



LUZHENG FUTURES COMPANY LIMITED

魯証期貨股份有限公司

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

(Stock Code : 01461)



2018

**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 2018 to 31 December 2018 (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 business scope mainly covers futures brokerage, asset management, commodity trading and risk management business, information technology business, registration and settlement services, international business as well as other business activities permitted by the China Securities Regulatory Commission (the “CSRC”).

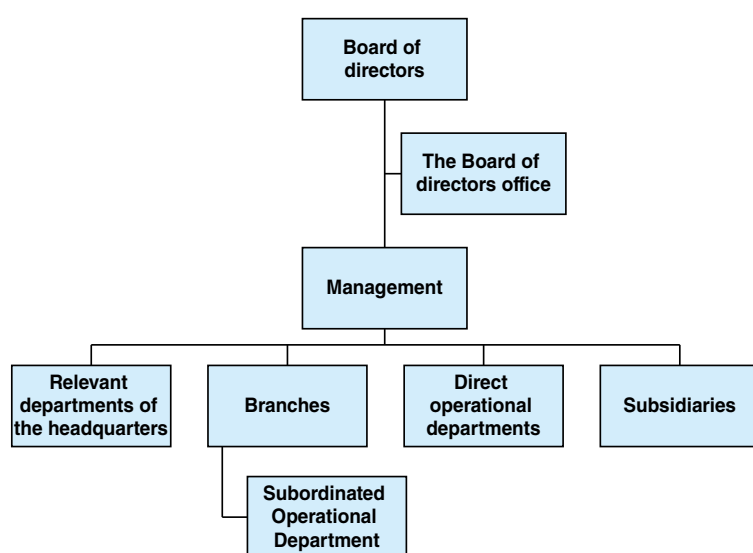
The data and information of the Report are derived from the archived documents, records and statistics of the Group. The contents and data disclosed in the Report have been considered and approved by the board of directors of the Company.

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 requirements of The Stock Exchange of Hong Kong Limited on compliant disclosure of environmental, social and corporate governance information, the Group continues to deepen its environmental, social and corporate governance management philosophy and actively promotes its performance in this regard taking into account its own business development strategy. In the process of fulfilling its corporate social responsibility, the Group strives to move towards the goal of achieving sustainable development of the futures industry. In 2018, in order to strengthen the overall environmental, social and corporate governance management of the Group and effectively implement the principal 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.




Decision-making: Responsible for reviewing and making decisions on the Group's major issues with respect to environmental, social and corporate governance, such as responsibility strategies, objectives and plans, and promoting harmonized integration of social responsibility concept, with development strategies and operation management

Disclosure: Responsible for disclosure of environmental, social and governance reports of the Group

Organization and Arrangement: According to the deployment of the board of directors, organize and coordinate various organizations of the Group to carry out environmental, social and corporate governance related work

