



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)



2017

**ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT**



This Environmental, Social and Governance Report (the “Report”) discloses the relevant environmental, social and corporate governance initiatives adopted by and performance of LUZHENG FUTURES Company Limited (the “Company”, together with its subsidiaries, the “Group”) during the business operation in the People’s Republic of China (the “PRC” or “China”) for the period from 1 January 2017 to 31 December 2017 (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 consultancy, futures asset management, commodity trading registration and settlement services as well as other business activities permitted by the China Securities Regulatory Commission (the “CSRC”).

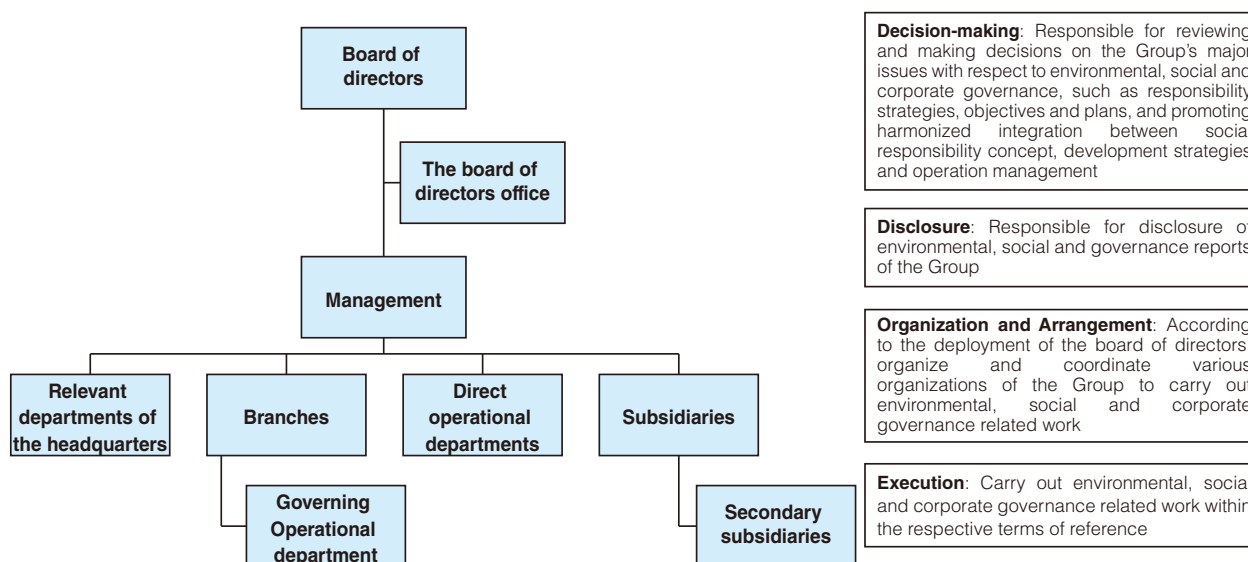
The data and information of the Report are derived from the archived documents, records and statistics of the Group. The contents and data disclosed in the Report have been considered and approved by the board of directors of the Company.

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, SOCIAL AND CORPORATE GOVERNANCE MANAGEMENT SYSTEM

Subject to the compliance requirements of The Stock Exchange of Hong Kong Limited on disclosure of environmental, social and corporate governance information, the Group continues to deepen its environmental, social and corporate governance management philosophy and actively promotes performance in this regard taking into account its own business development strategy. In the process of fulfilling corporate social responsibility, the Group strives to move towards the goal of achieving sustainable development of the futures industry. In 2017, in order to strengthen the overall environmental, social and corporate governance management of the Group and effectively implement the main responsibilities of each department, the Group is actively establishing such a management system as comprises of the board of directors, management, the board of directors office, relevant departments of the headquarters, branches, direct operation departments and subsidiaries.

