



# 东方证券

— D F Z Q —

*(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "东方证券股份有限公司" and carrying on business in Hong Kong as "東方證券" (in Chinese) and "DFZQ" (in English))*

Stock code: 03958

## 2018 Environmental, Social And Governance Report

# DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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# DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. SOCIAL RESPONSIBILITY STRATEGY AND MANAGEMENT

### 1.1 Corporate Culture of DFZQ

As China's leading capital market service provider, DFZQ integrates the concept of social responsibility into its corporate culture, strategic policy and daily operation. The Company is committed to creating a better life for its staff during the progress of serving real economy and wealth creation, and also sharing success with the shareholders and the society with both material and spiritual returns so as to become an excellent enterprise to the pride of staff, to the satisfaction of shareholders and to the respect of the society.

Company Mission	To provide quality integrated financial services to the real economy and social wealth management To create a better life for staff And to provide both material and spiritual returns to shareholders, employees and society
Company Vision	To become a modern investment bank with first class core competitiveness in China that provides integrated financial services for customers.
Core Values	Customer-first, Person-oriented, Professional Services, Development and Innovation
Cultural Features	People-oriented "home" culture
Corporate Spirit	United, Enterprising, Pragmatic, Efficient
DFZQ Disposition	Tough and persistent, enduring loneliness, low-key and pragmatic, unobtrusive, unyielding, and never doing senseless things

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## 1.2. Active Conducting of Social Responsibility Management

### *Communication with stakeholders*

DFZQ has always regarded corporate social responsibility as an integral and important part of the overall operation of the enterprise. It has established a regular communication mechanism with stakeholders such as shareholders, customers, employees, government and regulators, suppliers, partners and communities. Through diversified daily participation and communication activities, it has ensured to timely understand the expectations and demands of various stakeholders and continuously improve corporate responsibility management and practice, thus creating shared value for all parties.

Stakeholders	Issues concerned	Way and channel of communication
Shareholders	<ul style="list-style-type: none"> <li>• Economic benefit</li> <li>• Compliance operation</li> </ul>	<ul style="list-style-type: none"> <li>• General meetings</li> <li>• Regular information disclosure</li> <li>• Research on investors</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Compliance operation</li> <li>• Customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Customer feedback and complaints</li> <li>• Customer satisfaction survey</li> <li>• 95503 customer service hotline</li> <li>• Protection activity of investor</li> <li>• Various social media such as WeChat official account and APP</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Employee interests and welfare</li> <li>• Employee safety and health</li> <li>• Employee training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Work Unions and employee Congress</li> <li>• Corporate OA platform</li> <li>• Employee training</li> <li>• Corporate culture construction</li> </ul>

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Stakeholders	Issues concerned	Way and channel of communication
Government and regulators	<ul style="list-style-type: none"> <li>• Compliance operation</li> <li>• Risk management</li> <li>• Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Regular communication and report</li> <li>• Regulator inspection</li> <li>• Policy implementation</li> </ul>
Suppliers and partners	<ul style="list-style-type: none"> <li>• Compliance operation</li> <li>• Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement and bidding procedures</li> <li>• Industrial activities</li> <li>• Cooperation and exchange</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Precise poverty alleviation</li> <li>• Public welfare undertaking</li> <li>• Green operation</li> </ul>	<ul style="list-style-type: none"> <li>• Precise poverty alleviation</li> <li>• Public welfare activities</li> <li>• Supporting the development of green industry</li> <li>• Low-carbon and environmentally-friendly operation</li> </ul>

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## *Identification and analysis on material topics*

In 2018, in line with national and industry policies and domestic and foreign social responsibility standards, the Company comprehensively took into account of the Company's strategy and the concerns and expectations of stakeholders. According to the identification, evaluation and selection procedures, the Company defined relatively highly material social responsibility issues as the key disclosures in this report, and continuously improved the communication value of the social responsibility report.

### **Material topics analysis method of the Company**

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#### **Identifying social responsibility issues**

- The Company analysed national macro policies and industry hot spots
- The Company combed and analysed the guidelines of the Stock Exchange (2015 edition), requirements of the Shanghai Stock Exchange, GRI standards and other policies and standards
- Upon an analysis of the Company's strategic and practical priorities, the Company identified 15 issues

#### **Evaluating the significance of the topics**

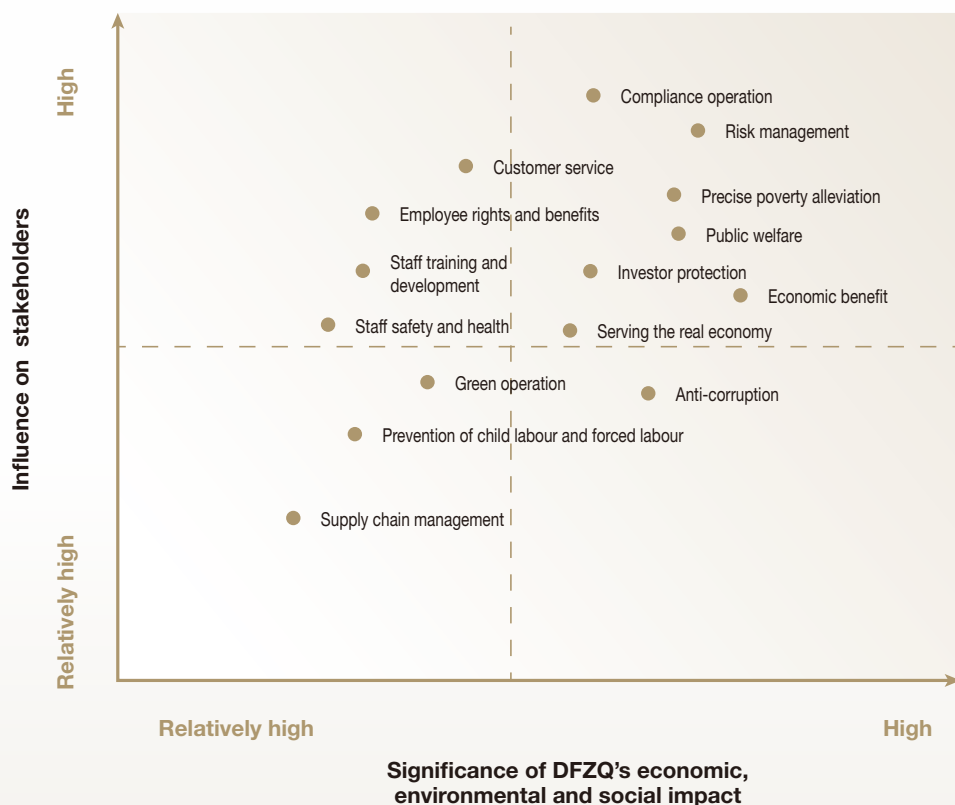
- Based on the opinions of stakeholders and experts, the Company made a comprehensive analysis on the materiality of the issues
- The Company evaluated 15 issues from two dimensions: the influence on stakeholders and the significance of DFZQ's economic, environmental and social impact

#### **Forming a material topics analysis matrix**

- According to the evaluation results, the Company constructed a materiality analysis matrix, ranked the results of the issues according to the degree of significance, and mainly disclosed the highly material topics in the report

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**Material Topics Matrix of DFZQ**



## 2. PRODUCT AND CUSTOMER SERVICE RESPONSIBILITY

Keeping in step with the national economic development strategy, the Company gives full play to the advantages of the capital market and promotes the real economy to “back on track”. Based on compliance marketing, the Company is committed to providing quality financial services to its customers. The Company practices the investor protection responsibility and protects the legitimate rights and interests of investors through diversified investor education activities.

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## 2.1 Serving the Real Economy

As a platform to optimize resource allocation, serving the real economy is fundamental to the sustainable development of the capital market. Adhering to the essential requirements of allocation of financial resources by the market, prioritizing reform and finance serving the real economy, DFZQ actively supports the development of private enterprises, innovative enterprises, SMEs and micro-enterprises through various businesses, and facilitates the construction of the Belt and Road initiative to better serve the economic and social development.

### Selected projects to serve the real economy

Service sector	Company profile	Services
Supporting the development of private enterprises	In 2018, the “DFZQ No.1 Single Asset Management Plan in the Series of Securities Industry Supporting Private Enterprise Development Products” set up by DFZQ with a capital contribution of RMB2 billion was officially filed by the China Fund Industry Association, which supports the development of potential private enterprises from various levels in a market-oriented and commercialized mode, to provide liquidity for private enterprises that conform to the transformation of economic structure and of high quality, effectively serve the real economy and support the healthy development of the private economy.	
Serving the development of the innovation industry	Hangzhou Silan Microelectronics Co., Ltd. is a comprehensive semiconductor product company with IDM mode (integration of design and manufacturing) as its main development mode.	In 2018, Citi Orient completed the private offering of Silan Micro as the sponsor (lead underwriter), raising RMB730 million for the listed company, to assist the rapid growth and development of the enterprise.
Supporting the development of small, medium and micro enterprises	Shanghai Zesheng Technology Development Co., Ltd. is mainly engaged in the research and development of bio-engineering products, bio-chemical reagents and testing reagents.	In 2018, Citi Orient facilitated it in completing public offering, raising RMB504 million for the research and development of recombinant human neuregulin-1, rhNRG-1 as well as working capital supplement to improve the overall operating capability of the enterprise.