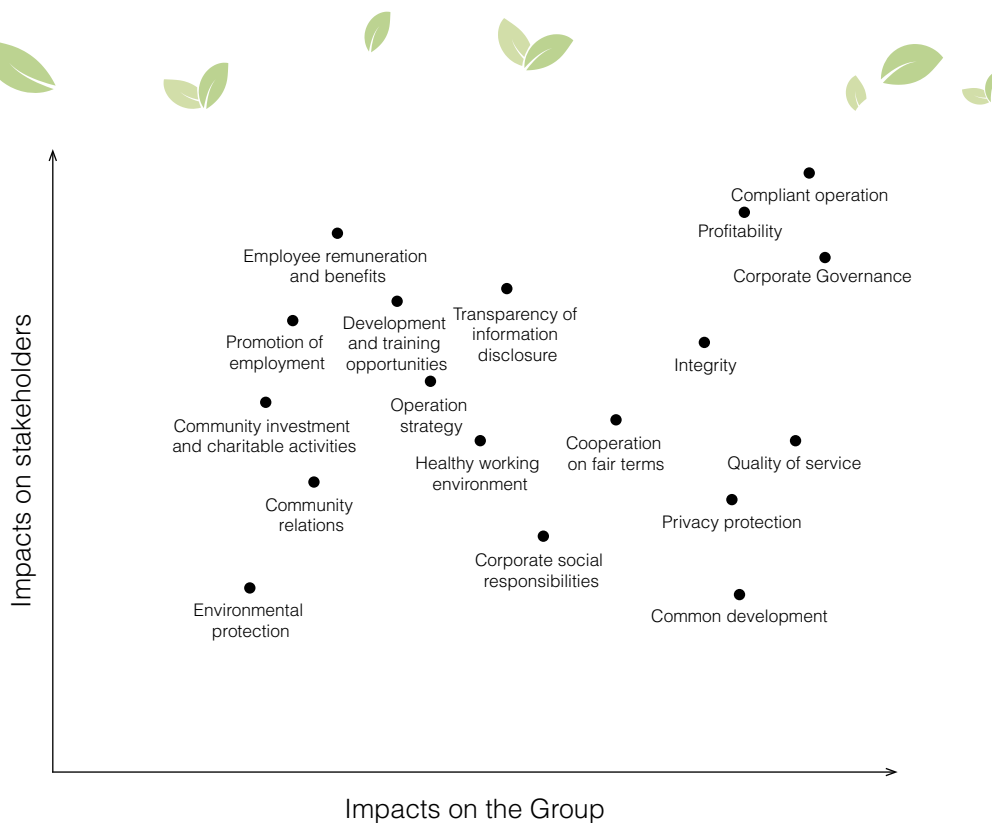
Execution: Carry out environmental, social and corporate governance related work within the respective terms of reference

Organizational 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 Group and its stakeholders. 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	Compliant operation Corporate governance
Shareholders and investors	Shareholders' meetings, the Company's 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 and benefits Development and training opportunities Healthy work environment
Suppliers	Supplier inspection, conference communication, tendering and bidding	Cooperation on fair terms Integrity
Customers	Customer visits, visit and presentation, 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 consumption, non-manufacturing financial enterprise with slight-pollution. The main impacts on environment in the ordinary course of business of the Group are the consumption of paper, electricity, 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 greenhouse gases generated from energy consumption as well as non-hazardous wastes such as sewage and waste generated from daily office operations. Among which, greenhouse gases emissions are mainly from the following carbon dioxide emissions: (i) carbon dioxide emissions caused by gasoline combustion by business cars, and (ii) carbon dioxide emissions caused by use of purchased electricity.

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

Indicator	unit	2018 data
Total greenhouse gas emissions ²	Tonnes	822.65
Per capita greenhouse gas emissions	Tonnes/person	2.65
Direct emissions	Tonnes	33.99
Total greenhouse gases generated by gasoline	Tonnes	33.99
Per capita greenhouse gases generated by gasoline	Tonnes/person	0.11
Indirect emissions	Tonnes	788.66
Total greenhouse gases generated by electricity consumption	Tonnes	788.66
Per capita greenhouse gases generated by electricity consumption	Tonnes/person	2.54
Generation of domestic sewage ³	Tonnes	2,554.30
Per capita discharge of domestic sewage	Tonnes/person	8.24
Generation of hazardous waste ⁴	Tonnes	1.33
Per capita generation of hazardous waste	Tonnes/person	0.004
Generation of non-hazardous waste ⁵	Tonnes	2.23
Per capita generation of non-hazardous waste	Tonnes/person	0.007

¹ Based on the statistical scope, the total number of employees at the end of the Reporting Period was 310.

² According to the business characteristics of the Group, the main emission is carbon dioxide contained in the greenhouse gas and relevant emissions data are calculated with reference to the proportion of carbon dioxide produced per unit of energy consumption in the 2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT.

³ Referring to the "National Standard of Urban Sewage Engineering Planning Specification (《國家標準城市排水工程規劃規範》)" the figure was arrived at by adopting 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 paper waste and subscribed newspapers. The toner cartridges of the Group are recycled through re-filling, so substantially little 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 excessive emission caused by excessive use of energy or other resources. The Group is committed to promoting energy conservation and emission reduction within the Group by shaping an environment-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 gasoline-filling services for business vehicles and corporate business vehicles has actively responded to the "The Action Plan on Prevention and Control of Air" issued by the State Council of China. The Group procures qualified (in terms of environmental protection) vehicles and 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' gasoline consumption. 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 has actively used video conferencing systems to reduce the frequency of business trips and made reasonable plans for business-purposed use of cars, conserving resources to a maximum, building an environment-friendly enterprise. The Group designates property inspectors to police or 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 2018. The Group also actively adopted teleconference or video conferencing to reduce the frequency of unnecessary business trips.