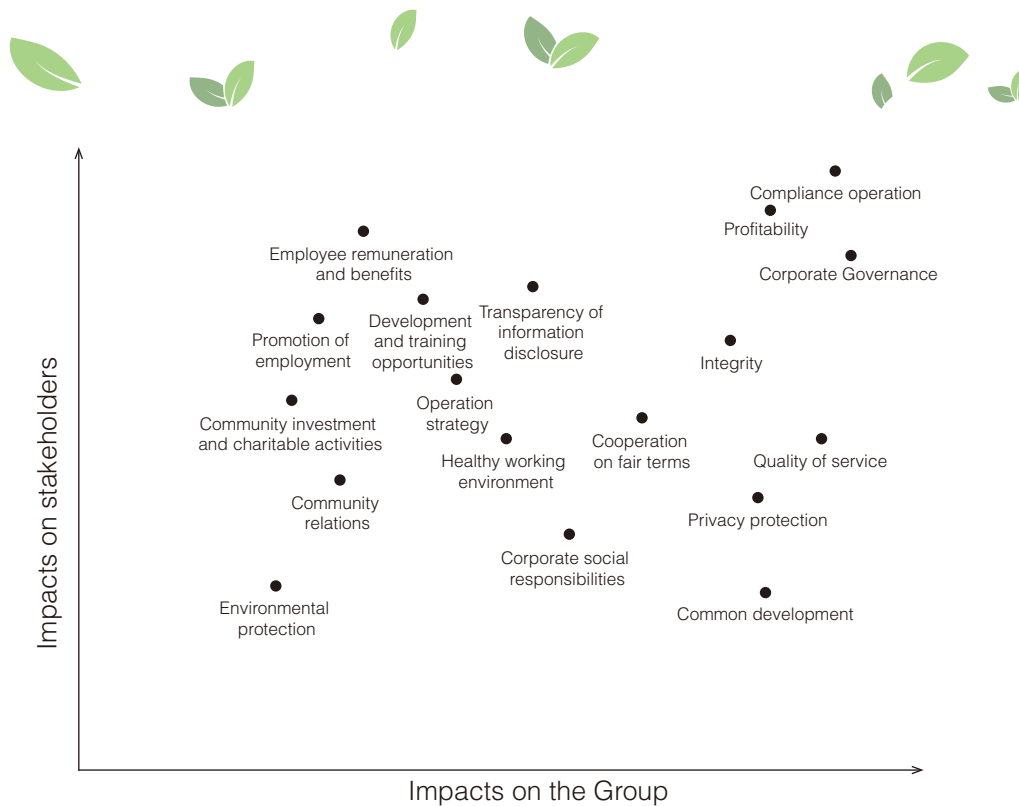


Organization structure of the Group for environmental, social and corporate governance



In the process of formulating the environmental, social and corporate governance management system and implementing environmental, social and corporate governance responsibilities, the Group is aware of the necessity of maintaining good communication with its stakeholders. To this end, the Group has determined the communication channels for six groups of stakeholders to ensure the effective conveyance of expectations and demands between the parties. In addition, the Group has also evaluated the concerns of various stakeholders of environmental, social and corporate governance during the actual business operation.

Stakeholder	Communication channel	Concern
Government and regulatory authorities	Major meetings, policy consultations, incident reports, institutional visits, official correspondence and information disclosure	Compliance operation Corporate governance
Shareholders and investors	Shareholders' meetings, corporate annual reports, information disclosure, investor visits and other exchange activities	Profitability Operation strategy Environmental protection Transparency of information disclosure
Employees	Employee satisfaction survey, union activities, employee training	Employee remuneration benefits Development and training opportunities Healthy work environment
Suppliers	Supplier inspection, conference communication, bidding	Cooperation on fair terms Integrity
Customers	Customer visits, company visits, customer complaint hotline	Quality of service Privacy protection Common development
Community and the public	Charitable activities, pairing assistance, corporate recruitment promotion, internship opportunities	Corporate social responsibilities Community relations Community investment and charitable activities Promotion of employment



2. ENVIRONMENT

The Group is a low-energy, non-manufacturing financial enterprise with light-pollution. The main influences on environment in the ordinary course of business of the Group are consumption of paper, electricity and water and automobile exhaust emission.

A1 Emissions

In the daily operations, the Group strictly abides by the relevant state environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Air Pollution and Control Law of Atmospheric Pollution of the People's Republic of China (《中華人民共和國大氣污染防治法》). The Group actively promotes environmental protection concepts and puts them into action. During the Reporting Period, there was no environmental protection issue and related litigation.

The Group's emissions are mainly harmless wastes such as greenhouse gases generated from energy consumption as well as sewage generated from daily office operations. Among which, greenhouse gases emissions are mainly from the following two aspects of carbon dioxide emissions: (i) carbon dioxide emissions generated from gasoline combustion of business cars, and (ii) emissions of carbon dioxide generated from purchased electricity.