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Service sector	Company profile	Services
Serving “the Belt and Road” Strategy	Wanhua Chemical Group Co., Ltd. is a new chemical materials company operating globally and one of the few chemical manufacturers worldwide and the only domestic chemical manufacturer with MDI and ADI series products covering the entire industrial chain.	In 2018, Citi Orient, as one of the few Sino-foreign joint venture investment banks in China, gave full play to its advantages in cross-border M&A business and served as an independent financial advisor to Wanhua Chemical’s asset restructuring project of RMB52.2 billion, which successfully passed the review of China Securities Regulatory Commission.

## 2.2 Quality financial services

- **Responsible product marketing**

In strict accordance with the policies and requirements of the Administrative Measures for the Sale of Securities Investment Funds and the Administrative Regulations on Management of Financial Products Sold by Securities Companies as Agency, the Company formulated the Administrative Measures for the Sale of Securities Investment Funds and the Administrative Measures for Financial Products Agency Business to standardize the sale of financial products of the Company, ensure that customers can understand true and complete product information and safeguard the legitimate rights and interests of investors.

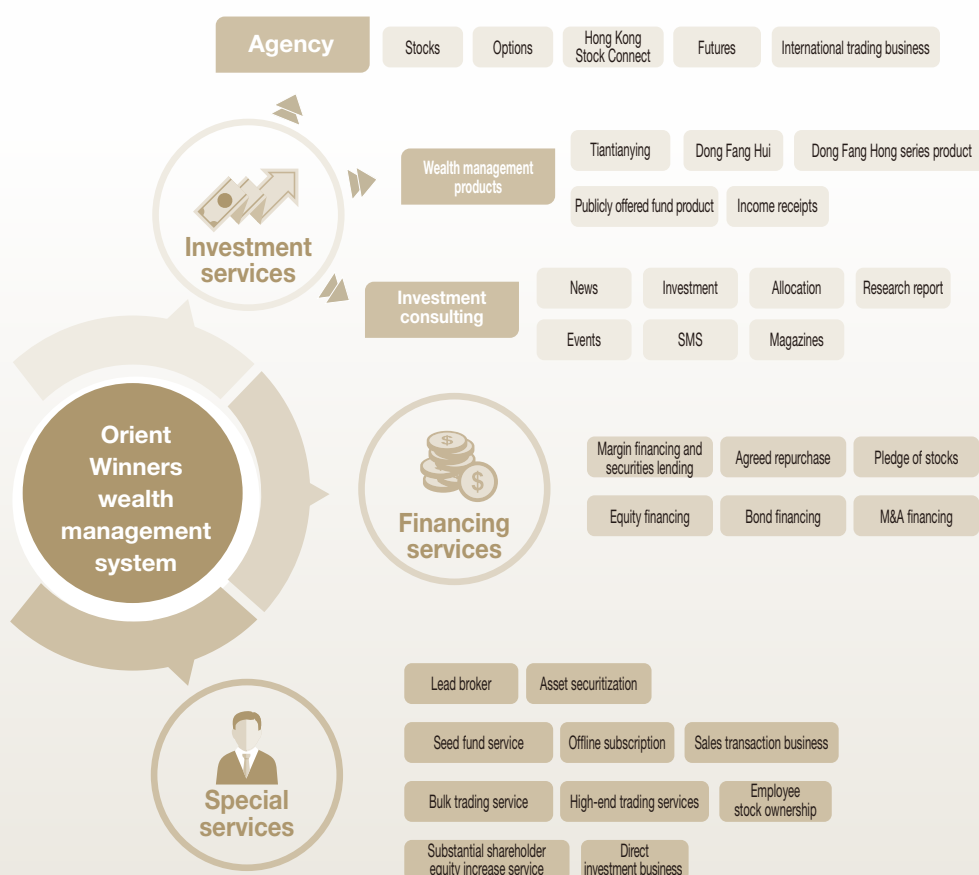
In order to ensure the compliance and effective development of the agency financial products, the Company formulated the Administrative Measures on the Induction of Agency Financial Products of DFZQ to standardize the due diligence, evaluation, risk assessment and product sales decisions.

The Company stipulates that sales persons should use the product recommendation materials of the product manager to conduct distribution promotion and should comprehensively, fairly and accurately introduce relevant information about financial products to investors in the sales process, but shall not mislead investors by exaggerating publicity or false propaganda.

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## Quality customer service system

The Company sets up a customer service system, which is guided by the wealth management business department and supported by all functional departments, business departments and branches and has built a key wealth management brand, “Orient Winners (東方贏家)”, with the brand connotation of “building a professional sales service team with the customers as the core and leveraging on the branches throughout the country to provide diversified, comprehensive and professional financial services for institutional and individual investors dependent on the advantageous business resources of DFZQ headquarters and subsidiaries”. It is committed to meeting the differentiated needs of customers with high-quality service attitude and professional service capability.



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In order to standardize the implementation of customer complaints handling, and upgrade customer service quality and standard, the Company formulated the Implementing Rules for Customer Complaints Handling, which clarifies the complaints handling principle of first-person accountability, to ensure the effective handling of customer complaints.

### DFZQ Customer Complaints Handling Procedure



### Serving Statistics of 95503 Customer Service Hotline of DFZQ from 2016 to 2018

Indicator	Unit	2016	2017	2018
Number of customer enquiries through 95503 hotline (by person)	Case	185,193	213,810	<b>136,816</b>
Number of complaints	Case	4	13	<b>11</b>
Proportion of handled complaints	%	100	100	<b>100</b>

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## 2.3 Investor Protection

- ***Investor education***

DFZQ attaches great importance to the solid and efficient promotion of investor education, training rational investors for the industry, and continuously promoting the socialization of financial service functions. The Company helps investors to establish rational investment awareness by setting up investor education bases and carrying out diversified investor education activities.

As one of the first batch of Shanghai securities and futures investor education bases, the Company adheres to the principle of “public welfare, professionalism and uniqueness” in Internet investor education base construction, which is equipped with four functional modules of “knowledge center”, “interests protection”, “expert lectures” and “simulated experience”. It also has in place tools such as interactive communication, information retrieval and satisfaction survey to realize online interactive investor education consultation, online prize-winning investor education quiz, satisfaction survey, information retrieval and other functions.

As of 2018, more than 300 kinds of investor education products had been displayed on DFZQ Internet investor education base, over 30% of which are original works, with the cumulative visits exceeding 1 million and monthly average visits and hits exceeding 40,000, thereby effectively fulfilling its investor education responsibilities. In the 2017-2018 assessment of the provincial-level investor base in Shanghai, the DFZQ Investor Education Base was awarded the “Excellent” rating, being the only Internet investor education base in the region to receive such rating.

Relying on online education bases and offline branches, the Company launched a series of investor education activities in 2018, including “Rational Investment with Everyone’s Involvement” activity in “315” investor interests protection month, “anti-illegal securities investment consultation” event, Shanghai-London Stock Connect, CDR business knowledge training and eligibility investor education on management. In 2018, the Company’s headquarters and various branches held more than 2,100 investor education events with over 30,000 participants and about 29,000 investor education materials.

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- **Customer information safety protection**

The Company values management and protection of customer information system and formulated Contingency Plan for Information Safety of DFZQ and the Plan for Information Safety Assurance during Sensitive Period of DFZQ, and establishes an operation and maintenance system with information technology operation and maintenance service (ISO20000) and information security management (ISO27001) as the two pillars to ensure the safe and stable operation of the information system.

The Company adopts corresponding safety measures to protect any application systems involved with customer data. The Company takes encryption measures for all online transactions and internet systems involved with customer data in the process of communication, and conducts safety evaluation by the third party and safety reinforcement on a regular basis so as to realize customer data protection to the largest degree. In 2018, the parent company found no events in violation of customer privacy or about losses of customer data, nor did it receive any relevant confirmed complaints.

## Information safety management system of DFZQ

General guideline	Risk prevention, risk protection, comprehensive planning, unified management
General strategy	Hierarchical protection for information safety Developing information safety technical protection system by using advanced and mature information safety technologies and products
Management system	The Administrative Measures for Computer Information System Safety of DFZQ The Implementing Rules for Vulnerability Scanning and Patch Management of Computer Information System of DFZQ The Implementing Rules for Management on Protection Against Malicious Codes in Computer Information System of DFZQ The Implementing Rules for Log Management of Computer Information System of DFZQ The Implementing Rules for Safety Inspection on Information System of DFZQ The Administrative Measures for Computer Information System Statistics of DFZQ

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General guideline	Risk prevention, risk protection, comprehensive planning, unified management
Technical measures	Firewall, intrusion detection, application firewall and other safety protection measures for network and application layer Mainframe and internet malicious code protection system Database audit, security log audit and other safety management systems Data encryption for important systems, security encrypted tunnels for internet communication Establishment of data backup, mechanism for disaster recovery and regular drills

## 3. STAFF DEVELOPMENT RESPONSIBILITY

The Company earnestly protects the legitimate rights and interests of its employees, implements various welfare guarantees and thoroughly practices the concept of “Happy DFZQ, Healthy Life” to creates a “people-oriented” home cultural atmosphere. The Company actively rolls out the strategy of strengthening enterprises with talents and optimizes the construction of talent team so as to build a sound platform for talent development.

