



鲁证期货
LUZHENG FUTURES

LUZHENG FUTURES COMPANY LIMITED

鲁证期货股份有限公司

(a joint stock company incorporated in the
People's Republic of China with limited liability)
(Stock Code : 01461)



2016

Environmental, Social and
Governance Report

This Environmental, Social and Governance Report (the “Report”) discloses the relevant environmental, social and governance initiatives and performance of the business operation of LUZHENG FUTURES Company Limited (the “Company”, together with its subsidiaries, the “Group”) in the People’s Republic of China (the “PRC” or “China”) for the period from 1 January 2016 to 31 December 2016 (the “Reporting Period”) 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 Group’s main business scope covers commodity futures brokerage, financial futures brokerage, futures investment and consultancy, futures asset management, commodity trading registration and settlement services as well as other business activities permitted by the China Securities Regulatory Commission. During the Reporting Period, as the subject areas and aspects associated with emissions, environment and natural resources, and supply chain management are not material environment-related matters of the Company, they are not applicable to the Company and therefore are not disclosed in the Report.

The data and information of the Report are derived from the archived documents, records and statistics of the Group. The contents and data disclosed in the Report have been considered and approved by the board of directors of the Company.

The Report is published in PDF electronic format at the HKEXnews website of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company’s website (<http://www.luzhengqh.com>).

1. Environmental

A1 Emissions

In the daily operations, the Company strictly abides by the relevant state environmental protection laws and regulations such as the Environmental Protection Law of the People’s Republic of China and the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution. The Company actively promotes environmental protection concepts in respect of emissions, resource consumption and green travel, and puts them into action. During the Reporting Period, there was no significant environmental protection issue.

The Company’s emissions are mainly harmless wastes such as carbon emissions generated from energy consumption, domestic sewage as well as office and domestic garbage generated from daily office operations. Among which, carbon emissions are mainly from the following two aspects of greenhouse gas emissions: (i) greenhouse gas emissions of carbon dioxide, methane and nitrous oxide generated from gasoline combustion of business cars, and (ii) greenhouse gas emissions of carbon dioxide generated from purchased electricity.

The Company encourages employees to comply with relevant greenhouse gas emission reduction systems and greenhouse gas emission reduction measures to reduce greenhouse gas emissions, encourages employees to use public transport and promotes green travel to reduce greenhouse gas emissions, as well as encourages the promotion of water conservation in daily operations (domestic sewage and domestic waste generated are processed by property and municipal authorities).



A2 Resource consumption

The Company advocates green office, and actively adopts measures to reduce resource consumption and energy consumption.

The Company's resource consumption mainly includes water consumption, electricity consumption, petrol used by vehicles and gas (natural gas and town gas) consumption of back-office canteens. The Company has implemented paperless electronic office procedures and systems, encouraging the use of double-sided printing to reduce the use of paper, saving office supplies. The Company actively uses video conferencing systems to reduce travel rate and arrange business cars reasonably, conserving resources to a maximum, building an environmental friendly enterprise. The Company arranges property inspectors to turn off or lower night lightings system. During the Reporting Period, the renovated office area has adopted LED energy saving light source.

A3 Environment and natural resources

The Company actively advocates and promotes green finance, and actively participates in various initiatives on the implementation of various futures industry standards and promotion of market development. The Company has organized numerous corporate social responsibility (CSR) non-physical environmental classes such as activity combining healthy walking and environmental cleaning. The Company has called its employees together to participate in environmental protection, promoted waste classification, and sold office waste to allow renewable resources to enter the community for re-use.

During the Reporting Period, the Company did not have any environmental service incident, nor did it receive any complaint, penalty and sanction related to environmental pollution.

2. Social

B1 Employment

In the handling of termination of employment, the Company has complied with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the relevant provisions of labor contract and applicable labor regulations. The Company has established standardized employee recruitment and termination procedures. The Company adheres to the principle of "equal opportunities, fair competition, comprehensive assessment and merit-based hiring" during the recruitment procedures, and has established a comprehensive internal assessment and performance appraisal mechanism to ensure fair promotion opportunities for employees. Employees enter into a labor contract with the Company at the beginning of employment, and the working hours of the Company's employees are in compliance with relevant requirements. The Company prohibits to hire child labor and prohibits forced labor. If employees have decided to terminate the employment for personal reasons, they can submit application for termination of employment. After the completion of termination procedures, they can terminate the employment with the Company. When the Company takes the initiative to terminate or suspend labor relationship with employees, the Company would fulfill the obligation of advance notice in accordance with relevant laws and regulations.