Due to the availability and accuracy of information, the emission indicators of this Report only included the Company's headquarters, Luzheng Trading Co., Ltd., Luzheng Information Technology Co., Ltd., Shandong Exchange Markets Clearing House Co., Ltd.¹

Indicator	unit	2017 data
Total greenhouse gas emissions ²	Tonnes	760.99
Per capita greenhouse gas emissions	Tonnes/person	2.71
Direct emissions	Tonnes	29.54
Total greenhouse gases emissions generated by gasoline	Tonnes	29.54
Per capita greenhouse gases generated by gasoline	Tonnes/person	0.11
Indirect emissions	Tonnes	731.45
Total greenhouse gases emissions generated by electricity consumption	Tonnes	731.45
Per capita greenhouse gases generated by electricity consumption	Tonnes/person	2.60
Generation of domestic sewage ³	Tonnes	2,619.13
Per capita discharge of domestic sewage	Tonnes/person	9.32
Generation of hazardous waste ⁴	Tonnes	1.16
Per capita generation of hazardous waste	Tonnes/person	0.004
Generation of harmless waste ⁵	Tonnes	2.00
Per capita generation of harmless waste	Tonnes/person	0.01

¹ Based on the statistical scope, the total number of employees at the end of the Reporting Period was 281.

² According to the business characteristics of the Group, the main emissions are carbon dioxide in greenhouse gases and relevant emissions data are calculated according to the carbon emission calculator in the Carbon Emissions Trading Network (<http://www.tanpaifang.com/tanjisuanqi/>).

³ Refer to the "National Standard of Urban Sewage Engineering Planning Specification (《國家標準城市排水工程規劃規範》)" and take 0.85 as the discharge coefficient.

⁴ It is mainly due to the sulfur oxides generated by direct consumption of gasoline.

⁵ It is mainly due to office-generated waste paper and subscribed newspapers. The toner cartridges of the Group are recycled through re-filling, so no waste is generated.

Different from traditional production enterprises, the Group mainly engages in financial services. The current related emissions are discharged in the ordinary course of business and there is no transitional emission caused by transitional use of energy or other resources. The Group is committed to promoting energy conservation and emission reduction within the Group by shaping an environmentally friendly corporate culture. However, due to the need of the ordinary course of business and business development, the room for improvement of objectively assessing energy conservation and emission reduction within the Group is relatively limited.



The Group's main hazardous waste emissions are due to the direct use of fossil energy – gasoline, leading to the emission of sulfur oxides. The Group's procurement of commercial vehicles and corporate commercial vehicles has actively responded to the "Air Pollution Prevention and Control Act" issued by the State Council of China. The Group procures environmentally-friendly vehicles and national V gasoline to improve emission quality and reduce negative impact on the environment. In terms of non-hazardous waste discharge, the Group uniformly delivers the waste to the waste collection station in relevant regions. Through paid recycling, environmental pollution can be reduced to improve the recycle of materials.

A2 Resource consumption

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

The Group's resource consumption mainly includes water consumption, electricity consumption, and vehicles' petrol. The Group 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 Group actively uses video conferencing systems to reduce travel and arrange business cars reasonably, conserving resources to a maximum, building an environmental friendly enterprise. The Group arranges property inspectors to turn off or adjust night-lighting system. Through the guidance and publicity of the Group, the employees of the Group actively adopted the electronic office process and system to deal with work matters in 2017, thereby reducing the consumption of paper, improving public transportation and enhancing commercial vehicles' efficiency. The Group also actively adopted teleconference or video conferencing to reduce the frequency of business trips.

Indicator	unit	2017 data
Direct energy consumption	Liter	14,544.45
Gasoline consumption	Liter	14,544.45
Per capita gasoline consumption	Liter/person	51.76
Indirect energy consumption	kWh	805,783.17
Office electricity consumption	kWh	805,783.17
Per capita Office electricity consumption	kWh/person	2,867.56
Total amount of office copying paper	Tonne	0.90
Per capita office copy paper consumption	Tonne/person	0.003
Water consumption	Tonne	3,081.33
Per capita water consumption	Tonne/person	10.97
Cartridge consumption	Piece	247
Per capita cartridge consumption	piece/person	0.88
Newly replaced	Piece	101
Filling powder	Piece	146



Distinguished from traditional production-oriented enterprises, the Group's is mainly engaged in financial services, but not specific production activities. Therefore, relevant regulations and related key performance indicators for packaging materials used in finished products are not applicable to the Group.

