



ZHONGTAI FUTURES Company Limited
中泰期貨股份有限公司

(Formerly known as LUZHENG FUTURES Company Limited)
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code : 01461)



2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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DEFINITION

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| “Articles of Association” | the Articles of Association of ZHONGTAI FUTURES Company Limited |
| “Board of Directors” or “Board” | the board of Directors of the Company |
| “CG Code” | Corporate Governance Code set out in Appendix 14 of the Listing Rules |
| “China”, “PRC or country” | the People’s Republic of China, for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Company” or “ZHONGTAI FUTURES” | ZHONGTAI FUTURES Company Limited (中泰期貨股份有限公司) (formerly known as LUZHENG FUTURES Company Limited (魯証期貨股份有限公司)), a company reorganized in the PRC on 10 December 2012 with limited liability (including its predecessor Shandong Quaxin Futures Brokerage Co., Ltd. (山東泉鑫期貨經紀有限公司), which was renamed as Luzheng Futures Brokerage Co., Ltd. (魯証期貨經紀有限公司), and then renamed as LUZHENG FUTURES CORPORATION LIMITED (魯証期貨有限公司)), and its H Shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01461) |
| “Company Law” | the Company Law of the People’s Republic of China |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Director(s)” | the director(s) of the Company |
| “general meeting(s)” | general meeting(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |

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| “Luzheng Capital” | Luzheng Capital Management Co., Ltd. (魯証資本管理有限公司), previously known as Luzheng Trading Co., Ltd. (魯証經貿有限公司), the Company’s wholly-owned subsidiary established in the PRC with limited liability on 24 April 2013 |
| “Luzheng Information Technology” | Luzheng Information Technology Co., Ltd. (魯証信息技術有限公司), the Company’s wholly-owned subsidiary established in the PRC with limited liability on 15 February 2015 |
| “PBOC” | People’s Bank of China |
| “Rules of Procedure of General Meeting” | the Rules of Procedure of General Meeting of ZHONGTAI FUTURES Company Limited |
| “Rules of Procedure of the Board of Directors” | the Rules of Procedure of the Board of Directors of ZHONGTAI FUTURES Company Limited |
| “Rules of Procedure of the Supervisory Committee” | the Rules of Procedure of the Supervisory Committee of ZHONGTAI FUTURES Company Limited |
| “Rules of Procedures for the General Manager” | the Rules of Procedures for the General Manager of ZHONGTAI FUTURES Company Limited |
| “RMB” | the lawful currency of the PRC |
| “Shareholder(s)” | the holder(s) of the Share(s) of the Company |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |
| “Working Rules of the General Manager” | the Working Rules of the General Manager of ZHONGTAI FUTURES Company Limited |
| “Zhongtai Securities” | Zhongtai Securities Co., Ltd. (中泰證券股份有限公司), previously known as Qilu Securities Co., Ltd. (齊魯證券有限公司), a company established in the PRC on 15 May 2001 with limited liability, and listed on Shanghai Stock Exchange on 3 June 2020 (stock code: 600918), 46.37% of which is owned by Laiwu Steel Group Co., Ltd. (萊蕪鋼鐵集團有限公司), and being one of the controlling shareholders of the Company |

I. ABOUT THIS REPORT

(I) Introduction

This Environmental, Social and Governance Report (the “Report”) discloses the relevant environmental, social and corporate governance initiatives adopted by the Group and their performance during the business operation in the PRC. The contents and data disclosed in the Report have been considered and approved by the Board of Directors.

(II) Statement of the Board

The Board supervises various environmental, social and governance issues, including assessing and identifying the Company’s risks and important issues related to environmental, social and governance. Meanwhile, the Board actively promotes the disclosure of environmental, social and governance information and the Company submits an environmental, social and governance report to the Board for consideration every year. The Board and all Directors guarantee that the contents of the Report do not contain any false information, misleading statements or material omissions.

(III) Reporting Scope

The time frame of the Report is from 1 January 2021 to 31 December 2021 (the “Reporting Period”). The Report is published annually. The last report was published in July 2021. In the sections of social and governance, the scope of the Report is the same as that of the annual report. In the environmental sections, based on the importance of the environmental impact of business operation, the scope of data covers the headquarters of the Company, Luzheng Capital and Luzheng Information Technology, which accounted for approximately 53.28% of total number of employees of the Group.

(IV) Basis of Preparation

The Report has been prepared by the Company in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules issued by the Hong Kong Stock Exchange in order to disclose the Company’s comprehensive performance of actively fulfilling its social responsibilities while creating value for shareholders and customers. The Company has complied with all the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide.

(V) Source of Data

The financial data in the Report were extracted from the 2021 Annual Report of the Company, and other data and information were extracted from various internal documents, records and statistics of the Company, and there are no false records, misleading statements or material omissions.

(VI) Release Format

The Report is published in PDF electronic format on the HKEX news website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company’s website (www.ztqh.com).

II. ABOUT THE COMPANY

(I) Company Profile

The Company is a large futures company established with approval of the CSRC, and controlled by Zhongtai Securities. Headquartered in Jinan, Shandong, the Company currently has a registered capital of RMB1.0019 billion, more than 500 employees, 9 branches, 21 sales offices, a wholly-owned risk management subsidiary Luzheng Capital, a wholly-owned information technology subsidiary Luzheng Information Technology and a wholly-owned Hong Kong subsidiary Luzheng International Holding Limited. These together with the branches of Zhongtai Securities across the country formed a service network covering the whole country. The business scope of the Company covers commodity futures brokerage, financial futures brokerage, futures investment consulting and asset management. It owns trading seats of Shanghai Futures Exchange (上海期貨交易所), Dalian Commodity Exchange (大連商品交易所), Zhengzhou Commodity Exchange (鄭州商品交易所), Shanghai International Energy Exchange Co., Ltd. (上海國際能源交易中心股份有限公司) and China Financial Futures Exchange (中國金融期貨交易所), and also serves as a general clearing member of China Financial Futures Exchange, a member of the second, third, fourth and fifth sessions of the council of China Futures Association and the chairman of Shandong Futures Association. The Company always adheres to the business philosophy of “control of compliance risks, the benefits of customers, the value of talents, innovation and development are paramount” and is gradually strengthening the necessary functions and positioning of financial intermediaries. It regards serving real economic entities and financial institutions as a strategic focus of its business development, continuously improving its ability and level of serving the real economy.



On 7 July 2015, the Company was listed on the Main Board of the Hong Kong Stock Exchange, becoming the first listed company in the Chinese futures industry and the first company listed on the Hong Kong Stock Exchange that focuses on futures as well as the first listed financial company in Shandong Province.

The Company has an efficient and pragmatic business management team daring to innovate, and an experienced and sophisticated professional service team. The Company will leverage on these two teams to reward its customers with sincere and high-quality service, give impetus to the industry’s progress and development of local economy through solid work, striving to build itself into an inspiring modern financial enterprise with cultural charm.

Brokerage Business

Adhering to the core service concept of “customer-centric”, the brokerage business of the Company integrated its resources to make full use of its comprehensive advantage and meet the needs of different types of customers for diversified investment services, and gain customers’ trust through trustworthy services. The Company provides comprehensive trading, settlement and delivery services, and provides agency settlement services for trading members of the China Financial Futures Exchange and special overseas participants. Customers’ deposits are fully deposited in the registered special deposit account for customers’ deposits with dedicated usage and closed operation to ensure the absolute safety of customers’ funds.