1. Employees

As at 31 December 2016, the Company had 462 employees in total, with specific structure as follows:

Classification		Number	Proportion (%)
Professional structure	Administration	67	14.5
	Financial planning	21	4.55
	Brokerage business management	42	9.09
	Information technology	28	6.06
	Settlement	7	1.52
	Compliance risk control and audit	38	8.23
	Research and development	12	2.6
	Customer services	11	2.38
	Asset management	22	4.76
	Options and over-the-counter business	17	3.68
	Marketing	197	42.63
	Total	462	100
Age structure	Under 30 years old	187	40.5
	31–35 years old	151	32.7
	36–40 years old	59	12.8
	41–45 years old	32	6.9
	Over 45 years old	33	7.1
	Total	462	100
Education level	Master degree and above	96	20.8
	Undergraduate degree	288	62.3
	Tertiary education (non-degree) and below	78	16.9
	Total	462	100

2. Remuneration and benefits

The employee remuneration of the Company comprises basic salary, bonus, performance, special reward and insurance benefits. Basic salary is determined based on consolidated factors such as job duties, responsibilities, operation scale, salary offered by peers, the area where the business of the Company is located, as well as knowledge and experience. Performance-based salary, which aimed at motivating staff to generate income, is calculated based on performance of staff.



The Company and its employees made contribution to various social insurance and housing provident fund in accordance with relevant provisions of the PRC. The relevant social insurance and housing provident fund are managed by local competent authority.

3. Actively nurtures and attracts financial talents

During the Reporting Period, the Company recruited a total of 16 fresh graduates from tertiary institutions. In addition, the Company also extensively recruited talents through public recruitment, and recruited a total of 74 people. According to the social needs of combining production, studies and research, the Company has actively taken tertiary institution students for training and practice for enhancing students' practical ability and strengthening students' competitiveness for employment. During the Reporting Period, the Company has taken approximately 30 tertiary institution students for training and practice.

In 2016, the Company actively participated in the fifth session of "CFFEX Cup" (中金所杯) financial knowledge contest for national collegers held by China Financial Futures Exchanges and China Futures Association. Actively working with the two tertiary institutions of Shandong University and Shandong University of Finance and Economics, the Company promoted and encouraged students to register through school websites, internal information announcement system, campus talks, etc. A total of over 300 current students from Zhongtai Securities Institute for Finance Studies, Institute for Economic Studies, School of Mathematics, School of Economics and School of Management of Shandong University and School of Finance, School of Mathematics and Quantitative Economics and School of Economics of Shandong University of Finance and Economics participated in talks and training sessions, which had positive impact on the training of futures market talents.

In order to build core competitiveness, the Company strived to maintain the continuous stability of the core human resources team. In addition, in 2016, under the advocacy of the board of directors, the Company has established special incentives such as the Pearl Awards (伯樂獎) to encourage outstanding talents to join the Company.

B2 Health and safety

The Company adheres to people-oriented approach, emphasizing on its care to the health and safety of employees with an objective to optimize employee health protection mechanism, while earnestly implementing safety drills and educational training.

1. Caring for employees

The Company organizes employees for annual medical examination in Grade III Class A hospitals, providing supplementary medical protection for all employees and ensuring the health of employees. The Company has strictly implemented the provisions of relevant laws and regulations and arranged various social insurance for employees, including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, etc. At the same time, the Company has arranged housing provident fund for employees with housing provident fund administrative authorities in Jinan City, Shandong Province, the PRC and cities where various branches are located. The Company has standardized its management on various kinds of leaves which employees are entitled for, including national holidays, paid annual leave, leave of absence, sick leave, work injury leave, marriage leave, bereavement leave, maternity leave and paternity leave.