### 3.1 Employment and Rights Protection

- ***Employee recruitment and employment***

The Company strictly abides by the Labor Law, the Labor Contract Law and other laws and regulations, and formulates the Labor Contract Management System to uniformly manage the change of labor relations such as employee employment and dismissal, so as to eliminate any discrimination as a result of race, gender, religion, age, social origin and other factors. The Company verifies the identity of employees and checks the Company’s overtime and labor intensity on a regular basis. In 2018, there were no violations of child labor and forced labor at the parent company level.

## DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Company verifies identity of staff in the hiring process, and checks the Company's overtime and labor intensity on a regular basis to ensure compliance with relevant laws and regulations. In 2018, the parent company did not have any violations relating to employment of child labor or forced labor.

### Staff statistics performance indicators

Indicator		Unit	2016	2017	2018
<b>Total employees</b>		Person	4,154	4,710	<b>5,157</b>
By gender	Male	Person	2,280	2,569	<b>2,795</b>
	Female	Person	1,874	2,141	<b>2,362</b>
By age	> 50	Person	165	176	<b>179</b>
	30 to 50	Person	2,452	2,638	<b>2,894</b>
	< 30	Person	1,537	1,896	<b>2,084</b>
By region	Mainland	Person	4,062	4,613	<b>5,017</b>
	Overseas (including Hong Kong, Macao and Taiwan)	Person	92	97	<b>140</b>

**Note 1:** The above statistics are based on DFZQ, Orient Futures, Orient Securities Capital Investment, Orient Finance Holdings, Orient Securities Asset Management, Orient Securities Innovation Investment and Citi Orient.

**Note 2:** Part of the labor dispatch workers are excluded in the above data. DFZQ and its subsidiaries may employ a small number of labor dispatch workers in positions such as security, driver, receptionist and cashier.

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## Staff employment performance indicators

Indicator		Unit	2016	2017	2018
<b>Employee turnover rate</b>		%	9	10	<b>14</b>
By gender	Male	%	11	12	<b>15</b>
	Female	%	7	8	<b>12</b>
By age	> 50	%	0	0	<b>12</b>
	30 to 50	%	6	8	<b>9</b>
	< 30	%	15	15	<b>20</b>
By region	Mainland	%	9	10	<b>14</b>
	Overseas (including Hong Kong, Macao and Taiwan)	%	0	22	<b>0</b>
Number of male management staff		Person	180	214	<b>256</b>
Number of female management staff		Person	68	84	<b>93</b>
Number of newly-recruited current year's graduates		Person	185	179	<b>56</b>
Number of minority staff		Person	112	125	<b>152</b>
Number of disabled staff		Person	2	2	<b>2</b>

*Note 1:* The above data are based on the parent company of DFZQ.

*Note 2:* Certain outsourcing labour are not included in the above data. DFZQ and its subsidiaries will use a small number of outsourcing labour in security, driver, administration, cashier and other positions.

*Note 3:* The management staff includes management personnel above the level of assistant to the general manager within the Company and above the level of deputy general manager within securities branches.



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- **Protection of employee rights and interests**

The Company shall sign labor contracts with all employees in accordance with the law, and establishes relevant systems such as “Salary Management System”, “Performance Management System” and “Attendance and Vacation Management Regulations” to protect employees’ basic rights and interests such as labor remuneration, social insurance, rest and vacation, and vocational skills training.

The Company regards the physical and mental health of its employees as one of the valuable assets of the enterprise and strives to create a healthy, safe and warm workplace environment. The Company has established a comprehensive medical insurance system and regular physical examination covering both on-the-job and retired employees, and provides regular medical consultation and psychological consultation services for employees. In 2018, there were no occupational health and safety violations at the parent company level.

### Employee Rights and Interests and Care Performance Indicators

Indicator	Unit	2016	2017	2018
Labor contract signing rate	%	100	100	100
Social insurance coverage rate	%	100	100	100
Total incidents of labor discrimination	Case	0	0	0

Note 1: The above statistics are based on the parent company of DFZQ.

### Occupational Health and Safety Performance Indicators

Key performance indicator of occupational health and safety	Unit	2016	2017	2018
Number of work-related fatalities	Person	0	0	0
Lost days due to work-related injuries	Day	0	0	0
Staff health check coverage rate	%	100	100	100
Staff occupational disease incidence	%	0	0	0

Note 1: The above statistics are based on the parent company of DFZQ.

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- ***Democratic participation of employees***

In order to effectively protect the rights of employees to participate in democratic decision-making, democratic management and democratic supervision, the Company has given full play to the promoting role of the work union and the workers' congress system, and attaches importance to the democratic participation of employees in the Company's operation and management, decision-making and system improvement, thus forming the working pattern of "Party Committee leadership, administrative support, work union coordination and employee participation".

In 2018, the Company held the third plenary meeting of the third workers' congress, at which the revision of the Company's "Enterprise Annuity Plan" was presented and the "Enterprise Annuity Plan of DFZQ" was considered and approved, so as to fully implement and guarantee workers' right of information, participation, expression and supervision, and effectively safeguard their legitimate rights and interests, thereby building a harmonious labor relationship.

## 3.2 Caring for Employees

- ***Employee benefit protection***

The Company has always been committed to the normalization of assistance work, and carries out activities such as "sending warmth in winter and coolness in summer", paying sick and birthday visits and helping needy employees on an annual basis to solve practical difficulties for employees. In 2018, the Company offered condolences to 23 employees in difficulty, involving an amount of RMB80,000.

As one of the first companies in Shanghai to establish an enterprise annuity, since 2006, the Company had established an enterprise annuity system to provide pension security for retired employees. In 2018, the Company revised the "Enterprise Annuity Plan" to further improve the relevant system of enterprise annuity.

- ***Corporate culture construction***

The Company has thoroughly practiced the concept of "Happy DFZQ, Healthy Life" and created a "people-oriented" home culture atmosphere to enhance employees' sense of pleasure and belonging at work. The Company balances the work and life of its employees by carrying out a variety of corporate cultural and physical activities such as the "Oriental Joyful Reading" brand cultural project, the video program of Oriental Family, Oriental Afternoon Tea (東方下午茶), Oriental Culture Talent Gathering (東方文化群英會), and the staff games.

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## Selected Corporate Cultural Activities in 2018

### The 7th Staff Games

The Company held the 7th staff games, which lasted for 8 months, with 9 events such as the healthy running. Based on the “Happy Orient” APP platform, the games were featured with the four characteristics of “mass event, entertainment, interest and voluntariness”, which permeated the three principles of “big competition arena, big department and pan integration” into all kinds of competitions, unfolding the healthy and upward mentality of the Orient people.

### “Oriental Joyful Reading” Brand Culture Project

“Oriental Joyful Reading” is a company-level cultural reading brand project. Through the combination of online and offline operations, the Company conducts activities such as “Selected Oriental Book List”, “Sharing One Book” and “Selecting Reading Model” to provide all employees with a deep and warm reading sharing platform and promote the formation of a “favoring learning and reading good books” cultural atmosphere throughout the Company.

### Oriental 20th Anniversary Series Cultural Activities

2018 marked the 20th anniversary of the Company since establishment and the Company held a series of activities on this occasion. The Company invited employees of different ages to narrate “people and events” in its development and made it into a documentary. At the same time, on the 20th anniversary, the Company planned a series of birthday celebrations involving employees, to let them feel the warm and happy atmosphere, and encourage employees to join hands with the Company to create another better 20 years. The Company also held a series of cultural activities to celebrate its anniversary, such as the “20 people in 20 years” outstanding contribution award ceremony, the long-term service medal award ceremony, and the “DFZQ, I have something to say to you” activity, which demonstrated the upward spirit of the employees of DFZQ and effectively cohered the Company’s common values.

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## 3.3 Staff Training and Development

- ***Staff promotion system***

According to the characteristics and requirements of talent construction and staff career development, the Company has formulated the “Implementation Rules on Promotion of Employees” to regulate the promotion of employees. In line with the positions and ranks at different levels, the Company continues to adopt the classified “annual” and “structural” promotion method. It conducts annual promotion for employees below a certain rank, so as to build an effective career development channel for young employees, and implements structural promotion for employees above a certain rank, giving priority to efficiency and performance, in a bid to encourage employees to develop towards middle and high-end backbones.

- ***Staff vocational training system***

The staff training sessions of the Company focus on the Company’s overall operation and development, with “one core, two arteries and one platform” as the main working idea. With “training serving the business” as the core, “providing customized courses” and “perfecting diversified training” as the arteries, the Company promotes resource sharing through “network learning platform” to optimize the Company’s multi-level and multi-form training system, and help the Company’s sustainable development.