The Company’s brokerage business includes commodity futures, commodity options, financial futures and financial options brokerage businesses, and acts as an agent for futures and options contracts listed on the Zhengzhou Commodity Exchange, Dalian Commodity Exchange, Shanghai Futures Exchange, Shanghai International Energy Exchange Co., Ltd. and China Financial Futures Exchange, as well as stock options contracts listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange and their corresponding underlying physical commodities.

The Company strives to continuously enhance its research capabilities, adheres to technology driven development, and deeply expands its Internet operation model, integrates brand promotion, user operation, investor education and Internet services online to provide customers with a full range of services. The Company ranks first in the market in terms of accumulative trading volume of stock options on the Shanghai Stock Exchange.

Futures Investment Consulting Business

The Company assists clients in establishing risk management systems and operational processes based on their engagement, and provides risk management consultancy services such as risk management consulting and special training; collects and collates futures market information and various types of related economic information, conducts research and analysis of prices and their relevant affecting factors in the futures market and related spot markets, and produces and provides research and analysis reports or information research and analysis services; and designs hedging, arbitrage and other investment plans for clients, provides trading advisory services such as formulation of futures trading strategies, and carries out other profit-making activities.

Asset Management Business

The Company establishes and acts as the manager of private asset management plans by non-public fund raising or by accepting property entrustment, and the custody institution acts as the custodian and conducts investment activities for the benefit of investors in accordance with laws and regulations and the provisions of asset management contracts.

Risk Management Business

The Company offers risk management services, mainly including over-the-counter derivatives, market-making business, basis trading, warehouse receipt services, cooperative hedging and other business related to risk management through its wholly-owned risk management company Luzheng Capital. Using the futures and options and other derivatives, the Company provides price risk management, inventory management, and supply chain finance for enterprises engaged in production, trading and processing of goods on different industrial chains. At the same time, subject to honest and trustworthy and prudent operation principles, it has been keen on exploring and innovating risk management models and improving its risk management capability in the course of business, providing strong support to the healthy business of real economic entities. Luzheng Capital is among the leading players in the derivatives industry. In addition, the Group is among the leading players in terms of construction of IT system, etc.

The Company aims to use futures and derivative tools to provide competitive specialized services and risk management solutions, create sustainable value for its customers, and realize the China's dream of capital markets.

(II) Recognitions and Honours



The Company was honored with “China’s Best Futures Company Award”, “China’s Futures Company Management Team Gold Award”, “Best Commodity Futures Industry Service Award (Metal, Agricultural Products, Energy and Chemical)”, “Best Financial Futures Service Award”, “Best Precision Poverty Alleviation and Public Welfare Award”, “Best Risk Management Subsidiary Service Innovation Award”, “Investor Education Model Innovation of the Year Award”, “Best Financial Technology Progress Award”, “Best Derivatives Comprehensive Service Innovation Award”, “Best Corporate Contribution Award for Futures Talent Training” and “China’s Golden Futures Research Centre” in the 14th selection of best futures operation institutions in China;

The Company was awarded the title of “National Securities and Futures Investor Education Base” by the CSRC;

The Company was awarded the “Excellent Case of Financial Services for Small and Medium-sized enterprises” by the China SME Investment & Finance Expo;

The Company was awarded the title of “Socially Responsible Enterprise of Shandong” and “March 15 Integrity Financial Brand” by Dazhong Daily Newspaper Newspaper;

The Company was honored with the title of “Socially Responsible Financial Organisation of 2021” by hexun.com;

The Company was honored with titles of “Outstanding Member Platinum Award”, “Risk Management Service Award” and “Technology Management Award” by China Financial Futures Exchange;

The Company was awarded the “Excellent Member Gold Award”, “Excellent OTC Market Construction Award”, “Excellent Technical Service Award”, “Excellent Industrial Service for Agricultural Product Award”, “Excellent Iron and Steel Raw Material and Fuel Industry Service Award” and “Excellent Institution Service Award” by Dalian Commodity Exchange;

The Company was awarded the “Excellent Member Gold Award”, “Market Advancement Award”, “Steel Industry Service Award”, “Non-ferrous Industry Service Award”, “Previous Metal Industry Service Award”, “Energy and Chemical Industry Service Award” and “Option Market Service Award” by Shanghai Futures Exchange;

The Company was awarded the titles of “Excellent Member for Market Growth”, “Excellent Member for Industrial Service”, “Talent Training Award”, “Technical Support Award”, “Service Award for Agricultural Industry”, “Service Award for Textile Industry”, “Outstanding Project Award”, “Outstanding Organization Award for the 4th ‘ZCE Cup’ National Financial Simulated Trading Competition for University Students”, “Outstanding Organization Award for the 2021 ZCE Simulated Option Trading Competition” and “ZCE Outstanding Option Investment Education Project” by Zhengzhou Commodity Exchange.

(III) Key Stakeholders

In forming the environmental, social and corporate governance management system and implementing environmental, social and corporate governance responsibilities, the Group recognizes the importance of maintaining good communication with its stakeholders. To this end, the Group has determined five channels for communication with its key stakeholders to ensure the effective communication of expectations and request between the Group and its stakeholders. In addition, the Group has also evaluated the concerns of various stakeholders on its social and corporate governance performance during the actual business operation.

| Key stakeholder | Communication channel | Concern |
|---------------------------------------|--|---|
| Government and regulatory authorities | Regular communication and reports Information disclosure Policy implementation Participation in government research activities | Compliant operation Corporate governance Risk management Anti-money laundering Honest practice |
| Shareholders and investors | General meetings Information disclosure Investor visits and other exchange activities Telephone, e-mail, Company website, etc | Corporate governance Profitability Stable operation Protection of investors' rights and interests Information disclosure Risk prevention and control |
| Employees | Employee general meetings Seminars Employees' training E-learning platform Employee recreational activities Employee care activities | Remuneration and benefits Employees' rights and interests Training and enhancement Health and safety Employees' life Customers |
| Customer visits | Visit and presentation Customer complaint hotline Investor education activities Customer satisfaction survey Customer service and complaints Mobile App | Serving the real economy Information security Customer privacy protection Investor education Financial technology |
| Community and the public | Charitable activities Poverty alleviation projects Voluntary activities | Social welfare Green operation Green finance Poverty alleviation Rural revitalization |

III. GOVERNANCE

(I) Corporate Governance

Sound corporate governance is the foundation of sustainable corporate development. As an overseas listed public company, the Company has always been committed to improving the level of its corporate governance and regards corporate governance as an integral part of creating value for its Shareholders. With reference to the Company Law and the code provisions set out in the CG Code, the Company has formulated a series of rules and regulations, including the Articles of Association, the Rules of Procedure of General Meeting, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Supervisory Committee, the Rules of Procedures for the General Manager and its list and the Working Rules of the General Manager, which clarify the terms of reference and working procedures of the general meeting, the Board of Directors, the Supervisory Committee and the senior management. A modern corporate governance structure, comprising of the general meeting, the Board of Directors, the Supervisory Committee and the senior management, has been established by the Company, each of whom operates independently and keeps effective balance and check of power. Each operating unit is allowed to perform their respective duties under respective terms of reference, which enhances the governance efficiency of the Company and ensures standardized operation of the Company. As of the end of the Reporting Period, the Company's organizational chart is set out as follows:



1. Operations of the Board and the Supervisory Committee and general meetings

- | | |
|-----------------------|--|
| General meeting | <ul style="list-style-type: none">• The general meeting is the supreme authority of the Company, and the Company convenes and holds the general meetings in strict compliance with the Articles of Association, the Rules of Procedure of Shareholders' General Meeting and other relevant requirements to ensure that all Shareholders can enjoy equal positions and fully exercise their rights. |
| Board | <ul style="list-style-type: none">• The Company has formulated the Terms of Reference of Independent Directors to ensure that the independent Directors are able to safeguard the legitimate rights and interests of the Company and its Shareholders in an independent and objective manner.• The Board has a diversity policy and the selection of Directors will be based on factors including, but not limited to, gender, age, cultural and educational background, ethnicity, industry experience, technical and professional skills and/or qualifications, knowledge, length of service, etc.• The Board has established the Strategic Development Committee, the Risk Control Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee. Each special committee performs its own duties and responsibilities to promote the efficient, scientific and standardized operation of the Company. |
| Supervisory Committee | <ul style="list-style-type: none">• The Supervisory Committee is accountable to the general meeting and effectively supervises the Company's finances as well as the legal compliance of the Board and the senior management in discharging their responsibilities. The Company adheres to and improves the mechanism of employee representative Supervisors, and the Supervisory Committee includes three employee representative Supervisors to enable the orderly participation of employee representatives in the governance of the Company. |

2. Composition of the Board and Meetings of the Board and the Supervisory Committee and general meetings in 2021

| | |
|--|--|
| Composition of the Board | <ul style="list-style-type: none">• The Board has 9 Directors• 2 executive Directors• 7 non-executive Directors• 3 independent non-executive Directors |
| Meetings of the Board and the Supervisory Committee and general meetings | <ul style="list-style-type: none">• 1 general meeting• 13 Board meetings• 11 meetings of the special committees under the Board• 3 meetings of the Supervisory Committee• A total of 94 proposals were considered and reviewed |

For further details on corporate governance, please refer to the section headed “Corporate Governance Report” in the 2021 Annual Report of the Company.

3. Information disclosure management

The Company has formulated a series of rules and measures such as the “Information Disclosure Management Measures”, “Emergency Management Measures for Information Disclosure Emergencies” and “Insider Information Management System”, actively performs its information disclosure responsibilities, continuously improves the information disclosure work system, strengthens the management of information disclosure matters, enhances the quality of information disclosure, regulates the management of information disclosure matters of the Company, discloses information in a true, accurate, complete and timely manner, and continuously improves the transparency of the Company.

4. Comparison of main financial indicators

| Item | 2020 | 2021 | Increase or decrease compared with the same period last year |
|--|----------|-----------|--|
| Operating revenue (RMB100 million) | 4.89 | 7.49 | 53.31% |
| Profits before income tax (RMB10,000) | 9,789.00 | 27,049.40 | 176.32% |
| Net profit attributable to Shareholders of the Company (RMB10,000) | 5,683.40 | 20,435.50 | 259.56% |
| Net assets per share (RMB) | 2.24 | 2.42 | 8.04% |



(II) Compliant and Stable Operations

During the Reporting Period, the Company demanded strict implementation of the fundamental requirements for risk prevention and control in the business process, risk management and internal control. By building up compliance and risk control forces, it optimized the compliance risk management mechanism, and urged disposal and resolution of risks, made good use of various tools such as risk limit management and public opinion monitoring, and rigorously enforced internal controls. All these have produced positive results.

1. Improving the compliance and risk management system

(1) Continuously strengthening the development of compliance and risk control system

The Company continuously improves its compliance and risk management system and optimises its organisational structure. Since 2020, the Company has formulated or revised more than 20 rules and procedures relating to comprehensive risk management, compliance and risk control performance assessment, compliance and risk control personnel management, compliance and risk control management of subsidiaries, as well as anti-money laundering, legal affairs and monitoring of unusual transactions on exchanges, which significantly strengthened the compliance and risk management and internal control system. The Company continuously optimises its organisational structure and divides its business units for compliance control, thereby further enhancing the refined management of compliance and risk control.

(2) Continuously improving the comprehensive risk management system

The Board is the highest decision-making body for comprehensive risk management; the Supervisory Committee supervises and inspects the performance of duties and responsibilities of the Board and the senior management in respect of comprehensive risk management and urges rectification; the senior management is specifically responsible for the implementation of risk management; a chief risk officer is appointed to organise, coordinate and implement comprehensive risk management and is provided with adequate support for its performance of duties; a compliance and risk control department and an audit department are set up to perform various comprehensive risk management duties under the leadership of the chief risk officer; and other departments, branches and subsidiaries are responsible for the identification, analysis, assessment, monitoring and reporting of all types of risks associated with relevant business.

2. Paying attention to anti-money laundering and fulfilling its anti-money laundering obligation

In strict accordance with relevant requirements of the national anti-money laundering laws and regulations, regulatory rules, and the “Anti-money Laundering Internal Control System” of the Company, and upholding the “Risk-based” working philosophy, the Company did various anti-money laundering work in a systemic way, earnestly fulfilled its statutory obligation in relation to customer identification, classification of risks of money laundering by customers, reporting of large amount and suspicious transactions, preserving of anti-money laundering documents, etc., continuously optimized the Company’s anti-money laundering assessment mechanism, and specified that anti-money laundering to be considered when it comes to performance-appraisal and accountability. Through continuous improvement of the organisational structure and working strategy for money laundering risk management, the Company’s anti-money laundering organisation is functioning well and the level of money laundering risk management has been steadily improved.

The Company collects, administers and preserves customer identification information and transaction records through account management system and counter system. It has an “anti-money laundering compliance management system” to ensure steady and systemic anti-money laundering of the Company.

During the Reporting Period, in accordance with the relevant requirements of the Guidelines on Self-Assessment of Money Laundering and Terrorism Financing Risks for Financial Institutions of the People’s Bank of China, the Company has formulated the Implementation Rules for Self-Assessment of Money Laundering Risks to make comprehensive adjustments to the system processes and assessment system in relation to self-assessment of money laundering risks, and further improve the Company’s analysis, research, judgement and assessment mechanism of internal and external money laundering risks.



3. Combating corruption

For the purpose of serving economic development, the Company imposed stringent supervision, urged compliance with laws, took preventive measures and ensured integrity, thereby providing strong supervisory assurance to promoting compliant operation, honest practice and law-abiding undertaking. During the Reporting Period, the Company’s employees complied with relevant laws and regulations and did not violate any laws relating to anti-corruption and were not involved in any corruption litigation.

(1) Assuring performance of responsibilities on the Party’s moral integrity

The Company signed “Statement of Principal Responsibility for an All-out Effort to Enforce Strict Party Discipline” and “Statement of Principal Responsibility for ‘one post with two responsibilities’ in Building the Party’s Moral Integrity” and “Statement of Principal Responsibility for Supervision in Building the Party’s Moral Integrity” with employees within the Company from top down. In other words, the person who is in charge will be held accountable, each level of responsible personnel has his/her defined duty of implementing anti-corruption on those employees under his/her authority. It also established integrity files for employees at the mid-level deputy level or above; organises newly recruited, transfered and promoted employees to sign an undertaking of honest practices.

(2) Strengthening warning and education on the Party's moral integrity

The Company maintained integrity warning and education on a monthly basis. More than 1,700 people were arranged to watch 12 anti-corruption warning and educational films; it held class under the theme of the Party's moral integrity, visited the Shandong Provincial Integrity Warning Education Museum and the Licheng District Party History Memorial Museum to carry out on-site warning and education on the Party's moral integrity, and strictly implemented the pre-appointment integrity interview system for cadres.