2. Safeguarding the health and safety of employees

The Company adheres to safe operation by defining duties, strictly fulfilling responsibilities and implementing the principal responsibility system. It has strengthened internal enterprise management and carried out safety and stability maintenance work. It adheres to the principle of “precaution comes first with active prevention”, and has established a sound system and improved measures in order to fulfill responsibilities. It has earnestly implemented the work approach on fire-fighting of “precaution comes first with a combination of prevention and fighting”, and strengthened training to all staff on fire-fighting knowledge and management of internal fire-fighting facilities and equipment. It has formulated emergency treatment measures, regularly carried out safety drills, and amended and constantly improved emergency plans. It has handled with various kinds of emergencies and prevented incidents which affect social stability. It has also enhanced security and fire safety awareness of employees through training on safety knowledge for new employees of the Company, etc. During the Reporting Period, the Company had no major incidents involving information technology system, security and health and safety responsibilities.

In July 2016, according to the weather forecast, there would be a rainstorm around the whole Jinan City, Shandong Province, the PRC from 19 July evening to 20 July, and the rainfall of certain areas would be over 150mm. In order to cope with the problems associated with the possible extreme weather, the Company actively responded to relevant decisions of the municipal government of Jinan City, Shandong Province, the PRC to adjust the working hours of the Company's employees in the relevant areas. For employees who worked overtime and were on duty, the Company arranged accommodation near the Company for all of those employees, which fully protected the health and safety of employees.

3. Organizing ample cultural and sports activities

Various departments of the headquarters, branches and direct operational department of the Company organized various outdoor activities such as hiking and walking, enriching leisure life, enhancing understanding and improving cohesion of employees.

The Company organized New Year dinner and held two walking activities, with approximately 300 employees participated.

The Company carried out outdoor expansion training in employee-concentrated areas such as the headquarters, with approximately 80 people participated.

On 16 and 17 April 2016, the labor union of Zhongtai Securities Co, Ltd. (“Zhongtai Securities”), the controlling shareholder of the Company, organized the third Staff Games of Zhongtai Securities, with 56 employees of the Company participated in the competition. The participated employees were enthusiastic, courageous and striving forwards. All athletes were fully committed in the competition which fully demonstrated the employee spirits and vitality of the Company. In the end, they achieved better results, and won the Sports Spirit Team Award of the Games. The competition fully demonstrated the good image and spirit of “working hard, striving unitedly and creating brilliance” of the Company's employees.



B3 Development and training

The Company attaches great importance to employee diversified development and actively promotes daily communication. The Company promotes the development of employees through formulating strict training programs, fully developing their talents. The Company pays attention to the training of leadership and management functions for senior employees, expanding their international perspectives, enhancing their ability for change management, ability for strategic analysis, ability for operational management, ability for managing synergy among business departments, ability for risk prevention and comprehensive cultural quality, etc., in order to train high-quality corporate operation managers. The Company adheres to the training of executive ability and professional skills for middle-level employees, striving to enhance their professional theoretical standards, ability for execution of business strategies, organizational ability and ability for business innovation, etc. The Company advocates training for professional development and general skills training for grassroots employees, strengthening education on corporate issues, business operations, work procedures, regulations and policies, etc., enhancing their professional communication skills, capability in offering customer services, teamwork and office operations, etc.

During the Reporting Period, the Company held a total of over 50 various internal trainings, and selected employees to participate in over 30 external trainings held by futures exchanges, China Futures Association and Shandong Futures Association, futures industry organizations, etc. The trainings were carried out on the following aspects: (1) increasing the efforts on trainings for new employees; (2) continuously improving the training and nurturing of talents, not only through on-site trainings but also through occupational trainings, to enhance their management and practical ability; (3) cooperating with well-known training institutions, organizing high-level training for futures trading, asset management and risk control platforms, with the Company's employee representatives and industry peers of approximately 200 people participated, enhancing the international perspective of employees; (4) combining internal and external trainings, strengthening trainings for business innovation; (5) implementing E-Learning, diversifying training methods. The Company's E-Learning platform provides on-line training for 506 back-office employees and marketing staff of the Company and employees of subsidiaries. Since the implementation in July 2016, as at 31 December 2016, there were 27,427 total visits, over 4,663 hours of total on-line learning time, 40 self-formulated minor courses, 43 uploaded learning materials and 5 questionnaires and assessment. Regarding its effectiveness, the E-Learning on-line training platform has positive impact on promoting employees' various business learning and re-use of quality training resources, etc.

B4 Labor Standards

The Company is in strict compliance with labor regulatory requirements. The Company does not hire child labor and force labor, and provides employees with reasonable holidays. During the Reporting Period, the Company was not aware of any incidents of non-compliance of labor standards such as hiring child labor and force labor.