The Company effectively implemented its reserve talents strategy and increased investment in various trainings. In 2018, the Company continued to update its E-learning online learning platform to build a full-scale learning organization. Meanwhile, the Company enhanced the cultivation of key talent teams including middle- and high-level management, professional backbone talents and new employees, and completed various key training programs, with the number of trainings and participants reaching a record high.

## DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Talent training system

New employee training	<ul style="list-style-type: none"><li>• Organize annual new employee training</li><li>• Establish a mobile online reading platform for employees through the “Joyful Reading” APP</li></ul>
Reserve talent selection	<ul style="list-style-type: none"><li>• Organize the second “Oriental Elite” headquarters-level youth reserve talent training</li></ul>
Special training for middle- and high-level cadres	<ul style="list-style-type: none"><li>• Organize seven trainings under the “Innovation and Development” series to analyze global economic trends and share the latest hotspots at home and abroad</li><li>• Collaborate with universities to deliver a series of open classes every month and provide personalized courses</li><li>• Regularly recommend exclusive books for management to expand their knowledge in various fields and broaden horizons</li></ul>
Boutique seminars series	<ul style="list-style-type: none"><li>• Leveraging on the series of “DFZQ Forum”, “DFZQ Classroom” and “Joyful Reading”, set up various boutique courses with focuses on various business and key tasks as well as domestic and international hot topics and concerns</li></ul>

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## Staff training performance indicators

Indicator		Unit	2016	2017	2018
Participants of staff training		Person	8,345	10,666	30,042
Coverage ratio of staff training		%	100	100	100
By gender	Male	%	100	100	100
	Female	%	100	100	100
By employee type	General staff	%	100	100	100
	Mid-level staff	%	100	100	100
	Management staff	%	100	100	100
Training hours received by all staff per capita per annum		Hour	37.5	38	37.5
By gender	Male	Hour	37.5	38	37.5
	Female	Hour	37.5	38	37.5
By employee type	General staff	Hour	37.5	38	37.5
	Mid-level staff	Hour	37.5	38	37.5
	Management staff	Hour	53	60	53
Proportion of staff receiving regular performance and career development assessments		%	100	100	100

*Note:* The above data is based on that of the parent company of DFZQ.

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- **Staff cultivation platform**

The Company focused on cultivation of professional talent with potential through building an internal and external training platform to improve the talent training mechanism. In order to further promote the talent exchanges within the Group, the Company implemented the second “Oriental Elite” program to evaluate the quality and competence of youth reserve talents in multiple dimensions. In the meanwhile, the Company explored external talent training channels, promoted talent exchanges between peers through establishing the “Financial Talent Practice Base”, and set up a “National Post-doctoral Scientific Research Station” by introducing specialized and high-level talents, which laying a foundation for enhancing the integrated financial services of the Company.

### Build an internal and external talent training platform

Implement the second “Oriental Elite” program	<ul style="list-style-type: none"> <li>• Complete the Company’s annual check of talents, identify the “professional backbone” and “promising talents” of each department, and make entry on the reserve talent pool</li> <li>• Promote talent exchange within the Group through one-year training and assessment in the way of management positions taking, rotations, completion of special tasks, theoretical training, etc.</li> </ul>
Establish “Shanghai Financial Talent Practice Base”	<ul style="list-style-type: none"> <li>• Accept 5 financial talents to work in our Company to promote talent exchange and cultivation between the Company and local peers</li> <li>• Complete the drafting and submission of the Interim Evaluation Report of the DFZQ Practice Base, and explore new channels for internal and external training</li> </ul>
Obtain the approval for “National Post-doctoral Scientific Research Station”	<ul style="list-style-type: none"> <li>• Enable the Company to introduce professional and high-level talents to establish a team system that supports the strategic development plan</li> <li>• Take the research of wealth management business model as the focus to lay a foundation on scientific research for enhancing the integrated financial services of the Company</li> </ul>

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## 4. COMPLIANCE OPERATIONAL RESPONSIBILITY

### 4.1 Anti-money Laundering

The Company actively performs its duties of anti-money laundering as a financial institution and strictly complies with the laws and regulations relating to anti-money laundering. The Company has formulated a series of internal systems including the Anti-money Laundering System of DFZQ, the Self-evaluation System for Money Laundering Risk of DFZQ and the Reporting System of Large-sum Transactions and Suspicious Transactions of DFZQ, so as to prevent money laundering risks.

The Company has established a risk-based anti-money laundering philosophy. In order to better implement the “Requirements for Further Strengthening the Identification of Customers” (No. 235), the Company revised the Anti-money Laundering System of DFZQ and the Anti-money Laundering System of Branches of DFZQ to improve its anti-money laundering system, and upgrade its original account opening system and anti-money laundering management system through the coordination among departments.

In order to make the branches understand the primary work of anti-money laundering, the Company compiled the Anti-Money Laundering Handbook and the Anti-Money Laundering Operation Manual, and provided special trainings and remote trainings to assist front-line personnel carry out specific anti-money laundering work. The Company strengthened the vertical management of anti-money laundering of subsidiaries, and held several on-site meetings to communicate on the division of responsibilities and the efforts of enhancing the identification of beneficial owners, further improving the management of anti-money laundering work.

### 4.2 Anti-corruption

In accordance with the Regulations on the Supervision and Administration of Securities Companies, the Administrative Measures on Compliance of Securities Companies and Securities Investment Fund Management Companies, the Code of Conduct for the Practitioners of Securities Industry and other laws and regulations, the Company formulated the Violations Reporting Measures, which clarified the procedures for acceptance and handling of reported violations of the Company. Meanwhile, the Company established comprehensive compliance management measures covering whole process of staff practice behavior.

In 2018, no material violation of any laws or regulations was found at the parent company level, nor was imposed with any material litigations or administrative penalties, or exposed to any material risks relating to bribery, nor did it find any confirmed bribes relating to the Group, or any public legal proceedings against the Group or its staff's bribes.



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## 4.3 Intellectual Property Protection

The business relationship must be established based on the absolute respect to intellectual property, business secrets and work results of the Company, clients and other stakeholders. The Company understands the value of intellectual property to the Company and the importance of protecting such confidential information to the Company for maintaining its competitive advantages, and has been in compliance as to the usage of intellectual property and business information. In terms of safeguarding intellectual property, The Company mainly protects its own trademarks. In 2018, no intellectual property was subject to any major infringement or infringement allegations by third parties at the parent company level.

## 4.4. Supply Chain Management

Because the nature of financial service institution, the Company has a relatively small number of suppliers and mainly involves the procurement of IT hardware and software, office supplies, facilities and equipment and related services. Therefore, the risk that the Company's supply chain causes negative impact on the environment and society is low.

In order to improve the performance awareness of suppliers, the Company screens, evaluates and regularly inspects suppliers, and requires those non-compliant suppliers to conduct rectification thereof. Failure to meet the standard after rectification will become disqualified. In 2018, none of suppliers caused any significant actual and potential negative impacts on commercial ethics, environmental protection and labor standards, nor did they violate any regulations at the parent company level.

Suppliers performance indicators

Performance indicator	Unit	2016	2017	2018
Number of China Mainland suppliers	/	33	48	48
Number of overseas suppliers (including Hong Kong, Macau and Taiwan)	/	0	0	0

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## 5. ENVIRONMENTAL PROTECTION RESPONSIBILITY

The Company actively responds to the state initiative of energy-saving and emission reduction by guiding social capital to be invested into environmentally friendly enterprises with its own professional advantages. The Company advocates green operation and continuously creates sustainable office environment to make contribution to ecological civilization building.

### 5.1 Supporting Development of Green Industry

Developing green finance is fundamental for ecological civilisation building and an important part of the supply-side structural reform. As the core of economic growth, finance plays an important role in the process of transformation to and development of green economy. The development of green finance is of great significance to the China's green economy.

In 2017, the Company successfully issued the first green assets-backed notes in China and was awarded several titles such as "Excellent Underwriter for Green Financial Bonds" issued by China Development Bank. In 2018, the Company continued to practice the green development concept and assisted banks and other financial institutions to issue green financial bonds, promoting the coordinated development of capital markets and green industries.

#### **Assisting the issuance of the "Bond Connect" green financial bonds by Agricultural Development Bank of China**

In 2018, on the first anniversary of the opening of the "Bond Connect", the "Bond Connect" green financial bonds issued by Agricultural Development Bank of China ("CADB"), for which the Company acted as one of the lead underwriters, was successfully listed. The CADB has issued RMB3 billion of "Bond Connect" green financial bonds to global investors through open tender, paying a tribute to the first anniversary of "Bond Connect".

The term of the said bonds is two years, and the issuance rate is 3.86%. The funds raised will be used for the five major categories of energy saving, pollution prevention and control, resource conservation and recycling, clean energy, ecological protection and climate change adaptation. The successful issuance of the bonds is also an important practice for the Company to support the development of the country's energy conservation and environmental protection industry.

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## 5.2 Green and Low-Carbon Operation

The Company actively advocates low-carbon and environment-friendly operation and working, promotes energy conservation and environmental protection systems, and calls on employees to integrate the concept of energy conservation and environmental protection into their work and life, so as to maximize social resources conservation, protect the environment and reduce pollution. In 2018, no environmental pollution events in operation was caused at the parent company level, nor was it involved into any confirmed violations or any appeals that were relevant to the environmental protection and had significant impact on the Company.