A3 Environment and natural resources

The Group 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 Group has organized corporate social responsibility (CSR) non-physical environmental classes such as activity combining healthy walking and environmental cleaning. The Group has called 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.

The Group launches and implements a series of rules and regulations, establishes a corresponding corporate culture to actively promote environmental protection and green development concepts. During the Reporting Period, specific measures taken by the Group included but are not limited to:

The Group actively creates a paperless office environment and uses the office automation management system (OA system) to complete disclosure of announcements, publicize company news, communicate policies and regulations, share research reports as well as standardize business processes and intra-company mailings to greatly improve management efficiency, reduce operating costs and save numerous production of office document. The Group encourages the use of double-sided paper for copying and printing at work. Papers that are used on one side should be reused for unused pages. When it is unavoidable to use paper, the Group will make full use of recycled papers. The Group also replaces disposable cups with glass cups with the logo of the Group.

The Group has established a corporate system and related notices. When purchasing and applying electrical equipments in the workplace, it comprehensively evaluates the power consumption and selects nationally certified low-energy appliances. The Group's office makes full use of energy-saving lamps for lighting. When lighting is sufficient, rooms will be opened for maximum energy savings. The Group also arranges special personnel to conduct non-working hours off inspections on all appliances except the ones that ensure the normal operation of the Group. The management of equipment in the information technology room is strengthened. Low-energy consumption and high-efficiency equipments will replace high-energy consumption and low-efficiency equipments under normal conditions. The Group comprehensively promotes a system of 26 degrees air conditioning in summer and 24 degrees air conditioning in winter. For office necessary equipments such as printers, copiers, fax machines and shredders, etc., the Group establishes and implements a networked sharing and idle time shutdown system. The Group strictly prohibits the use of non-office appliances with high-power consumption.



The Group posts slogans at obvious locations in washrooms and pantries of all departments and branches of the headquarters to promote environmental protection and water conservation for all employees. All departments and branches are required to arrange special personnel to conduct regular inspections to prevent water wastage caused by equipment failure. Through irregular inspections by the General Department of the Company, excessive use and wastage of water were not observed in 2017.

The Group has established a clear vehicle use system and strictly controls vehicle use through mileage fuel consumption registration. Centralized management and unified deployment of the Group's vehicles and drivers will improve vehicle use efficiency and reduce energy consumption and pollutant emissions. The system clearly requires that all vehicles of the Group are sealed during non-office and holiday periods. Branches of the Group are required to provide proof of sealed vehicle certificates of the Group. The Group actively promotes the use of public transport when employees are on business trips for environmental protection and encourages employees to use a shared means of transportation for travelling within the same city while ensuring safety.

During the Reporting Period, the Group did not have any environmental service incidents and did not receive any complaints, penalties and sanctions for environmental concerns.

3. SOCIAL

B1 Employment

In the handling of termination of employment, the Group has complied with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the relevant provisions of labor contract and applicable labor regulations. The Group has established standardized employee recruitment and termination procedures. The Group 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 Group at the beginning of employment, and the working hours of the Group's employees are in compliance with relevant requirements. The Group 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 Group. When the Group takes the initiative to terminate or suspend labor relationship with employees, the Group would fulfill the obligation of advance notice in accordance with relevant laws and regulations.

1. Composition of employees

Indicator		Unit	2017
Total number of employees		person	525
By gender	Male	person	336
	Female	person	189
By employment type	Contract employee	person	525
	Others	person	0
By age group	Under 30 years old	person	212
	31 – 35 years old	person	165
	36 – 40 years old	person	75
	41 – 45 years old	person	32
	Over 45 years old	person	41
By geographical region	Employees within Shandong province	person	387
	Employees outside Shandong province	person	138

2. Remuneration and benefits

The employee remuneration of the Group 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 Group 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 Group 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

The Group explores a variety of recruitment and cooperation methods to increase the introduction of talents. During the Reporting Period, the Company recruited 11 fresh graduates from tertiary institutions and 74 persons through public recruitment. The Company actively communicated with the Talent Service Bureau, the Financial Work Office and other departments to deepen the cooperation with universities. During the Reporting Period, it participated in the campus recruitment organized by the Jinan Municipal Talent Service Bureau, the campus recruitment of Fudan University organized by the Shandong Province Financial Work Office and the overseas talent recruitment organized by the Human Resource and Social Security Bureau of Jinan City. 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 26 tertiary institution students for training and practice.