The Company's labor union has promoted and improved democratic management with staff representative meeting as the basis according to laws, and staff representative elections were regularly held. On 5 April 2016, the Company convened the sixth meeting of the second session of staff representative meeting, and considered and approved resolutions such as the 2015 Work Summary and 2016 Work Plan of Labor Union Committee of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司工會委員會2015年工作總結及2016年工作計劃》), 2015 Financial Accounts of Labor Union and 2016 Budget Report of Labor Union Committee of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司工會委員會2015年工會財務決算及2016年工會預算報告》), 2015 Annual Funding Review Report of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司2015年度經費審查報告》) and Administrative Measures for Staff Mutual Assistance Fund of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司職工互助基金管理辦法》), safeguarding the right to know, right to participate, right to express and right to monitor of staff.

B5 Supply chain management

Due to its business nature, the Company has no major supplier in respect of its business. For office supplies, the Company commences procurement work fairly and equally. In the selection of partners, the Company would fully consider the business reputation of suppliers and whether they had any illegal, non-compliance and significant legal disputes in the past, and at the same time, conduct effective qualification assessment on specific standards of suppliers such as their ability, experience, qualification, reputation, financial condition and quality assurance system.

During the Reporting Period, the Company was not aware of any significant actual or potential negative impact of suppliers in respect of business ethics, environmental protection, etc.

B6 Product liability

The Company has actively fulfilled corporate social responsibility of citizens, safeguarded the legitimate interests of investors, carried out investor education and service work, constantly improved the construction of customer services system, enhanced customer services ability, and paid particular attention to customer information security.

1. Safeguarding investor interest

The Company has actively guided investors to establish a rational investment concept, improved risk prevention awareness, effectively protected the legitimate interests of investors, actively organized the educational activities for investors, and constantly regulated and optimized its work on investors' rational management and investment education. Through organizing relevant trainings and examinations, the Company has enhanced the effective implementation of work on investors' rational management and customer securities trading behavior management of staff of branch institutions. Through organizing financial challenges for undergraduates, the Company has promoted its work on investor education and protection which targets at youngsters.

In 2016, the Company organized 56 investor education activities, guiding more than 3,600 investors on-site to build up proper investment concepts. Various branches of the Company prominently posted, hanged or displayed warnings related to prevention of illegal fundraising and anti-money laundering activities undertaken in business premises, guiding investors to raise risk prevention awareness and effectively safeguard their own legitimate interests. The Company organized staff of various branches to convene 4 video conferences, guiding staff to effectively carry out relevant work on investor education and investors' rational management. The Company promoted investor education and protection work in two tertiary institutions, namely Shandong University and Shandong University of Finance and Economics, for 6 times.

2. Enhancing customer satisfaction

The Company adheres to focus in meeting customers' needs, and has constantly optimized the supporting system of customer services system, improved the construction of customer services system, enhanced its capability in offering customer services and placed strong emphasis on customer needs and asset allocation, optimized business procedures, and strengthened business innovation, in order to provide diversified business services to customers. In 2016, the Company revised the Customer Return Visit System of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司客戶回訪制度》) and commenced return visit work in strict compliance with the revised system.



In 2016, the Company actively and timely solved customers' problems in major daily work such as customer consultation, customer return visit, customer complaints, third-party market dealings and secondary trading customer authorization management and accounts opening appointment. Through communicating with customers, the Company timely discovered issues in service procedures and system, and reported them to relevant departments for handling. In 2016, the Company handled a total of 19,228 customer phone calls, 3,309 customer return visits and 7,300 third-party authorization approvals and secondary trading switching, with customer satisfaction rate reaching 95%. The Company has conducted follow-up monitoring for phone calls of showing dissatisfaction from customers, and timely rectified issues remitted from customer services staff's improper handling of problems, in order to prevent re-occurrence of issues. At the same time, based on customers' problems, the Company has analyzed customers' behavior and habits, and summarized customers' frequent problems, with an aim of serving customers before services are required from such customers.