(3) Strengthening supervision, discipline enforcement and inspection capabilities

The Company persisted in utilizing the advantages of "comprehensive supervision" management, carried out regular supervision, discipline enforcement and inspection, and found no violation of the spirit of the Eight-point Regulation of the Centre; focused on important festivals and periods of time, and handed out printed notices regarding anti-corruption during festivals; organized self-examination and self-inspection of all staff for drink driving, intoxicated driving, pegging qualifications, receiving disability allowance and receiving low income support; adhered to the practice of regular disciplinary inspection meeting, shared and interpreted Party disciplines and policies, requirements for clean Party conduct and cases of violations of disciplines, enhanced the duty-discharging ability to conduct supervision and inspection.

4. Paying attention to the protection of intellectual property rights

The Company strictly abides by the "Advertising Law of the People's Republic of China", "The Trademark Law of the People's Republic of China" and "Interim Measures for Internet Advertising Management". Its product promotion and propaganda are done in line with relevant regulations. It uses relevant laws to protect its legitimate rights and interests. The Company respects and protects intellectual property rights, and uses authorized software and hardware products within the scope stipulated by the contracts. It attaches importance to preventing the risks of infringing intellectual property rights in business development and management. No material intellectual property rights infringement was noted in the Reporting Period.

5. Strengthening the security management of funds

Pursuant to regulatory requirements such as the Administrative Regulations of Futures Trading (《期貨交易管理條例》) of the State Council of China, the Administrative Measures for the Supervision 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 of Funds (《資金管理辦法》), the Administrative Measures on Safe Depositing of Customer Margins (《客戶保證金安全存管管理辦法》), the Administrative Measures on the Investments and Implementation of Self-owned Funds (《自有資金投資實施管理辦法》) and other internal control policies.

6. Maintaining the information technology system security

Pursuant to regulatory requirements such as the Administrative Regulations of Futures Trading (《期貨交易管理條例》) of the State Council of China, the Administrative Measures for the Supervision of Futures Companies (《期貨公司監督管理辦法》) and the Administrative Measures 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 Systems for Information System Safety (《信息系統安全管理制度》), the Administrative Measures for the Safe on-line Trading (《網上交易安全管理辦法》) and Emergency Plan for Network Security Incidents (《網絡安全事件應急預案》) to ensure the safe and stable operation of the Company's core business system and customer trading system.

7. Financial technology empowering digital transformation

The Company attaches great importance to using the information technology to push and support business development, and specified "customer-centric" theme that information technology serves business and internal efficiency, it continued to make efforts in financial technology empowering. The IT Governance Committee is responsible for formulating and reviewing plans in relation to financial technology application development; as the information technology subsidiary, Luzheng Information Technology provides technical support for financial technology applications and digital transformation by developing innovation capabilities; and the Company has worked out mid- and long-term plans for information technology to set the development direction for financial technology and promote the actual application of financial technology.

8. Financial technology application results

- Mobile sales hall and investment research center
 - Based on innovative technologies such as face recognition and electronic signature, ZHONGTAI Futures Mobile Application (“APP”) allows customers to get 12 types of services on-line such as account activation, password deletion, maintaining of settlement bank cards. These services are available on mobile phones and improved customer service experience.
 - The investment research center enables online publication and subscription of research results such as research reports and investment strategies of the Company, providing customers with diversified services such as intelligent investment reference and dynamic market analysis. The investment research center focuses on the three elements of “customer, product and value”, and establishes a personalised customer labelling system through the analysis of customer data to ultimately provide customers with accurate information.
- Automatic operation and maintenance and RPA system construction
 - The application of the automatic operation and maintenance system enables the automation and visualization of operation and maintenance management, and also improves the efficiency of operation and maintenance, greatly reduces the safety incidents caused by human misoperation, thus improving the overall operation and maintenance management capabilities, and strongly supporting the stable operation of the Company’s information system.
 - RPA technology (robot process automation), an important element of fintech artificial intelligence, is widely used in the Company’s business processes, which not only improves the efficiency and quality of work and avoids human errors, but also achieves positive benefits in terms of both time efficiency and manpower investment, thereby improving the overall operational efficiency and customer satisfaction of the Company.
- Middle platform of business and big data construction
 - The business middle platform is a customer-centric uniform business middle-office system, which enables a uniform account, uniform operation, uniform process, uniform internal control, uniform approval, or the “five uniforms”. It also effectively solves the business separation of the information system, achieves a high degree of unification and coordination of various services, and supports quick response to the actual needs of customers, thereby enhancing the business operation efficiency and improving service quality.

- 
- The development of big data platform realizes data assetization, improves the data sharing, provides more efficient and standard data interface support standards for various upper-level data queries, data analysis, etc. Through data management and establishment of business models, it enables the visual presentation of various types of business data, helps business managers to quickly and comprehensively understand various types of business data, improves the Company's business analysis and evaluation capabilities, and enhances the efficiency and accuracy of business decisions.

Construction of one platform
with two APPs

- The application of the automatic operation and maintenance system enables the automation and visualization of operation and maintenance management, and also improves the efficiency of operation and maintenance, greatly reduces the safety incidents caused by human misoperation, thus improving the overall operation and maintenance management capabilities, and strongly supporting the stable operation of the Company's information system.
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OTC Business Management
System

- Since its launch, the OTC Business Management System independently developed by the Company has effectively supported the rapid development of OTC business through continuous iterations of the system, achieved favourable social and economic benefits, and gained extensive recognition from industrial customers. Through the continuous improvement of system functions, it has enabled the systematic and standardized operation of OTC business and enhanced market efficiency, and has now become the most comprehensive professional system in the market. The OTC Business Management System, which has its own intellectual property rights, won the third prize of the 2020 Financial Technology Development Award by the People's Bank of China, with Zhongtai Futures being one of the only two futures companies to win such award.

9. Paying attention to the protection of investors' rights and interest and organizing various investor education activities

The Company strictly implemented the regulatory requirements for investor education and actively carried out investor education work. It fully utilised the advantages of its investor education base, innovated the form of investor education work and disseminated futures knowledge through a combination of “online + offline” methods, thereby actively contributing to the stable development of the capital market.

The Company's investor education base has given full play to its advantages and actively organised and carried out a variety of investor education activities. “Investor education caravan”, “Life of Rice Farming Experience”, “Promoting Futures Knowledge in Campus”, “Investor Education Bus”, New Year's Eve Dinner on Futures Varieties, 2021 Shareholders' Visits and other activities have achieved good results in raising public awareness. The investor education base increased cooperation with exchanges, associations and local regulatory authorities, and actively organized various propaganda activities such as “Anti-money Laundering”, “Month of Propaganda Against Illegal Fund-raising” and “Month of Propaganda About Financial Knowledge”. In order to spread futures knowledge and cause incorporation of investor education into the national education system, the Company successfully cooperated with various universities for academic credit courses, actively partnered with universities to participate in the “ZCE Cup” national financial simulated trading competition for university students and achieved excellent results, carried out investor education and protection work for younger generation and further enhanced the penetration, radiation and influence of investor protection.