### DFZQ Energy Saving and Emission Reduction Measures

Promoting paperless working	<ul style="list-style-type: none"><li>• Encourage employees to use electronic documents, provide online modification and finalization function for documents review, and reduce printing paper</li><li>• Advocate employees to implement double-sided printing or reuse single-sided printing paper to reduce waste</li></ul>
Promoting phone, video conference	<ul style="list-style-type: none"><li>• Use telephone and video conference as a priority for corporate communication, reduce the number of on-site meetings, and reduce carbon emissions from business travel</li></ul>
Green traffic	<ul style="list-style-type: none"><li>• Strictly manages the Company's 45 owned vehicles, encourages peers to jointly use the vehicles, and promotes public transportation such as subways to reduce usage of company vehicles</li></ul>
Solid waste and wastewater treatment	<ul style="list-style-type: none"><li>• The non-hazardous waste in our operation mainly refers to the daily office waste, which is collected and treated by the property management office</li><li>• Electronic waste, light pipe, ink box, toner cartridge and other hazardous wastes are recycled by qualified units for disposal or reuse.</li><li>• Wastewater is discharged into urban sewage treatment plant through municipal sewage pipe network</li></ul>

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## DFZQ Environmental protection performance indicators

Indicator		Unit	2016	2017	2018
DFZQ headquarters	Total greenhouse gas emissions <sup>1</sup>	Tonnes of carbon dioxide equivalent	2,689	3,168	2,917
	Greenhouse gas emissions per capita	Tonnes of carbon dioxide equivalent/headcount	3.04	2.63	2.53
	Greenhouse gas emission per unit area	Tonnes of carbon dioxide equivalent/sq. m.	0.11	0.11	0.13
	Total water consumption <sup>2</sup>	Tonnes	10,829	10,346	11,453
	Water consumption per capita	Tonnes/headcount	12.25	8.59	9.94
	Water consumption per unit area	Tonnes/sq. m.	7.05	6.73	8.77
	Total electricity consumption <sup>3</sup>	KWH	3,560,889	4,212,749	3,831,060
	Electricity consumption per capita	KWH/headcount	4,028	3,499	3,326
	Electricity consumption per unit area	KWH/sq. m.	149	152	172
	Total natural gas consumption <sup>4</sup>	Cu. m.	48,962	54,896	57,566
	Natural gas consumption per capita	Cu. m./headcount	55.39	45.59	49.97
	Natural gas consumption per unit area	Cu. m./sq. m.	31.86	35.72	44.07
	Total office paper consumption	Pack	4,049	4,818	1,910
	Oil consumption of owned vehicle	Litre	32,333	35,500	36,003
Securities branches of DFZQ <sup>5</sup>	Total greenhouse gas emissions	Tonnes of carbon dioxide equivalent	10,541	12,893	18,043
	Greenhouse gas emission per unit area	Tonnes of carbon dioxide equivalent/sq. m.	0.13	0.16	0.17
	Total water consumption	Tonnes	67,889	187,094	170,782
	Water consumption per unit area	Tonnes/sq. m.	0.84	1.07	0.98
	Total electricity consumption	KWH	11,035,702	10,456,802	14,633,983
	Electricity consumption per unit area	KWH/sq. m.	135.96	133.34	143.83

**Note 1:** Greenhouse gas emission refers to the vehicles of the Company, the direct emission generated from the use of natural gas and the indirect emission of electricity purchased externally, which is estimated with reference to the average carbon dioxide emission factor of China regional power grid released by the National Development and Reform Commission to combat climate change, the greenhouse gas emission coefficient for mobile combustion provided by the Stock Exchange, as well as the Greenhouse Gas Accounting Tool for Chinese Cities 2.0 by the World Resources Institute, and this applies to the below section.

**Note 2:** Total water consumption and density data include the canteen of DFZQ headquarters, and the water consumption of the office shall be counted into property management fee and thus unknown.

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*Note 3:* Total electricity consumption and density data include consumption in office and canteen of DFZQ headquarters.

*Note 4:* Natural gas consumption was only produced from the canteen of DFZQ headquarters.

*Note 5:* Relevant environmental data in securities branches are estimated.

*Note 6:* The non-hazardous waste in our operation mainly refers to the daily office waste, the hazardous waste mainly refers to electronic waste, ink box, toner cartridge, etc., and the Company has not yet calculated the waste volume.

- ***Creating healthy and environment-friendly office space***

Orient Securities Building, the Company's new office building "DFZQ Mansion" located near the Huangpu River, was put into operation in 2018, which was built in strict compliance with the highest standard under the Assessment Standard for Green Building, to maximize social resource conservation, environment protection and pollution reduction, thus providing a healthy, practical and efficient space to our staff.

## **Multiple measures for ensuing healthy and green office environment**

Green decoration	<ul style="list-style-type: none"> <li>• Decorated with environmentally-friendly materials during the overall design and construction process to minimize damage to environment</li> <li>• Air "double filtration" plan was developed during decoration, and the indoor spaces after decoration meet the national indoor air testing standards</li> </ul>
Energy consumption reduction	<ul style="list-style-type: none"> <li>• Natural lighting from transparent part of building façade is properly utilized to reduce lighting energy consumption</li> <li>• Highly efficient appliances, including highly efficient cooling/heating source set and highly efficient motors, are adopted within the building, and water saving devices and appliances are used</li> </ul>
Water saving	<ul style="list-style-type: none"> <li>• Non-traditional water sources are adopted for green irrigation, road showering and garage washing to achieve the reasonable and economical regulation, storage and utilization of rainwater</li> </ul>
Green enhancement	<ul style="list-style-type: none"> <li>• Various forms of greening are adopted, including lawn greening, garden planting at the roof, and vertical greening of low-layer walls, to improve the microclimate of building areas and the comfort of outdoor public space</li> </ul>
Solid waste reduction	<ul style="list-style-type: none"> <li>• A centralized waste collection chamber is set up in the basement for the sorting, collection and disposal of waste, to effectively recycle reusable or renewable materials</li> </ul>

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## 6. RESPONSIBILITY TO CONTRIBUTE TO SOCIETY

While creating economic value for the society, the Company is also actively concerned about the development of surrounding communities. In response to the national call for precise poverty alleviation, the company assists poverty-stricken areas through various means such as Industry-based poverty relief and finance-based poverty alleviation. The Company is committed to the protection of intangible cultural heritage and long-term support for children's art education, further promoting social welfare development.

### 6.1 Transforming Poverty Alleviation Mode from “Blood-Transfusion” to “Blood Generation”

#### *Further deepening of precise poverty alleviation*

With the further deepening of the national precise poverty alleviation strategy, in 2018, in response to the national call and industry guidelines, the Company continued to carry out various precise poverty alleviation projects, and leveraged its own advantages to identify the focus of precise poverty alleviation, so as to activate the “Blood Generation” function of poor areas.

As of the end of 2018, DFZQ and its subsidiaries entered into the “One Company to One County” pair-up assistance agreements with 14 national poverty-stricken counties such as Morin Banner of Inner Mongolia, Jingle County in Shanxi Province, and Yanchang County in Shaanxi Province. At the same time, we carried out assistance work in several non-pair up poverty-stricken counties such as Maigaiti County in Xinjiang, contributing to the battle against poverty.

In 2018, the Company invested a total of RMB25,717,700 (including those from Xindeyizhang Public Welfare Foundation) in funds and materials in poverty alleviation and implemented a total of 39 poverty alleviation projects, covering industrial poverty alleviation, financial poverty alleviation, education poverty alleviation, public welfare poverty alleviation, and consumption poverty alleviation and lifted 505 registered poor households out of poverty.

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## Precise Poverty Alleviation Investment and Achievements in 2018

Poverty alleviation model	Number of projects	Project investment and effectiveness
Industrial poverty alleviation	9	<ul style="list-style-type: none"> <li>Poverty alleviation funds of RMB11,214,800 were invested to build the “Dong Fang Guniang (東方菇娘)” and “Dong Fang Hong Yi Black Tea (東方紅宜紅茶)” projects, to replicate and continuously promote the Company’s existing industrial poverty alleviation model</li> </ul>
Financial poverty alleviation	11	<ul style="list-style-type: none"> <li>Poverty alleviation funds of RMB10,700,000 were invested to successfully implement the innovative large-scale “insurance + futures” project among peers</li> </ul>
Education poverty alleviation	10	<ul style="list-style-type: none"> <li>Poverty alleviation funds of RMB1,337,700 were invested to help nearly 230 high school students</li> </ul>
Public welfare poverty alleviation	8	<ul style="list-style-type: none"> <li>Poverty alleviation funds of RMB2,078,300 were invested</li> </ul>
Consumption poverty alleviation	1	<ul style="list-style-type: none"> <li>Poverty alleviation funds of RMB387,000 were invested</li> </ul>

### ***“Blood-generation” Poverty Alleviation to Help Alleviate Poverty***

#### - “Little Guniang” Brings Great Changes***

In 2016, the Company entered into a pair-up assistance agreement with Morin Banner of Inner Mongolia. Upon fully investigating and understanding the local industrial situation, the Company chose the representative agricultural product of Morin Banner, Guniang fruit, as the direction of industrial poverty alleviation to launch the Dong Fang Guniang industrial poverty alleviation project, with a view to lifting poor areas out of poverty through “Blood-generation” industrial assistance. As of the end of 2018, the Company had invested a total of RMB5.78 million in the poverty alleviation project of Dong Fang Guniang industrial poverty alleviation in Morin Banner and helped 615 registered poor households to get out of poverty.