In 2017, the Group actively participated in the fifth session of "CFFEX Cup" (中金所杯) financial knowledge contest for national tertiary students held by China Financial Futures Exchanges and China Futures Association (the "CFA"). 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.



B2 Health and safety

The Group 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 Group 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 Group 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 Group 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 Group fully protects the legitimate rights and interests of employees and strictly enforces statutory holidays and vacations in accordance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and relevant laws and regulations, including 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 Group earnestly implements instructions of the higher-level safety production regulations and fully implements the responsibility of the Group's safety production. It has strengthened internal enterprise management and carried out safety and stability maintenance work to provide employees with a safe and healthy working environment. 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, held safety production emergency rescue drills and amended and constantly improved emergency plans. In accordance with the principles of "one post for double responsibility" and "territorial management", the Group comprehensively investigates the stability risks through visits, formulates a "zero report" reporting system and timely handles various kinds of emergencies to prevent incidents which affect social stability. It has also enhanced security and fire safety awareness of employees through organization of staff safety training and assessment methods. During the Reporting Period, the Group has not experienced any incidents involving information technology system, security and health and safety responsibilities.



In June 2017, in order to further strengthen safety production publicity and education work, firmly establish the concept of safety development and comprehensively enhance employees' safety awareness, the Group organized the "Safe Production Month" activity. The training and knowledge testing of the two systems in safety production for all employees was also carried out. The safety concept of employees was continuously improved.

Occupational Health and Safety Performance Indicators

	Unit	2017
Number of work-related fatalities	person	0
Number of working days lost due to work-related injuries	person	0

3. Organizing ample cultural and sports activities

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

The Company organized various festival celebrations activities such as New Year dinner and the "March 8" International Women's Day.

The Company organized the walking activity, the "Shouzheng Chuangxin, Jingye Duxing" keynote speech competition and the "I grew up with the Company" theme essay activity to provide employees with a stage to show themselves, with approximately 300 employees participated.

The Company carried out activities in employee-concentrated areas such as the headquarters and actively organized four labor union groups including basketball team, table tennis team, badminton team and literary team. Each group organizes employees with relevant hobbies to conduct training and competitions from time to time.

On 20 and 21 May 2017, the Company organized employees to participate in the 2nd "Zhongtai Securities Cup" Table Tennis Invitational Tournament and Investors League sponsored by the Trade Union of Zhongtai Securities Co., Ltd. ("Zhongtai Securities"), the controlling shareholder of the Company, and co-organized by Jinan Odin Sports Club. The participated employees of the Company were enthusiastic, courageous and striving forwards. After the preliminary and semi-finals, the Company finally won the third place in the mixed group of Zhongtai Securities Group, the first place in the men's singles and the eighth place in the women's singles.



B3 Development and training

The Group attaches great importance to employees' diversified development and actively promotes daily communication. The Group promotes the development of employees through formulating strict training programs, fully developing their talents. The Group 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 Group 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 Group pays attention to training for professional development and general skills training for grassroots employees, strengthening training on corporate and 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 more than 70 internal trainings, including futures varieties, crude oil futures, asset management, options, risk management, investor suitability, etc. The training centered on the needs of employees and business development. The staff were selected by the Company to participate in more than 60 out-of-office trainings organized by the Futures Exchange, the CFA, the Shandong Futures Association, and the Futures Industry Organization. The training is mainly carried out from the following aspects: firstly, the Company organized the staff to test their basic knowledge and organized two full-time examinations (options and compliance) throughout the year; secondly, the online and offline courses were organically combined to focus on developing new varieties and train key varieties. Options and crude oil online courses were established and 3 on-site trainings were held; thirdly, the Company carefully designed courses to cultivate composite key account managers; fourthly, the Company increased management training and improved management efficiency; fifthly, the E-Learning platform continued to provide online training to the Company's back-office employees and marketing employees. As at 31 December 2017, the number of classes was 51,903 and the total study time was over 20,000 hours. The situation was significantly improved compared with that of the end of 2016 where the number of classes was 27,427 and the total study time was over 4,663 hours. The Company organized 141 micro-courses (36 micro-courses at the end of 2016). From the perspective of the effect, the E-Learning network training platform is playing an increasingly positive role in promoting various types of business learning and re-using high-quality training resources.



