities regulators, and carried out the supporting work on the basis of the reality. It has in place a long-term working mechanism to carry out full cooperation in respect of industrial, educational and human resource support.

Since the commencement of its poverty alleviation in 2011, the Company has made external donations in the amount of over RMB19 million. In particular, it has made annual donations of RMB2 million, totalling RMB10 million, to Jingling County in Gansu Province, its designated county for poverty alleviation; donations of RMB6 million to seven Galaxy Primary Schools; and other donations of RMB3 million. During the Reporting Period, the poverty alleviation contribution amounted to RMB2,270,300 and materials with a total value of RMB45,000 were donated.

### ① Industrial help

Subject to the national policies and the relevant rules of regulatory authorities, the Company actively assisted the enterprises in its designated county for poverty alleviation and national poverty areas in promoting their restructuring and listing and re-financing by listed companies. The Company has provided bond issue services to four enterprises in poverty counties and financial services such as listing and financing on the National Equities Exchange and Quotations and market maker transactions to three enterprises in poverty counties.

Furthermore, by leveraging its information and resource advantages, the Company made full use of its intermediary functions in the capital market. For its investment banking, bond financing and the New OTC Board business, with the economic needs of real economy in poverty areas as the orientation and in view of local resource advantages and industrial features, the Company made full use of the “green channel” of exchanges and the New OTC Board for IPO and listing of enterprises in poverty areas, and improved its reserve pool for listed companies to help more qualified enterprises obtain financing through the main board, the SME board, the ChiNext and the National Equities Exchange and Quotations, so as to improve financing efficiency and lower financing cost. Through IPO, listing on the New OTC Board, government bonds, corporate bonds, enterprise bonds and PPP financing, the Company actively supports and cultivates outstanding enterprises in poverty areas for listing, guides governments and enterprises in bonds issue, and explores the financing models for cooperation among government and private capital, in order to better promote the economic growth and sustainable development of poverty areas.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ② Educational support

The Company has established 7 Galaxy Primary Schools in its designated poverty alleviation areas and ethnic minority areas, including Jingling in Gansu, Hongsibao in Ningxia, Bingxi in Guizhou, Dangxiong in Tibet, Arxan in Inner Mongolia, Yongshan in Yunnan and Hetian in Xinjiang, for successive years. In addition to assistance provided to the Galaxy Primary Schools in its designated poverty alleviation areas, the Company also donated RMB1 million each, totalling RMB6 million, established three computer classrooms using computers retired from office, donated books to 4 primary schools, and held the “National Galaxy Primary Schools – Galaxy Dream” Summer Camp in Beijing for two consecutive years. It also strengthened the communication with 7 Galaxy Primary Schools across China to timely understand their needs lest any child drop out of school due to poverty.

In order to help poverty families get rid of poverty, the Company has built a “Galaxy Poverty Alleviation Training Centre” in view of the actual situations in Jingling, Gansu. The centre is the largest poverty alleviation training institution in Jingling County and also the best example of combination of modern education resources in Jingling County and national poverty alleviation policies, which has provided a sound platform to further expand the scale of training for “Junior and High School Graduates”, the “Rain Plan” and labour transfer, enabled poverty students to improve their expertise and labour skills so as to realize stable employment and promote social and economic development in Jingling County.

## ③ Human resource support

In order to make full use of its advantages and reach the grass roots, the Company has assigned an officer to station in its designated poverty areas to lead local poverty people in getting rid of poverty and becoming rich.

In order to support the development of the capital market in Xinjiang and Guizhou, the Company held “Guizhou Province-CGS” and “Xinjiang Uygur Autonomous Region-CGS” advanced seminars for financial development and financial innovations at Tsinghua University School of Economics and Management in order to provide special intellectual support to Guizhou and Xinjiang. There were nearly 100 students participating in the training, who are cadres in charge of finance at economic areas, prefectures and cities of Guizhou Province and Xinjiang Uygur Autonomous Region and senior officials of the enterprises managed by the organization department of provincial committee.



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