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## Progress on Industrial Poverty Alleviation Project of Dong Fang Guniang

Time	Main content	Project results
2016	<ul style="list-style-type: none"> <li>• Entering into a pair-up assistance agreement with Morin Banner</li> <li>• Guniang and the construction of e-commerce platform for agricultural products in Morin Banner</li> </ul>	<ul style="list-style-type: none"> <li>• Determining Guniang fruit in Morin Banner as the focus of industrial poverty alleviation</li> </ul>
2017	<ul style="list-style-type: none"> <li>• Inviting experts to train the Guniang fruit farmers and talk with village leaders and farmers to discuss the industrial development plan of the Guniang fruit</li> <li>• Entering into the “Poverty Alleviation Cooperation Agreement” with well-known e-commerce Benlai Life</li> <li>• Organizing government, enterprises and farmers in Morin Banner to communicate and coordinate, and establish Morin Banner industry poverty alleviation base</li> <li>• Establishing a special fund for Guniang fruit against disasters to compensate farmers for economic losses</li> </ul>	<ul style="list-style-type: none"> <li>• Bringing more than RMB2 million income to farmers in Morin Banner</li> <li>• Helping nearly 50 poor achieve employment</li> <li>• Directly and indirectly driving more than 300 registered poor households getting rid of poverty</li> </ul>



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Time	Main content	Project results
2018	<ul style="list-style-type: none"> <li>Promoting the standardization of the Dong Fang Guniang industrial chain to improve the production environment by donating storage and transportation bases and customizing special fruit boxes</li> </ul>	<ul style="list-style-type: none"> <li>The Dong Fang Guniang fruits produced in the new season are widely praised for its superior quality and sweet taste</li> <li>Helping 35 poor households achieve employment</li> <li>Directly and indirectly driving 124 poor households with 299 people getting out of poverty</li> </ul>

- Reproducible industrial poverty alleviation model*

After summing up the experience of the “Dong Fang Guniang” industrial poverty alleviation project, the Company explored an industrial poverty alleviation model based on local conditions, professional support and commercial operation, and continued to extend the model to other pair-up poverty-stricken counties such as Wufeng County in Hubei Province and Yanchi County in Ningxia Province, so as to benefit more poor households in different industries and truly realize the transformation of poverty alleviation from “blood transfusion” to “blood generation”.

In 2017, the Company entered into a pair-up assistance agreement with Wufeng County in Hubei Province to seek the starting point of industrial poverty alleviation. With several on-the-spot investigations and visits by the poverty alleviation team, the Company learned that Wufeng County enjoys a good tea industry foundation, and local produced Yi black tea is popular among Chinese and foreign tea customers. However, in recent decades, Hong Yi black tea has gradually faded out of view in the fierce market competition, and the sales volume has stagnated, which seriously hindered the local economic development.

Based on the industrial foundation and resource endowment of Wufeng county, the Company took Yi black tea industry as the essential point to carry out the poverty alleviation, and by joining hands with the domestically celebrated e-commerce operator “Benlai Life” and Shanghai Tea Leaf Co., Ltd. (上海茶葉有限公司) (the holder of the established famous tea brand of “Wang Yu Tai”), started the “Dong Fang Hong Yi Black Tea” industrial poverty alleviation project in Wufeng, Hubei.

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## Dong Fang Hong Yi Black Tea industrial poverty alleviation project

Model	Actions
Adapting to local conditions	<ul style="list-style-type: none"> <li>The poverty alleviation team visited Wufeng several times and selected Wufeng black tea, a high value-added product with local characteristics, as the industrial poverty alleviation project</li> <li>On-the-spot investigation was carried out on local tea gardens and tea factories, the preliminary processed tea leaves of different tea factories were graded and evaluated and ecological environment and processing technology of tea leaves were comprehensively considered</li> </ul>
Professional support	<ul style="list-style-type: none"> <li>Selecting the well-known e-commerce brand, benlaiLife.com, joining hands with Shanghai Tea Leaf Co., Ltd. (上海茶葉有限公司) (the holder of the established famous tea brand of “Wang Yu Tai” in 167 years), and drawing upon professional support to formulate standards of production, processing, storage and transportation and quality</li> <li>After several evaluations, Hubei Wufeng Baiyichun Tea Co., Ltd. was determined to be the enterprise to carry out the project</li> </ul>
Commercial operation	<ul style="list-style-type: none"> <li>Building the “Dong Fang Hong Yi Black Tea” brand, and utilizing the brand to build lasting market competitiveness and premium capability by taking advantage of the popularity of its “Dong Fang Hong” brand</li> <li>Carrying out brand promotion through offline activities such as the DFZQ Cup Private Placement Dream Start-up Camp to expand product popularity</li> </ul>

In June 2018, the first batch of Dong Fang Hong Yi Black Tea was unveiled at the 2018 China Responsible Investment Forum Summer Summit co-hosted by Caixin.com, and was highly praised by the participants. At the end of July 2018, the second batch of Dong Fang Hong Yi Black Tea was successfully delivered and brand promotion was carried out through the offline activity of the DFZQ Cup Private Placement Dream Start-up Camp.

The marketization of “Dong Fang Hong Yi Black Tea” promoted the consumption of Wufeng Yi black tea, created jobs for the local area and increased the income of tea farmers. As of the end of 2018, the “Dong Fang Hong Yi Black Tea” industrial poverty alleviation project helped a total of 67 people in 32 registered poor households in Wufeng to achieve employment, securing good poverty alleviation results.

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## *Injecting Financial “Impetus” to Poor Areas*

In recent years, the Company has given full play to its financial expertise and natural advantages, and actively innovated the poverty alleviation model to inject impetus into the development of poor areas by developing “insurance + futures” projects and helping enterprises in poor areas to finance.

- *“Insurance + futures” poverty alleviation model*

In order to resolve the price fluctuation risks confronted farmers in poor areas for a long time, in July 2018, the Company and Orient Futures jointly launched the “insurance + futures” precision poverty alleviation project in full swing. Through the provision of crop price index insurance for registered poor households, we helped farmers to avoid risks caused by price fluctuations of agricultural products, and provided them with basic living guarantees while encouraging them to work.

The project is featured with wide coverage, several varieties and new business model. It is also the first “insurance + futures” poverty alleviation project implemented by securities companies and futures companies of such scope.

In 2018, the Company bought price index insurances for farmers in 9 poverty-stricken counties including Yunnan, Hubei, Inner Mongolia and Heilongjiang, which involved 5 categories of rubber, white sugar, corns, soybeans and apples, with a total of RMB10.7 million premium paid, covering nearly 200,000 mu of various agricultural products, benefiting more than 10,000 farmers, including 7,290 registered poor households, which accounted for more than 70%.

Up to now, compensation under the “insurance + futures” project has been successfully completed. Agricultural insurance companies have paid a total of RMB11,352,700 to insured farmers, with an average of RMB1,129 per household, thereby effectively helping farmers in poor counties to mitigate the risk of agricultural products price decline. The “insurance + futures” project not only directly benefits many registered poor households, but also indirectly stimulates and drives farmers in poor counties to produce and stabilize their household income, thus effectively facilitating poverty eradication and sustainable development in many poor counties.

- *Helping poor areas to finance*

In 2018, the Company financed RMB3.33 billion for the poor areas through direct and indirect financing. Of which, the Company underwrote all kinds of special financial bonds for poverty alleviation issued by policy banks with a total amount of RMB1.99 billion. Citi Orient, a subsidiary company, acted as the lead underwriter for the private issuance of corporate bonds by Chengzhen Investment Development Co., Ltd. in Xixiu District, Anshun City, Guizhou Province, with the actual proceeds raised reaching RMB1.34 billion.

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## 6.2 Practicing Better Public Welfare

### *Xindeyizhang Public Welfare Foundation*

The Company always insists on protecting and inheriting the cultural heritage of DFZQ, and focuses on children's art education. Since 2016, the Company, relying on the Xindeyizhang Public Welfare Foundation, has successively carried out Tujia brocade cultural heritage protection, the "A Beautiful City in Western China | Dunhuang" cultural heritage plan, the construction of the Xindeyizhang Art Classroom, and the "social worker companion" project in Maigaiti, Xinjiang, contributing to the inheritance and promotion of Chinese culture and art.