Indicator	unit	2018 data
Direct energy consumption	Liter	16,735
Gasoline consumption	Liter	16,735
Per capita gasoline consumption	Liter/person	53.98
Indirect energy consumption	kWh	868,812.5
Office electricity consumption	kWh	868,812.5
Per capita office electricity consumption	kWh/person	2,802.62
Total amount of office copying paper and newspaper	Tonne	2.23
Per capita office copy paper and newspaper consumption	Tonne/person	0.007
Water consumption	Tonne	3,005.06
Per capita water consumption	Tonne/person	9.69
Cartridge consumption	Piece	254
Newly replaced	Piece	116
Filling powder	Piece	138
Per capita cartridge consumption	piece/person	0.82



Different from traditional production enterprises, the Group is mainly engaged in financial services instead of 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 practices 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, disseminate 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 printing of numerous 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 on unused pages. When it is unavoidable to use paper under express requirements, the Group will make full use of recycled papers. The Group also replaced disposable cups with glass cups with the logo of the Group.

The Group has established a corporate system and related notices that in purchasing and applying electrical equipments in the workplace, the Group should comprehensively evaluate 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 at intervals for maximum reduction of electricity consumption. The Group also designates special personnel to to see if all appliances are turned off during non-working hours 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 provided that they can function normally. The Group comprehensively promotes a system of 26 degrees air conditioning in summer and 24 degrees air conditioning in winter. For necessary office 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 prohibits the use of non-office appliances with high-power consumption.



The Group has 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 designate 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 2018.

The Company has established a clear vehicle use system and strictly controls vehicle use through mileage fuel consumption registration. Centralized management and unified deployment of the Company'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 Company are out of use during non-office and holiday periods. Branches of the Company are required to provide proof of out of use vehicle certificates of the Company. The Company 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 Company did not have any environmental service incidents and did not receive any complaints, penalties and sanctions due to environmental pollution.

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 prior notice in accordance with relevant laws and regulations.



1. Composition of employees

Indicator		Unit	2018
Total number of employees		person	549
By gender	Male	person	366
	Female	person	183
By employment type	Contract employee	person	549
	Others	person	0
By age group	Under 30 years	person	180
	31 – 35 years	person	186
	36 – 40 years	person	92
	41 – 45 years	person	38
	Over 45 years	person	53

2. Remuneration and benefits

The employee remuneration of the Group comprises basic salary, bonus, performance-based salary, 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 of the employee. Performance-based salary, which aimed at motivating a salesperson to generate income, is calculated based on performance of a salesperson.

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



3. Actively nurtures and attracts financial talents

The Company explores a variety of recruitment cooperation methods to increase the introduction of talents. During the Reporting Period, the Company recruited 22 fresh graduates from tertiary institutions and 77 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. 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 24 tertiary institution students for training and practice.

In 2018, the Company actively participated in the sixth session of "CFFEX Cup" (中金所杯) financial knowledge contest for national tertiary students and the first "ZCE Cup" (鄭商所杯) undergraduate simulation trading contest held by China Financial Futures Exchanges, Zhengzhou Commodity Exchange and China Futures Association. Actively working with the two tertiary institutions of Shandong University and Shandong University of Finance and Economics, the Company promoted and encouraged students to register through school websites, internal information announcement system, campus talks, etc. A total of over 500 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 maintain 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 maintained 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 response measures, held safety production emergency rescue drills and amended and constantly improved emergency plans. In accordance with the principles of "one post with two 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 November 2018, 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 and production for all employees was also carried out. The safety concept of employees was continuously improved.