B7 Anti-corruption

Based on relevant provisions on bribery, blackmail, fraud and money laundering under the Criminal Law, the Anti-Unfair Competition Law and the Interim Provisions on the Prohibition of Commercial Bribery of the PRC, the Company has established specific anti-corruption policies, developed anti-money laundering internal control system, and formulated 13 anti-money laundering systematic documents including the Anti-Money Laundering Internal Control System of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司反洗錢內控制度》), Administrative Measures on Customer Identity Identification of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司客戶身份識別管理辦法》), Administrative Measures on Reporting of Large-Amount Transactions and Suspicious Transactions of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司大額交易和可疑交易報告管理辦法》), Administrative Measures on Customer Money Laundering and Terrorist Financing Risk Assessment and Classification of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司客戶洗錢和恐怖融資風險評估及分類管理辦法》), Administrative Measures on Anti-Money Laundering and Anti-Terrorist Financing Rapid Investigation and Asset Freezing of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司反洗錢及反恐怖融資快速協查及資產凍結工作管理辦法》), Administrative Measures on Self-Assessment of Money Laundering Risk of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司洗錢風險自評估工作管理辦法》), Administrative Measures on Anti-Money Laundering and Confidentiality of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司反洗錢保密工作管理辦法》), Administrative Measures on Examination and Assessment of Anti-Money Laundering of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司反洗錢工作考評管理辦法》), Administrative Measures on Anti-Money Laundering Trainings of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司反洗錢培訓工作管理辦法》), Administrative Measures on Anti-Money Laundering Publicity of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司反洗錢宣傳工作管理辦法》), Administrative Measures on Anti-Money Laundering Off-Site Supervision of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司反洗錢非現場監管工作管理辦法》), Business Implementation Rules on Anti-Money Laundering of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司反洗錢工作業務實施細則》) and Anti-Money Laundering Guidelines for the Business Department of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司營業部反洗錢工作指引》). In anti-corruption work, the Company focuses on prevention and improvement of system control, enhancing supervision, and constantly strengthening the control over management staff, in order to prevent unhealthy practices and corruption from sources, providing a sound development environment for the enterprise.

The Company has actively carried out various honest culture education, trainings and promotion activities, and strengthened the sense of integrity and self-discipline for all levels of employees. The Company has effectively integrated the prevention and mitigation of ideological and moral risks, positional duty risk, business procedure risk and systematic mechanism risk into daily operational management, urging all levels of leaders to earnestly fulfill “one post two responsibilities”, constantly enhancing the penetration of prevention and control of corruption risk. The Company has strengthened the supervision and inspection on key areas such as expenditure, selection and employment, key procedures and important positions. Through announcing reporting e-mail addresses and telephone numbers, etc., the Company has expanded channels for reporting issues and further improved the accountability system.

During the Reporting Period, the Company’s anti-corruption work was in good condition, and there was no significant negative incidents.

B8 Community investment

During the Reporting Period, the Company actively implemented the Decision on Winning the Tough Battle against Poverty (《關於打贏脫貧攻堅戰的決定》) issued by CPC Central Committee and the State Council of the PRC and the Opinions on the Capital Market Playing its Role in Serving for the National Strategy of Poverty Alleviation (《關於發揮資本市場作用服務國家脫貧攻堅戰略的意見》) issued by the China Securities Regulatory Commission, responded to the advocates under the national strategy of poverty alleviation with the support by the futures industry launched by the China Futures Association, and carried out certain work on boosting poverty alleviation.

1. Entering into an Assistant Agreement with Huachuan County

In December 2016, the Company entered into an Assistant Agreement with the People’s Government of Huachuan County in Heilongjiang Province, the PRC (“Huachuan County”), and the Company became the first futures company in the futures industry to sign an Assistant Agreement with a national key province for poverty alleviation. The Company has decided to contribute RMB1 million to Huachuan County for supporting poor households out of poverty. In the future, the Company will provide capable assistance for Huachuan County in respect of agricultural price insurance, warehousing logistics, financing, trade, etc., assisting the acceleration of the pace of poverty alleviation of Huachuan County.

2. Participating in the establishment of Shandong Zhongtai Philanthropic Foundation

During the Reporting Period, the Company participated in the establishment of Shandong Zhongtai Philanthropic Foundation. Its main business scope covers: public welfare projects such as poverty alleviation, charity assistance, disaster relief, public assistance and other public welfare projects. The Company contributed and initiated employee donations with a total of RMB1,816,200 (in which the Company contributed RMB1 million and employees donated RMB816,200).