### Milestones of Xindeyizhang Public Welfare Foundation

Time	Events
2014	<ul style="list-style-type: none"><li>Launching the "Xindeyizhang" public welfare project to carry out the protection of the Tujia brocade cultural heritage</li></ul>
2015	<ul style="list-style-type: none"><li>Initiating the establishment of the "Shanghai DFZQ Xindeyizhang Public Welfare Foundation" and donating RMB5 million as the foundation's original fund</li></ul>
2016	<ul style="list-style-type: none"><li>Launching the cultural inheritance plan of "A Beautiful City in Western China   Dunhuang" and producing the animation film entitled "Twilight in Mogao Grottoes"</li><li>Convening the "Witnessing Twilight Public Exhibition" in Shanghai Museum of Contemporary Art</li></ul>
2017	<ul style="list-style-type: none"><li>Continuing the cultural heritage project of "A Beautiful City in Western China   Dunhuang" and carrying out the charity sale of derivatives of "Twilight in Mogao Grottoes" in collaboration with Shanghai Wing &amp; Dine Festival</li><li>Jointly with Beijing Women and Children's Development Foundation, namely, the Zeng Minjie &amp; Yang Hao Mutual Development Foundation (曾敏傑楊浩聯愛基金), to launch a social worker companion project in Maigaiti, Xinjiang</li><li>Focusing on Children's Art Education and Establishing Xindeyizhang Art Classroom</li></ul>
2018	<ul style="list-style-type: none"><li>The "Gentle Backbone" Public Welfare Show, the second season of "A Beautiful City in Western China   Dunhuang" was unveiled at Shanghai Fashion Week</li><li>Cooperating with Shanghai Wing &amp; Dine Festival to launch public welfare sales activities</li><li>Staff volunteers went to the Xindeyizhang Art Classroom to give lectures</li></ul>

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### Public welfare income and expenditure of Xindeyizhang Public Welfare Foundation in the past three years

Indicator	Unit	2016	2017	2018
Annual fund-raising amount	RMB0'000	212.08	1,031.63	<b>1,340.37</b>
Annual expenditure	RMB0'000	51.33	156.17	<b>1,289.71</b>

#### *Cultural Inheritance by Spreading the Beauty of Dunhuang*

In order to protect and pass on the traditional Chinese cultural heritage, in 2016, the DFZQ Xindeyizhang Public Welfare Foundation launched the cultural protection project of “A Beautiful City in Western China”, taking Dunhuang as the first stop of cultural protection to launch the project of “A Beautiful City in Western China | Dunhuang”. The project lasts for 5 years, and the Company aims to present Dunhuang to the public through different perspectives and creative methods, with an aim not only to convey the beauty of Dunhuang art, but also to convey the oriental spirit of Dunhuang.

On the basis of the first season of “Twilight in Mogao Grottoes”, in 2018, the second season of “A Beautiful City in Western China | Dunhuang” was presented. Through in-depth communication with the restorers and copycats of Dunhuang Research Institute, the Company learned the stories behind Dunhuang culture. At the same time, the Company also transmitted the persistence of workers in Dunhuang Research Institute about Dunhuang art protection through public welfare shows, documentaries and other forms, calling for more people to pay attention to and protect Dunhuang art.

As the guardian of Dunhuang art, the restorers and copyists of Dunhuang Research Institute stick to their pursuits one day and every day and use vivid copy and restoration techniques to protect and reproduce Dunhuang culture. Their warmest care to the Dunhuang grottoes and their long-term adherence to the protection of Dunhuang culture are the best interpretation of the “Gentle Backbone” of the Chinese people.

Moved by the charm of Dunhuang art and the persistence of Dunhuang guardians, the Company invited clothing designer Qin Xu to design more than 50 sets of dresses in 481 days, and held a “Gentle Backbone” charity show to translate the spirit of Dunhuang into charming clothing language, bringing Dunhuang art to contemporary life. Meanwhile, the Company filmed the documentary “Gentle Backbone”, inviting the copycats and restorers of Dunhuang Research Institute to have a face-to-face communication with Qin Xu, to share their understanding of Dunhuang art with the public in the form of documentary, and to present Dunhuang artistically and culturally from an innovative perspective.

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### **“A Beautiful City in Western China | Dunhuang” Season 2 “Gentle Backbone” was unfolded at Shanghai Fashion Week**

On March 31, 2018, “A Beautiful City in Western China | Dunhuang” Season 2 “Gentle Backbone” sponsored by the Company, hosted by the Xindeyizhang Public Welfare Foundation, and jointly co-hosted by the first Financial Charity Foundation and Dunhuang Research Institute was held at Shanghai fashion week, attracting nearly 600 audience.

The whole “Gentle Backbone” series are inspired by Dunhuang art, which is represented by Mogao Grottoes and Yulin Grottoes and the spirit of Dunhuang guardians. The series not only express the beauty and tenderness of Dunhuang, the once-in-a-thousand treasure, but also interpret the persistence and conviction of the guardians.

### **Public Welfare Sale of Shanghai Wing & Dine Festival**

In September 2018, the Company and the Xindeyizhang Public Welfare Foundation once again joined hands with Shanghai Wing & Dine Festival to carry out charity sales activities, bringing with them a new season of derivatives of “A Beautiful City in Western China | Dunhuang” and displaying the Company’s precise poverty alleviation products – Dong Fang Guniang fruits and Dong Fang Hong Yi Black Tea. The three-day charity sale attracted many visitors, raising a total of over RMB10,000. All the money will be used for the third season of “A Beautiful City in Western China | Dunhuang”.

## DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Educational Public Welfare to Transmit the Beauty of Art*

Based on the protection and promotion of cultural heritage, the Xindeyizhang Public Welfare Foundation pays close attention to children's art education. It has successively carried out projects such as "Xindeyizhang Classroom" and "Social Worker Companion" in schools around cultural heritage sites such as Gansu and Xinjiang to create opportunities for young children to understand the eastern cultural heritage and stimulate their interest and curiosity. The Company also organizes staff volunteers to give lectures in local schools on a regular basis to provide support and guidance for children's art education.

#### **Tao Yan primary school volunteers teaching**

In early September 2018, volunteers from the Company stepped into Taoyan primary school in Guangzhi Township, Guazhou County, Gansu Province, which is located along the ancient Silk Road. They conducted the first volunteer teaching activity in the art classroom donated by the Xindeyizhang Public Welfare Foundation.

During the five-day teaching, the Company's five volunteers brought more than 40 interesting courses to the children, covering creative arts, literary appreciation, natural science, English, sports and other categories. The children there experienced the subtlety of Chinese culture through historical stories such as Li Guang's Shooting of a Tiger and Zhaojun's Departure from the Fortress. Through interesting small experiments, they experienced the immensity of the universe, and through colorful clay, they gained the pleasure of hand-making.

At the same time, the Foundation specially invited Tang Baihua, director of the hand-painted animated picture "Twilight in Mogao Grottoes" of the first season of "A Beautiful City in Western China | Dunhuang", as a professional art lecturer to introduce the history and meaning of Dunhuang Grottoes to children, so as to expand their artistic understanding. In addition, mud board painting experience class was offered so that children can experience the fun of art.

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## 7. KEY PERFORMANCE INDICATORS AND SOCIAL RECOGNITION FOR THE YEAR 2018

Indicators		Unit	2018
<b>Environmental performance</b>			
Emissions	Total greenhouse gas emissions	tonnes of carbon dioxide equivalent	2,917
	Greenhouse gas emissions per capita	tonnes of carbon dioxide equivalent/headcount	2.53
Resource use	Total electricity consumption	KWH	3,831,060
	Electricity consumption per capita	KWH/headcount	3,326
	Total water consumption	tonnes	11,453
	Water consumption per capita	tonnes/headcount	9.94
<b>Social performance</b>			
<b>Employee employment, rights and health</b>			
	Total number of staff	person	3,627
	Staff turnover rate	%	14
	Number of casualties due to work-related injuries	person	0
	Lost days due to work injury	day	0
	Staff training coverage rate	%	100
	Average training hour per capita	hour	37.5
<b>Products and services</b>			
	Number of customer complaints	case	11
	Percentage of customer complaints being handled	%	100
<b>Community investment</b>			
	Attendance of the staff's voluntary activities	person	122
	Average volunteering hours of employees per capita	hour	5.8

**Note 1:** The statistics of environmental performance are based on the headquarters of DFZQ.

**Note 2:** Statistics on employee employment, rights and health are based on DFZQ's parent company.



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## Social recognition of DFZQ in 2018

Awards	Conferred by
2018 Brokers Category A and Grade AA Brokers Rating	China Securities Regulatory Commission
Information disclosure level A evaluation	Shanghai Stock Exchange
Silver Award for “Best Open Class”	Shanghai Stock Exchange
2018 China Securities and Futures Industry Poverty Alleviation Award	China Securities Industry Association, China Futures Association
2018 China Securities and Futures Industry Excellent Consumption Poverty Alleviation Award	China Securities Industry Association, China Futures Association
2018 China Securities and Futures Industry Best “One Company to One County” Pair-up Assistance Project Award	China Securities Industry Association, China Futures Association
The title of “Most Respectable Listed Company”	China Association of Listed Companies and China Securities Investor Protection Fund Company, Shanghai Stock Exchange, Shenzhen Stock Exchange, China Securities Industry Association, China Fund Industry Association, and China Securities Small and Medium Investor Service Center
The third place in Huangpu District Top 100 High-end Service Enterprises	Shanghai Huangpu District Government
Bond Pass Excellent Quotation Agency	China Foreign Exchange Trading Center, Hong Kong Stock Exchange, Bond Communication Corporation
First Prize for Innovation Achievements of Shanghai Enterprise Management Modernization	Shanghai Municipal Federation of Industrial and Economics
The Best Contribution Award for Treasury Bond Futures in Five Years	China Futures Exchange
Outstanding Trading Team Award (Proprietary)	China Futures Exchange
Core Dealers in the Inter-bank Local Currency Market in 2017	National Inter-bank Funding Center
Outstanding Bond Market Traders	National Inter-bank Funding Center
Best Technology Award	National Inter-bank Funding Center
The “Most Potential Institution” for Asset Securitization	China Asset Securitization Research Institute