Employee training indicators

	Indicator	Unit	2017
Percentage of trained employees by gender	Male	%	100
	Female	%	100
Percentage of trained employees by employee category	Senior management	%	100
	Middle management	%	100
	Entry level employees	%	100
Average training hours of employees by gender	Male	hours/person	44
	Female	hours/person	49
Average training hours of employees by employee category	Senior management	hours/person	28
	Middle management	hours/person	36
	Entry level employees	hours/person	48

B4 Labor standards

The Group is in strict compliance with labor regulatory requirements. The Group does not hire child labor and force labor, and provides employees with reasonable holidays. During the Reporting Period, the Group 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. In 2017, the Company totally convened three staff representative meetings, and considered and approved resolutions such as the 2016 Work Summary and 2017 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2016年工作總結及2017年工作計劃》), 2016 Financial Accounts of Labor Union Committee and Budget Completion 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2016年工會財務決算及預算完成情況報告》), 2016 Annual Funding Review 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2016年度經費審查報告》), Proposal on Election of Staff Representative Supervisors of LUZHENG FUTURES Company Limited (《關於選舉魯証期貨股份有限公司職工代表監事的議案》), Proposal on Supplementing Employee Representatives (《關於增補職工代表的議案》), Employees' Internal Resignation Management Measures of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司員工內退管理辦法》), 2017 Annual Performance Appraisal Management Measures of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司2017年度績效考核管理辦法》) and Proposal on Applying for Fumin Xinglu Labor Certificate in Shandong Province (《關於申請山東省富民興魯勞動獎狀的議案》), 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 Group has no major supplier in respect of its business. For office supplies, the Group commences procurement work fairly and equally. In the selection of partners, the Group 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 Group was not aware of any significant actual or potential negative impact of suppliers in respect of business ethics, environmental protection, etc.

B6 Product responsibility

The Group 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. The Group respects and protects intellectual property rights and uses authorized software and hardware products within the scope of the contract. The Group strictly abides by the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》). The product promotion and publicity of the Group are in compliance with relevant regulations. The Group also takes advantage of relevant laws to safeguard its legitimate rights and interests.



1. Service and product safety

Capital security

Pursuant to regulatory requirements such as the Regulations on the Administration of Futures Trading (《期貨交易管理條例》) of the State Council of China, the Measures for the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》) and the Interim Measures for the Closed Management of Customer Margins for Futures Brokerage Companies (《期貨經紀公司客戶保證金封閉管理暫行辦法》) of the CSRC, the Company has formulated and implemented the Administrative Measures on Safe Depositing of Customer Margins (《客戶保證金安全存管管理辦法》). Customers' futures trading margins are fully deposited in the Company's futures trading settlement bank account and are separately deposited with the Company's own funds. Closed management is carried out and the funds in the closed circle are monitored by third parties from the China Futures Market Monitoring Center, so that customers' financial security can be effectively protected. Regarding capital security of asset management business, pursuant to the regulatory requirements such as Securities Investment Fund Law of the People's Republic of China (《中華人民共和國證券投資基金法》) and the Pilot Measures for Asset Management Business of Futures Companies (《期貨公司資產管理業務試點辦法》) of the CSRC, the Company has formulated and implemented the Administrative System for Asset Management Business (《資產管理業務管理制度》) and other internal control systems. Institutions with qualifications for fund custody business or private equity fund integrated custody business are employed to administer the asset management products issued by the Company, so as to ensure the security of the entrusted assets of customers.

Information system security

Pursuant to regulatory requirements such as the Regulations on the Administration of Futures Trading (《期貨交易管理條例》) of the State Council of China, the Measures for the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》) and the Measures for the Administration of Information Security Protection of the Securities and Futures Industry (《證券期貨業信息安全保障管理辦法》) of the CSRC, the Company has formulated internal control systems such as the Administrative System for the Information System (《信息系統管理制度》), the Security Management System for the Information System (《信息系統安全管理制度》) and the Security Management Measures for Online Trading (《網上交易安全管理辦法》) to ensure the safe and steady operation of the core business system and customer trading system of the Company.

2. Safeguarding investor interest

The Company has actively guided investors to establish a rational investment concept and improve risk prevention awareness, effectively protected the legitimate interests of investors, actively organized educational activities for investors, and constantly regulated and optimized its work on rational management and investment education of investors. Through organizing relevant trainings and examinations, the Company has enhanced the effective implementation of work on investors' rational management and customer transaction 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 2017, the Company organized 98 investor education activities, guiding more than 6,000 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, rational investment and anti-money laundering activities 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 3 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 in total.