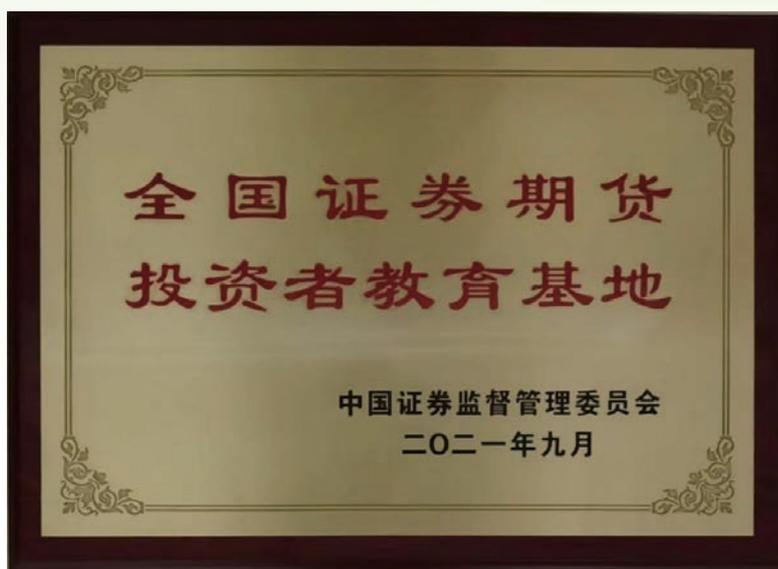


Investor education mobile classroom – Investor education bus



Investor education caravan carried out 100 promotional activities in eight cities

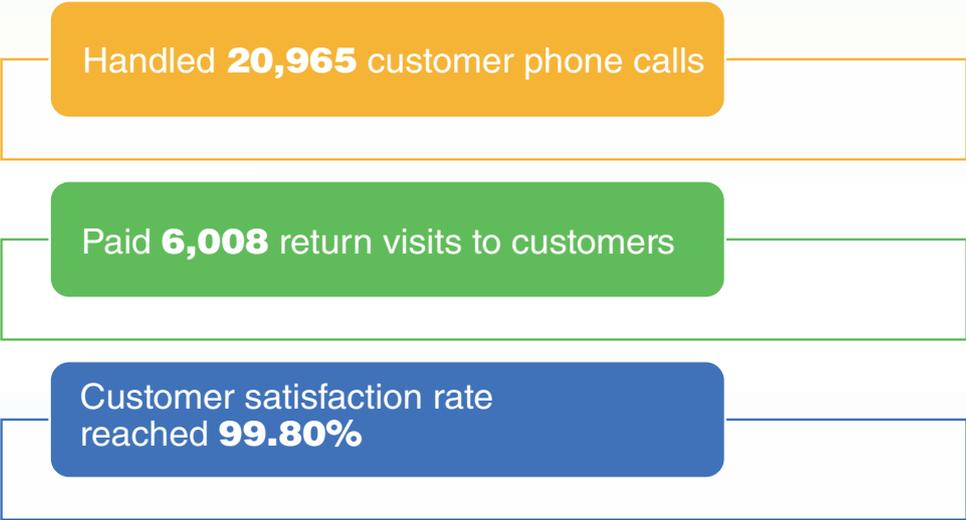
In September 2021, the Company's investor education base was awarded the "National Securities and Futures Investor Education Base" by the CSRC. The Company actively plays its role as an investor education base, always adheres to the principles of public welfare, professionalism, and characteristics, and tries to make its investor education more objective and professional and in line with customer needs. These efforts allow investors to acquire futures knowledge in a concentrated, systematic, continuous and convenient manner, understand investment risks and risk prevention measures, know their rights and obligations, and enhance self-protection capabilities, thereby increasing investors' risk awareness and fostering a rational and healthy investment culture.



10. Optimizing the customer service system to enhance customer satisfaction

The Company adheres to focus on satisfying customers' needs. It optimized its supporting system for customer services, improved its customer service systems, and enhanced its customer services capability, optimized its business procedures and strengthened business innovation to provide diversified services to customers in line with customers' needs and for the purpose of asset allocation.

The Company proactively promotes the transformation of Internet business, vigorously developed the application of financial technology in customer acquisition and service, and built an online customer service system; develops a customer service system in customers' consultation, return visits and services. By prioritizing customer needs, it provides customers with high-quality services and solves customer problems in a timely manner. Through communication with customers, we constantly optimize the Company's system and procedures to create a customer-centric service system.



IV. ENVIRONMENTAL

The Group is a low-energy-consumption financial enterprise with slight pollution. The main impacts on the environment in the ordinary course of business of the Group are the consumption of paper, electricity and water and the emission of automobile exhausts. In the daily operations, the Group strictly abides by 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 Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》). The Company pays close attention to the risks of climate change and advocates all employees to practice green operations to continuously reduce environmental impact and help China to achieve the goal of green, low-carbon and circular economy. During the Reporting Period, there was no environmental protection issue and related litigation.

(I) Green Operation and Environmental Protection

With the increasingly severe impact of climate change, global warming and the frequent occurrence of abnormal weather, the Group has realised that it is a mandatory course and obligation for every enterprise to actively address climate risk issues. The Group actively guides all employees to practice energy saving and low carbon concepts to help address the global climate crisis.

The Group advocates green office, and actively adopts measures to reduce use of resources and energy consumption. The Group's use of resources 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 and saving office supplies. The Group has actively used video conferencing systems to reduce the number of business trips and made reasonable plans for business-purposed use of cars, maximizing resources conservation and building an environment-friendly enterprise. The Group designates property staff to inspect and turn off or turn down the night lighting system. Through the guidance and publicity of the Group, the employees of the Group actively adopted the electronic office processes and systems to deal with work matters in 2021. The Group also actively adopted teleconference or video conferencing to reduce unnecessary business trips.

The Group's emissions are mainly greenhouse gases generated from energy consumption as well as non-hazardous wastes such as sewage and wastes generated from daily office operations. Among which, greenhouse gas emissions are mainly carbon dioxide emissions from the following: (i) carbon dioxide emissions caused by gasoline combustion by business cars, and (ii) carbon dioxide emissions caused by consuming purchased electricity. 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.

(II) 2021 Environmental Performance Indicators

Due to the availability and accuracy of data, the statistical scope of the environmental performance indicators in the Report include the Company's headquarters, Luzheng Capital and Luzheng Information Technology¹.

1. Emissions

| Indicator | Unit | 2020 data | 2021 data |
|--|--------------|-----------|-----------|
| Total greenhouse gas emissions ² | tonne | 263.09 | 445.98 |
| Per capita greenhouse gas emissions | tonne/person | 0.89 | 1.34 |
| Direct emissions (scope 1) | tonne | 10.22 | 14.54 |
| Total greenhouse gases generated by gasoline | tonne | 10.22 | 14.54 |
| Per capita greenhouse gases generated by gasoline | tonne/person | 0.03 | 0.04 |
| Indirect emissions (scope 2) | tonne | 252.87 | 431.44 |
| Total greenhouse gases generated by electricity consumption | tonne | 252.87 | 431.44 |
| Per capita greenhouse gases generated by electricity consumption | tonne/person | 0.86 | 1.30 |
| Generation of domestic sewage ³ | tonne | 2,177.19 | 2,160.91 |
| Per capita discharge of domestic sewage | tonne/person | 7.38 | 6.49 |
| Generation of hazardous wastes ⁴ | tonne | 0.40 | 0.68 |
| Per capita generation of hazardous wastes | tonne/person | 0.0014 | 0.0020 |
| Generation of non-hazardous wastes ⁵ | tonne | 0.64 | 0.68 |
| Per capita generation of non-hazardous wastes | tonne/person | 0.0022 | 0.0020 |

¹ Based on the statistical scope, the total number of employees at the end of the Reporting Period was 333.

² According to the business characteristics of the Group, the main emission is carbon dioxide contained in the greenhouse gases.

³ Referring to the National Standards 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.