Occupational Health and Safety Performance Indicators

	Unit	2018
Number of work-related fatalities	person	0
Number of working days lost due to work-related injuries	day	0

3. Organizing various cultural and sports activities

The Company innovated modes of activities to create a rich and colorful life for the staff. The Company organized employees to participate in the "Zhongtai Securities Second Cultural Performance" held by Zhongtai Securities and won the first prize and the Company was honored as "Excellent Organizational Unit"; the Company's basketball representative team struggled to win the "5th place in the team competition" in the first "Basketball Friendship Match of Shandong Securities and Futures Industry 2018" against the strong opponents; actively participated in the table tennis contest held by Zhongtai Securities; actively participated in the "Badminton Contest for Employees of the Capital Market in Shandong Province", where our players did not fear their strong components and showed the Company's positive spirit; organized activities for celebrating the "March 8" international Women's Day in the form of symposium, touring, fitness activities and others; organized the "I grew up with the Company" and "Victory lies in execution and responsibility-consciousness" theme essay competition; actively organized "Employee Reading Month"; in the late autumn, carried out the "Energetic Fitness Strengthen Your Will and Make a New Era of Meritorious Service" theme walking activity, and deepened the awareness of employees to make meritorious service at their posts; broadened the channels for employees to contribute their comments and proposals. The Company seriously carried out the rationalization proposal collection activities titled "I offer suggestions for the Company's Development", listened to the voice of employees at various business lines who actively contributed suggestions for the Company's better development. More than 60 rationalization proposals were received. This further mobilized the work enthusiasm and initiatives of the employees of the Company, giving full application of the roles of employees as a master in the development of the Company.



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 entry level 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 100 internal trainings, including new businesses and new varieties, information technology, asset management, options, risk management, compliance, risk control, new employee training. The training centered on the work needs of employees and the needs for business development. Certain staff were selected by the Company to participate in more than 50 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 test-driven approach was used to organize employees to learn the Company's rules and regulations and get tested and conduct daily training and tests for more than 50 times on the E-learning platform at a frequency of once a month initially to at least once a week subsequently, so that employees were more impressed with training content during a period of time; secondly, the online and offline courses were organically combined to focus on developing new varieties and train key varieties; 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 2018, the number of classes was 55,527 and total study time was over 30,000 hours. The situation was significantly improved compared with that of the end of 2017 where the number of classes was 51,903 and the total study time was over 20,000 hours. The Company organized 151 micro-courses. 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	2018
Percentage of trained employees by gender	Male		%	66.7
	Female		%	33.3
Percentage of trained employees by employee category	Senior management		%	2.3
	Middle management		%	13.1
	Entry level employees		%	84.6
Average number of training hours per employees by gender	Male		hours/person	45.63
	Female		hours/person	46.35
Average number of training hours per employees by employee category	Senior management		hours/person	24
	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 forced labor, and provides employees with reasonable holidays. During the Reporting Period, the Group was not aware of any incidents of non-compliance with labor standards such as hiring child labor and forced labor.



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 is fair and just when conducting procurement activities. In the selection of partners, the Group would fully consider the business reputation of suppliers and whether they had any illegal acts, non-compliance and significant legal disputes in the past, and at the same time, conduct effective qualification assessment on suppliers against specific standards 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 its social responsibility as a corporate citizen, 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 stipulated 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 separated from 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 the safety of customers' funds can be effectively guaranteed.

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 formulated the "Investor Education System (《投資者教育制度》)" pursuant to the "Guidelines for Futures Investors Education (《期貨投資者教育工作指引》)" and "Regulations on the Appropriateness of Securities and Futures Investors (《證券期貨投資者適當性管理辦法》)", and 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 investor appropriateness management and investment education of investors. Through organizing relevant trainings and examinations, the Company has enhanced the ability of its branches to effectively implement the management of investor appropriateness and customer transaction behavior.