Pursuant to regulatory requirements such as the Regulations on the Administration of Futures Trading (《期貨交易管理條例》) of the State Council of China, the Measures for the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》) and the Measures for the Administration of Information Security Protection of the Securities and Futures Industry (《證券期貨業信息安全保障管理辦法》) of the CSRC, the Company has formulated and implemented internal control systems such as the Customer File Management Measures of Brokerage Business (《經紀業務客戶檔案管理辦法》), Archives Management Measures of Asset Management Business (《資產管理業務檔案管理辦法》), and the Confidentiality Measures of Asset Management Business (《資產管理業務保密辦法》) and the Security Management Measures of Information System Data (《信息系統數據安全管理辦法》). Customer files are of the Company's confidential information. The Company has set up the file maintenance department and data access procedures and assigns system permissions according to the principles of minimization, business and technology separation to effectively protect customer privacy.

3. Enhancing customer satisfaction

The Company adheres to focus on meeting customers' needs, and has constantly optimized the supporting system of customer service system, improved the construction of customer service 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 2017, the Company actively and timely solved customers' problems in major daily work such as customer consultation, customer return visit, customer complaints. Through communicating with customers, the Company timely discovered issues lying in service procedures and system, and reported them to relevant departments for handling. In 2017, the Company handled a total of 12,796 customer phone calls, 1,675 customer return visits, with customer satisfaction rate reaching 90%. The Company has conducted follow-up monitoring for phone calls of showing dissatisfaction from customers, and timely rectified issues remitted from customer service 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 of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law (《反不正當競爭法》) and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Company has established specific anticorruption 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 Group 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.

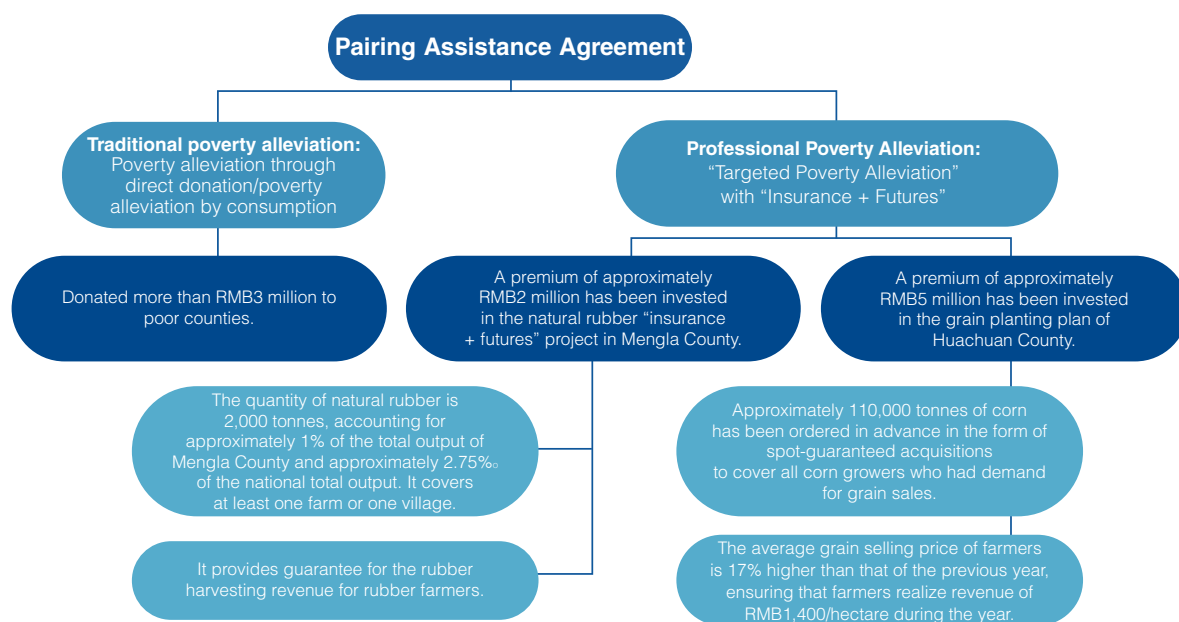
The Group has actively carried out various activities such as honest culture education, trainings and promotion, etc. and strengthened the sense of integrity and self-discipline for all levels of employees. The Group has effectively integrated the prevention and mitigation of ideological and moral risks, 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 Group 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 Group has expanded channels for reporting issues and further improved the accountability system.