The Group's emissions of main hazardous waste are due to the direct use of gasoline (fossil energy), 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 Air Pollution Prevention Action Plan (《大氣污染防治行動計劃》) issued by the State Council of China. The Group procures gasoline satisfying environmental protection requirements to improve emission quality and reduce the negative impact on the environment. In terms of non-hazardous wastes discharge, the Group uniformly delivers the wastes to the waste collection station in relevant regions. Through paid recycling, environmental pollution can be reduced to improve the recycling of materials.

2. Use of resources

| Indicator | Unit | 2020 data | 2021 data |
|---|--------------|------------|------------|
| Direct energy consumption | liter | 5,032 | 8,530 |
| Gasoline consumption | liter | 5,032 | 8,530 |
| Per capita gasoline consumption | liter/person | 17.06 | 25.62 |
| Indirect energy consumption | kWh | 811,777.39 | 892,693.62 |
| Office electricity consumption | kWh | 811,777.39 | 892,693.62 |
| Per capita office electricity consumption | kWh/person | 2,751.79 | 2,680.76 |
| Total amount of office copying paper and newspaper | tonne | 0.80 | 0.85 |
| Per capita office copying paper and newspaper consumption | tonne/person | 0.0027 | 0.0026 |
| Water consumption | tonne | 2,561.40 | 2,542.25 |
| Per capita water consumption | tonne/person | 8.68 | 7.63 |
| Cartridge consumption | piece | 182 | 184 |
| Replacement | piece | 65 | 102 |
| Filling powder | piece | 117 | 82 |
| Per capita cartridge consumption | piece/person | 0.62 | 0.55 |

Unlike 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.

(III) Practising Energy Saving and Emission Reduction by Attending Details

The Group actively advocates and practices environmental protection and green development concepts.

The Group is actively creating a paperless office environment, whereby the office automation management system (OA system) is used to publish announcements and notices, disseminate the Company's news, communicate policies and regulations, share research reports as well as standardize business processes and intra-group mailings, greatly improving the management efficiency, reducing operating costs and saving lots of paper for printing office documents. The Group encourages the use of double-sided paper for copying and printing at work. Paper that has been used on one side should be reused and recycled; clearly required that when use of paper is unavoidable, recycled paper should be preferred and made full use. The Group also replaced disposable cups with glass cups with the logo of the Group.

The Group has formulated a corporate system and related notices stating that in purchasing and applying electrical equipment in the workplace, we should comprehensively evaluate the power consumption and select nationally certified low-energy appliances. The Group's offices shall use energy-saving lamps for lighting. When there is sufficient light, lamps will be turned on at intervals for maximum reduction of electricity consumption. The Group also has designated personnel whose duty is to check if all appliances are turned off during non-working hours except those necessary to keep normal operation of the Group. The management of equipment in the information technology rooms has been strengthened. Low-energy consumption and high-efficiency equipment will replace high-energy consumption and low-efficiency equipment, subject to normal functioning. The Group comprehensively promotes a system of 26-degree air conditioning in summer and 24-degree air conditioning in winter. For necessary office equipments such as printers, copiers, fax machines and shredders, the Group has formulated and adopted 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 prominent 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 specialized personnel to conduct regular inspections to prevent water wastage caused by equipment failure. According to irregular inspections by the general office of the Company, excessive use and waste of water were not found in 2021.

The Company has established a specific vehicle-use system and strictly controls the use of vehicles through mileage fuel consumption registration. Centralized management and unified deployment of the Company's vehicles and drivers will improve the 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 information regarding the out-of-use vehicles of the Company. The Company actively promotes the use of environmentally-friendly or public transport when employees are on business trips and encourages employees to use shared transportation for travelling within the same city while ensuring safety.

During the Reporting Period, the Company did not encounter any environmental incidents and did not receive any complaints, penalties and sanctions due to environmental pollution.

V. SOCIAL

(I) Employment Management

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 signed 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 requirements of relevant laws and regulations. The Group gives adequate regard to the legitimate rights and interests of employees. If an employee decides to terminate the employment for personal reasons, he/she can submit application for termination of employment. After the completion of termination procedures, he/she can terminate the employment with the Group. When the Group proposes termination or suspension of labor relationship with any employee, it would fulfill the obligation of prior notice in accordance with relevant laws and regulations.

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.

The Group attaches importance to effective two-way communication with its employees and conducts pre-departure interviews with all departing employees to learn more about the internal and external factors affecting the departure of employees, and strives to fundamentally improve potential management problems, enhance employee satisfaction and help employees grow together with the Company. During the Reporting Period, the Group's employee turnover rate was 12.33%, and the employee turnover rates by gender, age and region are as follows:

Employee turnover rate by gender:

| | |
|-----------------------------------|--------|
| Turnover rate of male employees | 14.10% |
| Turnover rate of female employees | 9.35% |

Employee turnover rate by age:

| | |
|--|--------|
| Turnover rate of employees aged 30 and below | 17.77% |
| Turnover rate of employees aged 31-50 | 9.55% |
| Turnover rate of employees aged above 50 | 16.15% |

Employee turnover rate by region:

| | |
|---|--------|
| Turnover rate of employees in mainland China | 12.33% |
| Turnover rate of employees in Hong Kong, Macau, Taiwan and abroad | 0% |

1. Employee employment performance indicators

| | Indicator | Unit | 2020 data | 2021 data |
|---|---------------------------|--------|-----------|-----------|
| Total of employees¹ | | person | 530 | 625 |
| By gender | Male | person | 333 | 388 |
| | Female | person | 197 | 237 |
| By employment type | Contract employee | person | 530 | 625 |
| | Others | person | 0 | 0 |
| By age group | Under 30 years | person | 167 | 196 |
| | 31-35 years | person | 152 | 188 |
| | 36-40 years | person | 106 | 126 |
| | 41-45 years | person | 55 | 57 |
| | Over 45 years | person | 50 | 58 |
| By education level | Master's degree and above | person | 120 | 155 |
| | Undergraduate | person | 343 | 412 |
| | College degree and below | person | 67 | 58 |
| Number of employment discrimination cases | | case | 0 | 0 |
| Labor contract signing rate | | % | 100 | 100 |

¹ Calculation is based on the total number of employees of the Group.

2. Staff remuneration and benefits

The employee remuneration of the Group comprises basic salary, performance-based salary, bonus, regional grants, degree-based allowances, sales commission, grants for dispatched assignments, special allowances 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 and bonuses are floating compensation payable to various departments and employees based on the performance appraisal results. Sales commission aimed at motivating a salesperson to generate sales revenue for the Group.

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

3. Employee welfare assurance system

| | |
|---------------------|---|
| Basic benefits | <ul style="list-style-type: none">• Pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund |
| Healthy and cares | <ul style="list-style-type: none">• Employee mutual aid fund• Caring on birthdays and festivals• Themed educational activities• Health checkup |
| Long-term insurance | <ul style="list-style-type: none">• Company annuity plans |

4. Vigorously nurturing and attracting financial talents

The Group explores a variety of recruitment cooperation methods to increase the introduction of talents. During the Reporting Period, the Company recruited 38 fresh graduates from domestic and overseas universities and 99 employees through public recruitment, Of which more than 50% of social recruitment comes from financial institutions such as futures, securities, banks, funds, etc.. The Company actively communicated with the Talent Service Bureau, the Financial Work Office and other departments at provincial and municipal levels and entered into cooperation agreements with universities in China to increase cooperation with universities. The Group participated in the campus recruitment organized by Shandong Provincial and Jinan Municipal Talent Service Bureau, and actively and independently launched several campus recruitment presentations. According to the social needs of combining production, studies and research, the Group was keen on receiving college students for training and practice for enhancing students' practical ability and strengthening students' competitiveness for employment. During the Reporting Period, the Group took in 34 college students for training and practice.