In 2018, the Company organized 68 investor education activities, guiding more than 3,400 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 more than 200 video conferences, guiding staff to effectively carry out relevant work on investor education and investors appropriateness management. The Company promoted investor education and protection work among young people in two tertiary institutions, namely Shandong University and Shandong University of Finance and Economics, for seven 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 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 satisfying 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 2018, 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 2018, the Company handled a total of 9,709 customer phone calls, 3,330 customer return visits, with customer satisfaction rate reaching 97%. The Company has conducted follow-up monitoring for phone calls of showing dissatisfaction from customers, and timely rectified issues caused by customer service staff's improper handling of problems, in order to prevent re-occurrence of issues. At the same time, based on the questions raised by customers, the Company has analyzed customers' behavior habits, and summarized customers' FAQ, 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 anti-corruption policies, developed anti-money laundering internal control system, and formulated 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 and Customer Identity Data and Transaction Record Keeping of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司客戶身份識別和客戶身份資料及交易記錄保存管理辦法》), 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 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》), 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 Branches of LUZHENG FUTURES Company Limited (《魯証期貨股份有限公司分支機構反洗錢工作指引》). 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 Company has strictly implemented the responsibility for building Party's moral integrity, and strengthened the sense of clean duty-discharging for all levels of employees. The Group has effectively integrated the prevention and mitigation of ideological and moral risks, position-related duty risk, business procedure risk and systematic mechanism risk into daily operational management, signing a letter with members of management to earnestly fulfill their "one post with two responsibilities" in building the moral integrity. We have developed and improved the track record on the moral integrity of the management personnel at all levels, and formed a mechanism for all levels of personnel to implement the responsibility for moral integrity-building, constantly enhancing the penetration of prevention and control of corruption risk. The Company has strengthened the supervision and inspection on key areas such as expenditure, selection and employment, key procedures and important positions. The Company has strengthened the moral integrity supervision mechanism, developed and improved the series of work systems for party's integrity, improved the work process of supervision and discipline, and expanded the channels for receiving letters and visits.



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

B8 Community investment

In 2018, 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. The Group signed a pairing assistance agreement with Huachuan County of Heilongjiang Province in 2016, and signed pairing assistance agreements with two national poverty-stricken counties, namely Yanchang County of Shaanxi Province and Mengla County of Yunnan Province in 2017. In 2018, the Group signed the "Precision Poverty Alleviation Memorandum" with the People's Government of Yanchang County, Shaanxi Province once again, a pairing assistance agreement with the People's Government of Marki County of Xinjiang, and successfully hosted the 14th China (Shenzhen) International Derivatives Forum – Precision Poverty Alleviation and Social Responsibility.

In terms of professional poverty alleviation, in 2018, the Group extended the "insurance + futures" corn pilot program to the whole county of Huachuan County, Heilongjiang Province, and provided guarantee services for the local corn plantation of 40,000 mu (output of 240,000 tons), with a premium of RMB12.9 million, making Huachuan County the first pilot county to be wholly covered by the "insurance + futures" project in China; further expanded the "order + insurance + futures" rubber precision poverty alleviation pilot project in Mengla County, covering a quantity of 4,000 tonnes and a planting area of 40,000 mu with a total premium of RMB2.62 million. In the end, the pilot project provided a total of indemnification of RMB3,613,900.

In terms of industrial poverty alleviation, in 2018, the Group once again provided industrial assistance funds of RMB350,000 to Yanchang County.

In terms of education poverty alleviation, in 2018, the Group participated in the "Pomegranate Seed Plan Special Training for Early Childhood Education backbone Teachers (Marki)" organized by the China Securities Regulatory Commission, the Broadcasting and Hosting Practice and Exercise Base of National Radio and Television Administration, and the People's Government of Marki County of Xinjiang, and donated RMB400,000 for assisted nurturing of backbone teachers in early childhood education in Marki County of Xinjiang; Zhongtai Securities (a joint controlling shareholder of the Company) launched the "Vocational Skills Training for Poverty-stricken Students" project to help registered poverty-stricken students to receive three-month vocational skills training at Shandong Lanxiang Technician College.

In terms of consumer poverty alleviation, in 2018, the Group purchased special agricultural products from Huachuan County of Heilongjiang Province and Yanchang County of Shaanxi Province for a total of about RMB800,000.



4. INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE INDICATORS


Major scopes, aspects, general disclosures and key performance indicators		Disclosure
Scope 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



Major scopes, 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



Major scopes, 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
Scope 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



Major scopes, 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



Major scopes, 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 scopes 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 scope	3. Social B8 Community Investment



LUZHENG FUTURES COMPANY LIMITED
魯証期貨股份有限公司