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

B8 Community investment

In 2017, the Group continued to implement the unified arrangement for the poverty alleviation work of the Party Central Committee, the State Council of China and the CSRC and responded to the initiative of the CFA for the futures industry to serve the national poverty alleviation strategy. In 2017, after the Group signed a pairing assistance agreement with Huachuan County of Heilongjiang Province in 2016, the Group signed pairing assistance agreements with two national poverty-stricken counties, namely Yanchang County of Shaanxi Province and Mengla County of Yunnan Province.

In terms of industrial poverty alleviation, in 2017, according to the grain planting plan of Huachuan County, the Group invested a premium of approximately RMB5 million with the support of the Dalian Commodity Exchange. Through the "order + insurance + futures" approach, the Group ordered in advance 160,000 acres of corn in the form of spot-guaranteed acquisitions to cover major corn growers who had demand for grain sales during the year. The Group invested a premium of over RMB2 million in the natural rubber "insurance + futures" project in Mengla County, involving 2,000 Tonnes of natural rubber, which accounted for approximately 1% of the total natural rubber production in Mengla County. In 2017, the Group's practice in professional poverty alleviation was promoted by the CFA. The Group was also publicized and interviewed by the Central People's Broadcasting Station.





4. INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE INDICATORS

Subject areas, aspects, general disclosures and key performance indicators		Disclosure
Area A: Environmental		
Aspect A1: Emissions		
General Disclosure		2. Environment A1 Emissions
A1.1	The types of emissions and respective emissions data	2. Environment A1 Emissions
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	2. Environment A1 Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	2. Environment A1 Emissions
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	2. Environment A1 Emissions
A1.5	Description of measures to mitigate emissions and results achieved	2. Environment A1 Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	2. Environment A1 Emissions



Subject areas, aspects, general disclosures and key performance indicators		Disclosure
Aspect A2: Use of Resources		
General Disclosure		2. Environment A2 Resource Consumption A3 Environment and Natural Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	2. Environment A2 Resource Consumption
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	2. Environment A2 Resource Consumption
A2.3	Description of energy use efficiency initiatives and results achieved	2. Environment A2 Resource Consumption
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	2. Environment A2 Resource Consumption A3 Environment and Natural Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	2. Environment A2 Resource Consumption



Subject areas, aspects, general disclosures and key performance indicators		Disclosure
Aspect A3: The Environment and Natural Resources		
General Disclosure		2. Environment A3 Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	2. Environment A3 Environment and Natural Resources
Area B: Social		
Aspect B1: Employment		
General Disclosure		3. Social B1 Employment
B1.1	Total workforce by gender, employment type, age group, and geographical region	3. Social B1 Employment
B1.2	Employee turnover rate by gender, age group and geographical regions	Undisclosed
Aspect B2: Health and Safety		
General Disclosure		3. Social B2 Health and Safety
B2.1	Number and rate of work-related fatalities	3. Social B2 Health and Safety
B2.2	Lost days due to work injury	3. Social B2 Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	3. Social B2 Health and Safety
Aspect B3: Development and Training		
General Disclosure		3. Social B3 Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	3. Social B3 Development and Training
B3.2	The average training hours completed per employee by gender and employee category	3. Social B3 Development and Training



Subject areas, aspects, general disclosures and key performance indicators		Disclosure
Aspect B4: Labor Standards		
General Disclosure		3. Social B4 Labor Standards
B4.1	Description of measures to review employment practices to avoid child and forced labor	Undisclosed
B4.2	Description of steps taken to eliminate such practices when discovered	Undisclosed
Aspect B5: Supply Chain Management		
General Disclosure		3. Social B5 Supply Chain Management
B5.1	Number of suppliers by geographical region	Undisclosed
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Undisclosed
Aspect B6: Product Responsibility		
General Disclosure		3. Social B6 Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable
B6.2	Number of products and service related complaints received and how they are dealt with	3. Social B6 Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights	Undisclosed
B6.4	Description of quality assurance process and recall procedures	Not applicable
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	3. Social B6 Product Responsibility



Subject areas, aspects, general disclosures and key performance indicators		Disclosure
Aspect B7: Anti-corruption		
General Disclosure		3. Social B7 Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	3. Social B7 Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	3. Social B7 Anti-corruption
Aspect B8: Community Investment		
General Disclosure		3. Social B8 Community Investment
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	3. Social B8 Community Investment
B8.2	Resources contributed (e.g. money or time) to the focus area	3. Social B8 Community Investment



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