(II) Health and Safety

The Group adheres to people-oriented approach, cares for the well-being and safety of employees, continuously optimizes employees' health protection mechanism, while earnestly implementing safety-related drills, education and training.

1. Caring for employees

The Group organizes annual medical examination for employees at Grade III Class A hospitals, providing supplementary medical protection for all employees and ensuring the health of employees. In accordance with the Labor Law, the Social Insurance law and the requirements of local regulations in the PRC, the Group enters into labor contracts with its employees to establish labor relations in compliance with relevant laws and regulations, and makes full contributions to social insurance (pension insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance) and housing provident fund. It also establishes a corporate annuity system to further optimize the pension assurance system and improve the retirement benefits for employees. 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.

The staff representative congress of the Company serves to receive the opinions of staff in a timely manner, mobilize their enthusiasm and creativity, and function as a solid platform for the Company to understand its staff and involve them in business management and gather their collective wisdom. The staff representative congress ensures the exercise of the staff's rights to information, participation, being heard, and supervision. Meanwhile, the Company welcomes employees' supervision and encourages them to make reasonable suggestions based on the overall development of the Company, and provides advice and suggestions for its development.

The Company actively protects the basic rights and interests of its employees through the trade union and offers them basic benefits. In the past three years, the Company has given more than 1,500 birthday wishes in the form of flowers and birthday cakes to its employees on their birthdays; benefits in kind in an aggregate of RMB1.5 million were granted to its employees during important festivals such as the Spring Festival and the Mid-autumn Festival; the trade union offered cares to its employees for more than 50 times upon marriage, childbirth, illness, hardship and death or illness of their relatives. At the same time, for the purpose of helping employees to overcome challenges in life and further improve the assistance system for those in need, our trade union formulated the Administrative Measures for Staff Mutual Assistance Fund (《職工互助基金管理辦法》).

2. Safeguarding the health and safety of employees

The Group earnestly implements instructions of the higher-level authorities about production safety, fully implements the principal responsibility of the Group's production safety, strengthened internal enterprise management and carried out safety and stability maintenance work to provide employees with a safe and healthy working environment. During the pandemic prevention and control period, the Group resolutely devoted to pandemic prevention and control, actively fulfilled its principal responsibilities. It adopted flexible office ways and maintained pandemic monitoring and disinfection of key areas, subject to financial security and safety of people. It adheres to the principle of "precaution comes first with active prevention", and established a sound system and improved measures to fulfil its responsibilities. It earnestly implemented the work approach on fire-fighting of "precaution comes first with a combination of prevention and fighting", and strengthened training of all employees on fire-fighting knowledge and management of internal fire-fighting facilities and equipment. It has formulated emergency response measures, held production safety 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 identified the stability risks by properly handling letters and visits, formulated a "zero report" reporting system and timely handled 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.

3. Employee rights and interests performance indicators

| Indicator | Unit | 2019 data | 2020 data | 2021 data |
|--|--------|-----------|-----------|-----------|
| Social insurance coverage ratio | % | 100 | 100 | 100 |
| Number of work-related fatalities | person | 0 | 0 | 0 |
| Ratio of work-related injuries | % | 0 | 0 | 0 |
| Lost days due to work-related injuries | day | 0 | 0 | 0 |

4. Organizing various cultural and sports activities

On 5 March 2021, the Company's trade union organized over 160 female employees to participate in the campaign of women workers' rights protection action month and International Women's Day celebration activities. On 1 April 2021, in order to guarantee the implementation of the Company's reform and development strategy, better utilize the function of the trade union in promoting the development of the Company and give full play to the sense of responsibility and mission and initiative of the employees, the Company held a seminar on advanced experience in labor competition in 2020 to organize and mobilize the employees to actively participate in the new journey and break new ground. On 1 July 2021, in order to celebrate the 100th anniversary of the founding of the Communist Party of China, the Company organized the "Party Building Promotion Day" to enhance the sense of ritual, participation and modernity of the celebration, further motivate the Company's party members, cadres and workers to support the Party and show their patriotism, gather a strong synergy of dedication, diligence, hard work and entrepreneurship, and facilitate the in-depth, heartfelt and effective efforts of the Company in learning and education of Party history. On 8 July 2021, the final and award ceremony of the "Chinese Dream – New Era – Follow the Party" speech contest of provincial state-owned enterprises were successfully concluded at the site of Shandong Hi-Speed Group. Comrade Kong Na of the Company won the first prize for the best performance among 40 contestants from provincial state-owned enterprises. During 27 to 28 October 2021, the Company successfully held training sessions on red education, integrity education, national defense education and grassroots Party building work practices and solidly carried out learning and education of Party history to further enhance the sense of responsibility and mission of the Party members and cadres, stimulate the enthusiasm of striving for progress and gather the strong synergy of "advancing in rankings".



Organized the women workers' rights protection action month and International Women's Day celebration activities



Participated in the "Chinese Dream – New Era – Follow the Party" speech contest

(III) 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, increasing 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 focused on development and training of talents according to the development strategy and business objectives. It focused on the selection and transformation of advanced experience, and building a job training system based on job competency according to the grading and classification of talents of different categories and levels. Firstly, the Company focused on improving job competencies, building a basic job training system for business entities and a job training system for delivery liaison officers. It organized a total of 57 internal training sessions, 10 live-streaming training sessions offered by associations and exchanges, and produced 142 micro-courses. Secondly, it focused on the extraction and transformation of advanced experiences, increasing shared learning, thematic exchanges and seminars. Thematic exchanges became integral part of the 6 training programs, namely special trainings on improving the leadership of the person in charge of our business entities, wealth management business exchanges (phase 2), and solution course development and presentation skills (phase 2), recruitment and interview skills for the "Three Ones ("三個一")" talent development project. In the trainings, special communication links are set up and importance was attached to the effectiveness of the trainings. The Company organized excellent solution courseware, excellent function leaders and outstanding account managers of 2020 were engaged to share excellent experience and make presentation on the E-learning platform, to empower our employees.



Organized the special trainings on improving the leadership of the person in charge of our business entities in 2021



Organized the 2021 Visionary Project – wealth management business exchanges and trainings for persons in charge of our business entities in Southern China

1. Employee training indicators

| | Indicator | Unit | 2020 data | 2021 data |
|---|-----------------------|--------------|-----------|-----------|
| Percentage of trained employees by gender | Male | % | 62.8 | 62.1 |
| | Female | % | 37.2 | 37.9 |
| Percentage of trained employees by employee category | Senior management | % | 2.3 | 2.1 |
| | Middle management | % | 12.6 | 13.7 |
| | Entry level employees | % | 85.1 | 84.2 |
| Average number of training hours per employees by gender | Male | hours/person | 25.4 | 28.6 |
| | Female | hours/person | 42.9 | 46.9 |
| Average number of training hours per employees by employee category | Senior management | hours/person | 24 | 24 |
| | Middle management | hours/person | 36 | 36 |
| | Entry level employees | hours/person | 48 | 48 |

(IV) Supply Chain Management

Due to its business nature, as a financial institution, the main suppliers of the Group include law firms, accounting firms, asset valuers, information technology companies and suppliers of office supplies etc. 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.