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## Awards

## Conferred by

Best Innovative Service Institution of Private Equity Fund	Shanghai Equity Investment Association
Outstanding Member Unit	Shanghai Pudong International Finance Association
“Outstanding Proprietary Agency Award” in 2017	China Central Depository and Clearing Co., Ltd.
Excellent Comprehensive Market-marketing Organization	China Inter-bank Market Dealers Association
Excellent Interest Debt Attempted Market-making Organization	China Inter-bank Market Dealers Association
Excellent Credit Debt Attempted Market-making Organization	China Inter-bank Market Dealers Association
Brokers Innovation Award for Poverty Alleviation	Sina Finance, Sina Public Welfare, Micro Public Welfare
Financial Enterprise Innovation Award for Poverty Alleviation	Sina Finance, Sina Public Welfare, Micro Public Welfare
The Most Influential Broker	Daily economic news
Most Powerful Wealth Management Broker	Daily economic news
Most Socially Responsible Broker	Daily economic news
“α i Social Value Creation” Enterprise Precise Poverty Alleviation Case Model Award”	Simeng Corporate Social Responsibility Promotion Center, Fudan Management Institute
2018 Best Contribution Award for Outstanding Competitiveness and Precise Poverty Alleviation	China Business Newspaper
Pioneering and Outstanding Social Responsibility Award	Finance website
Securities Futures Science and Technology Excellence Award	Securities and Futures Industry Science and Technology Awards Committee
China’s Outstanding Wealth Management Institution Junding Award	Securities Times
2018 Poverty Alleviation Pioneer	International Financial News
2018 Industrial Poverty Alleviation Pioneer	International Financial News
Best Poverty Alleviation Case for Securities Firms in 2018	International Financial News
2018 China Pioneer High Net Value Customer Service Provider	International Financial News
2018 Pioneer Leader of China’s Brokerage Business	International Financial News
2018 China Pioneer Wealth Management Brand	International Financial News
2018 Pioneer Leader of China’s Brokerage Business	International Financial News
2018 China’s Best New Business Department	International Financial News

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Awards	Conferred by
Pioneer of China's Futures Brokerage Business in 2018	International Financial News
Pioneer of China's Securities and Futures Investor Education in 2018	International Financial News
2017 Media Relations Gold Medal	Interface news
Best Listed Company Award	Nine institutions including China Financing Magazine, Wonderful Sky Financial Group, Hong Kong China Enterprises Association Listed Companies Committee, and Hong Kong Institute of Chartered Secretaries
100 Best Cases of China Financial Ideological and Political Work Research Association	Nine institutions including China Financing Magazine, Wonderful Sky Financial Group, Hong Kong China Enterprises Association Listed Companies Committee, and Hong Kong Institute of Chartered Secretaries

*Note:* The awards above are won by the parent company in 2018 and partly in 2017, and for details of those won by the departments, individuals and subsidiaries of the Company, please see our website.

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## 8. HKEx ESG REPORTING GUIDELINES INDEX

Aspect, general disclosure and key performance indicator	Description	Disclosure chapter
<b>Main scope A. Environment</b>		
<b>Aspect A1. Emissions</b>		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental protection responsibility
KPI A1.1	Types of emissions and respective emissions data	Environmental protection responsibility
KPI A1.2	Total green-house emissions (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility)	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where applicable, density (e.g. per unit of production volume, per facility)	Environmental protection responsibility
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where applicable, density (e.g. per unit of production volume, per facility)	Environmental protection responsibility
KPI A1.5	Description on measures to mitigate emissions and results achieved	Environmental protection responsibility
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environmental protection responsibility

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Aspect, general  
disclosure and  
key performance  
indicator

Description

Disclosure  
chapter

## Aspect A2. Use of Resources

General disclosure A2	Policies on effective use of resources (including energies, water and other raw materials)	Environmental protection responsibility
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (KWH in '000) and intensity (e.g. per unit of production volume, per facility)	Environmental protection responsibility
KPI A2.2	Total water consumption and intensity (e.g. per unit of production volume, per facility)	Environmental protection responsibility
KPI A2.3	Description on energy use efficiency initiatives and results achieved	Environmental protection responsibility
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Environmental protection responsibility
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced	Not applicable

## Aspect A3. Environment and Natural Resources

General disclosure A3	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental protection responsibility
KPI A3.1	Description on the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental protection responsibility

# DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general  
disclosure and  
key performance  
indicator

Description

Disclosure  
chapter

## Main scope B. Society Employment and Labor Practices

### Aspect B1. Employment

General disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Staff development responsibility
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Staff development responsibility
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Staff development responsibility

### Aspect B2. Healthy and Security

General disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Staff development responsibility
KPI B2.1	Number and rate of work-related fatalities	Staff development responsibility
KPI B2.2	Lost days due to work injury	Staff development responsibility
KPI B2.3	Description on occupational health and safety measures adopted as well as related ways of implementation and supervision	Staff development responsibility

# DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general  
disclosure and  
key performance  
indicator

Description

Disclosure  
chapter

## Aspect B3. Development and Training

General disclosure B3	Policies on improving employees' knowledge and skills for performing duties and work. Description on training activities	Staff development responsibility
KPI B3.1	The percentage of employees (e.g. senior management, middle level management and etc.) trained by gender and employee category	Staff development responsibility
KPI B3.2	The average training hours completed per employee by gender and employee category	Staff development responsibility

## Aspect B4. Labor Standards

General disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the prevention of child labor or forced labor	Staff development responsibility
KPI B4.1	Description on measures to review employment practices to avoid child and forced labor	Staff development responsibility
KPI B4.2	Description on steps taken to eliminate such violations when discovered	Staff development responsibility

## Main scope B. Community and operating practices

### Aspect B5. Supply Chain Management

General disclosure B5	Policies on managing environmental and social risks of the supply chain	Compliance operation responsibility
KPI B5.1	Number of suppliers by geographical region	Compliance operation responsibility
KPI B5.2	Description on practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Compliance operation responsibility

# DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general  
disclosure and  
key performance  
indicator

Description

Disclosure  
chapter

## Aspect B6. Product Responsibility

General disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress	Product and customer services responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable
KPI B6.2	Number of received complaints related to products and services and solutions	Product and customer services responsibility
KPI B6.3	Description on practices related to observing and protecting intellectual property rights	Compliance operation responsibility
KPI B6.4	Description on quality assurance process and product recall procedures	Not applicable
KPI B6.5	Description on consumer data protection and privacy policies, how they are implemented and monitored	Product and customer services responsibility

## Aspect B7. Anti-corruption

General disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering	Compliance operation responsibility
KPI B7.1	Number of concluded lawsuits regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Compliance operation responsibility
KPI B7.2	Description on preventive measures and whistle blowing procedures, and how they are implemented and monitored	Compliance operation responsibility



## DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect, general disclosure and key performance indicator	Description	Disclosure chapter
<b>Aspect B8. Community Investment</b>		
General disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes communities' interests into consideration	Community contribution responsibility
KPI B8.1	Focus on contribution areas (e.g. education, environment, labor needs, health, culture and sports)	Community contribution responsibility
KPI B8.2	Resources contributed to the focus area (e.g. money and time)	Community contribution responsibility

# DFZQ 2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 9. ON THIS REPORT

- **Basis of preparation**

This report was prepared with reference to the Environmental, Social and Governance Reporting Guidelines issued by The Stock Exchange of Hong Kong Limited.

- **Coverage**

Time scope: from January 1, 2018 to December 31, 2018.

Period of release: this report is an annual report.

Organizational scope: Unless otherwise stated, the report is mainly based on DFZQ and subsidiaries consolidated into in its financial statements.

Company full name	Abbreviations
DFZQ	DFZQ or the Company
Orient Finance Holdings (Hong Kong) Limited	Orient Finance Holdings
Shanghai Orient Securities Innovation Investment Co., Ltd.	Orient Securities Innovation Investment
Orient Futures Co., Ltd	Orient Futures
Shanghai Orient Securities Capital Investment Co., Ltd.	Orient Securities Capital Investment
Shanghai Orient Securities Asset Management Co., Ltd.	Orient Securities Asset Management
Citi Orient Securities Co., Ltd.	Citi Orient

- **Data statement**

The data and cases in this report come from the original records or financial reports of DFZQ and its subsidiaries in actual operation. The financial data of this report are in RMB. In the event of any discrepancy between the financial report and this report, the financial report shall prevail.