(V) Active Participation in Rural Revitalization Services and Social Responsibility Works

During the Reporting Period, the Group actively implemented the unified deployment instructions of the Party Central Committee, the State Council of China and the CSRC on poverty alleviation work, responded to the strategic action initiative for futures industry to serve the country's poverty alleviation initiated by the China Futures Association. It actively carried forward the culture of gaining profitability while doing good deeds and helping out the poverty, and always deemed "contributing to the world" and giving back to the society as the obligatory duty of the Group, thereby further consolidating and expanding the results of poverty alleviation in rural revitalization areas and effectively coordinating the consolidation and expansion of poverty alleviation results and rural revitalization. The Company has successively signed paired-up assistance agreements with 12 national-level poverty-stricken counties. In the appraisal of the poverty alleviation work of futures companies for 2020-2021, the Company stood out in leading places. It has successively won the "Best Precision Poverty Alleviation and Charity Award", the "Socially Responsible Financial Organisation of 2021", the "Socially Responsible Enterprise of Shandong" and other honorary titles, and the Company's red dates project in Maigaiti County of Xinjiang Uygur Autonomous Region won the Excellent Project Award for the "Insurance + Futures" Pilot Construction Project from Zhengzhou Commodity Exchange.

1. Professional assistance

During the Reporting Period, the Group launched a total of 96 "insurance + futures" projects in 43 counties and districts of 11 provinces, namely Heilongjiang, Shandong, Liaoning, Xinjiang, Tibet, Gansu, Guangdong, Henan, Hebei, Hainan and Jiangsu, involving 9 varieties including soybeans, soybean meal, pigs, chicken eggs, corn, peanuts, apples, natural rubber and red dates, serving a total of about 61,000 farmers, and covering 737,500 mu of agricultural plantation.

2. Industrial assistance

During the Reporting Period, the Company provided industrial assistance to eight former key registered poverty-stricken villages with challenging poverty alleviation tasks in Shandong Province and invested a total of RMB780,000 in industrial assistance.

3. Consumption-driven assistance

During the Reporting Period, the Company preferred agricultural products from poverty-stricken counties as souvenirs of the Company. During the Spring Festival and Mid-Autumn Festival, we purchased RMB854,800 products from poverty-stricken areas such as Huachuan County of Heilongjiang Province, Tongbai County of Henan Province and Taihu County of Anhui Province.

4. Other assistance

During the Reporting Period, the party branch of the Company signed party construction and co-development paired-up assistance agreements with the party branches of 18 former key registered poverty-stricken villages with challenging poverty alleviation tasks in Shandong Province in relation to cooperation in various aspects such as futures-based professional assistance, industrial assistance, consumption-driven assistance and other assistance, thereby fulfilling its social responsibilities with practical actions and consolidating and expanding the results of poverty alleviation in rural revitalization areas.

During the Reporting Period, the Group recruited one disabled person from Huachuan County of Heilongjiang Province, a national-level poverty-stricken county.

During the Reporting Period, the Company conducted over 40 professional knowledge trainings with over 1,000 participants in former national-level poverty-stricken counties and former key registered poverty-stricken areas with challenging poverty alleviation tasks in Shandong Province in order to further promote precision poverty alleviation and consolidate poverty alleviation achievements.

VI. 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 | | IV. (I) Green Operation and Environmental Protection IV. (II) 2021 Environmental Performance Indicators |
| A1.1 | The types of emissions and respective emissions data | IV. (II) 2021 Environmental Performance Indicators |
| A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) | IV. (II) 2021 Environmental Performance Indicators |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) | IV. (II) 2021 Environmental Performance Indicators |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) | IV. (II) 2021 Environmental Performance Indicators |
| A1.5 | Description of emissions target(s) set and steps taken to achieve them | IV. (II) 2021 Environmental Performance Indicators IV. (III) Practising Energy Saving and Emission Reduction by Attending Details |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them | IV. (II) 2021 Environmental Performance Indicators IV. (III) Practising Energy Saving and Emission Reduction by Attending Details |

| Major scopes, aspects, general disclosures and key performance indicators | | Disclosure |
|---|---|--|
| Aspect A2: Use of Resources | | |
| General Disclosure | | IV. (I) Green Operation and Environmental Protection IV. (II) 2021 Environmental Performance Indicators |
| 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) | IV. (II) 2021 Environmental Performance Indicators |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility) | IV. (II) 2021 Environmental Performance Indicators |
| A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them | IV. (II) 2021 Environmental Performance Indicators IV. (III) Practising Energy Saving and Emission Reduction by Attending Details |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them | This indicator is not applicable as the Company operates in finance industry |
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced | This indicator is not applicable as the Company operates in finance industry |

| Major scopes, aspects, general disclosures and key performance indicators | | Disclosure |
|---|--|--|
| Aspect A3: The Environment and Natural Resources | | |
| General Disclosure | | IV. (III) Practising Energy Saving and Emission Reduction by Attending Details |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | IV. (III) Practising Energy Saving and Emission Reduction by Attending Details |
| Aspect A4: Climate Change | | |
| General Disclosure | | IV. (I) Green Operation and Environmental Protection |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | IV. (I) Green Operation and Environmental Protection |
| Scope B: Social | | |
| Aspect B1: Employment and Labour Practices | | |
| General Disclosure | | V. (I) Employment Management |
| B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region | V. (I) Employment Management |
| B1.2 | Employee turnover rate by gender, age group and geographical region | V. (I) Employment Management |
| Aspect B2: Health and Safety | | |
| General Disclosure | | V. (II) Health and Safety |
| B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year | V. (II) Health and Safety |
| B2.2 | Lost days due to work injury | V. (II) Health and Safety |
| B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored | V. (II) Health and Safety |
| Aspect B3: Development and Training | | |
| General Disclosure | | V. (III) Development and Training |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management) | V. (III) Development and Training |
| B3.2 | The average training hours completed per employee by gender and employee category | V. (III) Development and Training |

| Major scopes, aspects, general disclosures and key performance indicators | | Disclosure |
|---|--|--|
| Aspect B4: Labor Standards | | |
| General Disclosure | | V. (I) Employment Management |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour | V. (I) Employment Management |
| B4.2 | Description of steps taken to eliminate such practices when discovered | V. (I) Employment Management |
| Aspect B5: Supply Chain Management | | |
| General Disclosure | | V. (IV) Supply Chain Management |
| B5.1 | Number of suppliers by geographical region | Not applicable |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored | Not applicable |
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored | Not applicable |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored | Not applicable |
| Aspect B6: Product Responsibility | | |
| General Disclosure | | III. (II) Compliant and Stable Operation |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | This indicator is not applicable as the Company operates in finance industry |
| B6.2 | Number of products and service related complaints received and how they are dealt with | III. (II) Compliant and Stable Operation |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights | III. (II) Compliant and Stable Operation |
| B6.4 | Description of quality assurance process and recall procedures | This indicator is not applicable as the Company operates in finance industry |
| B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored | III. (II) Compliant and Stable Operation |

| Major scopes, aspects, general disclosures and key performance indicators | | Disclosure |
|---|---|--|
| Aspect B7: Anti-corruption | | |
| General Disclosure | | III. (II) Compliant and Stable Operation |
| 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 | III. (II) Compliant and Stable Operation |
| B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored | III. (II) Compliant and Stable Operation |
| B7.3 | Description of anti-corruption training provided to directors and staff | III. (II) Compliant and Stable Operation |
| Aspect B8: Community Investment | | |
| General Disclosure | | V. (V) Active Participation in Rural Revitalization Services and Social Responsibility Works |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport) | V. (V) Active Participation in Rural Revitalization Services and Social Responsibility Works |
| B8.2 | Resources contributed (e.g. money or time) to the focus area | V. (V) Active Participation in Rural Revitalization Services and Social Responsibility Works |



ZHONGTAI FUTURES Company Limited

中泰期貨股份有限公司