



YURUN FOOD

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2016



China Yurun Food Group Limited
中國雨潤食品集團有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 1068

About this Report

This Environmental, Social and Governance (“ESG”) Report (this “Report”) highlights the environmental, social and sustainable policies of China Yurun Food Group Limited (“Yurun Food” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) and performance of these policies for the year 2016. This Report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* set out in Appendix 27 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (“SEHK”). This Report is the first ESG report published by the Group. The purpose of this Report is to strengthen the communication with stakeholders and promote the sustainable development of the Group in the environmental, social and governance aspects.

The Group maintains close and ongoing contact with stakeholders, including customers, employees, regulators and the public. The Group seeks to strike a balance between the views and interests of these stakeholders through constructive communications with them so as to formulating a direction for the long-term development of the Group and the communities.

Scope of this Report

This Report covers the period from 1 January 2016 to 31 December 2016 (the “Reporting Period”), unless otherwise stated. Certain data and information relate to periods prior to the Reporting Period. This Report covers the Company and all its subsidiaries. Certain case studies on typical factories were selected as precedent cases for elaboration.

Accessibility

This Report is published in both English and traditional Chinese.

This Report is published as an electronic document in the form of Portable Document Format (PDF). The electronic document in PDF can be accessed on the Company’s website:

<http://www.yurun.com.hk/>

Source of data

The information and data disclosed in this Report are derived from Yurun Food’s official documents, statistics and subsidiaries’ summaries and statistics.

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1. The preface

"You trust because we care" has been the core business philosophy that Yurun Food has strictly upheld since inception. After years of ongoing development, efforts and brand building, Yurun Food's corporate image of food safety and high-quality products is highly recognized by the public. With its unflinching persistence in exploring a sustainable business model, Yurun Food has been constantly enhancing its performances on food quality, environment management, employee care, and social responsibility. During recent years, the government of the People's Republic of China (the "PRC") has been making efforts to regulate and assure food safety and quality, and strengthen the control and governance of air, water and soil pollution. Our alignment with the government further enhances the Group's determination to achieve sustainable development in response to the call of the State.

To ensure systematic and efficient management, Yurun Food has established a comprehensive management system according to the State's safe production and management principles and regulations and other international standards. Meanwhile, Yurun Food gradually achieves sustainable development by continuously improving its environmental management, upgrading existing equipment and adopting green technology.

In recent years, the Group has taken the lead in around 40 major national and provincial scientific research projects initiated by the National Key Technology Research and Development Program under the 10th, 11th and 12th Five-year Plan, the 863 Program and the 973 Program of the State, and the 948 Program launched by the Ministry of Agriculture (the "MOA") of the PRC, and presided over and participated in the formulation of 31 sets of national and industrial standards, of which the *Production Management Practice for Meat Products* and the *Hygiene Standard for Cooked Meat Products*, amongst others, were formulated to regulate meat processing technology, requirements of apparatus etc. The Group was granted hundreds of patents in relation to key aspects of food products, greatly enhancing the position and influence of the Group in the industry.

Yurun Food is a leader in the Chinese meat product market. As an industry leader, the Group rewards its customers, community, employees and shareholders through sustainable development, and always uphold the responsibility and mission of delivering the best products to the society and the public.

2. Overview of Yurun

Company profile

Yurun Food (1068.HK) is one of the leading meat product manufacturers in the PRC. Our products include chilled pork, frozen pork, low temperature meat products ("LTMP") and high temperature meat products ("HTMP"). The products are marketed under four major brands, namely "Yurun", "Wangrun", "Furun" and "HRL".

Yurun Food, headquartered at Nanjing, Jiangsu Province, the PRC, has production bases for chilled pork, frozen pork and processed meat products across the PRC. We use state-of-the-art equipment and proprietary technology to produce series of premium meat products which cater for consumers' tastes.

Yurun Food ranked top in terms of combined market shares of LTMP and chilled pork in the PRC, successively topping the LTMP market for 18 years in a row and the chilled pork market for 4 years in a row in the Annual Conference of the Development of Consumer Markets and the Press Conference of Product Sales Statistics of the PRC Market (中國消費市場發展年會暨商品銷售統計新聞發佈會) held in March 2016. "Yurun" brand was also awarded the "Contribution Award of the PRC National Food Industry" (全國食品工業品牌強國貢獻獎) by the 25th session of Chinese Food Expo Committee (第二十五屆中國食品博覽會組織委員會) in December 2016.

During the Reporting Period, benefited from the Chinese government's immense efforts in promoting relevant favourable policies on food safety and on elimination against substandard slaughterhouses, the Group continued to leverage on its core competitive edge in resources, strategies and branding, and seized the opportunities arising from various challenges to achieve smooth business development.

Corporate values

Business ethics: You trust because we care

Fundamental belief: Nurturing the community with sincerity and good faith

Common vision: Making life healthier, more tasteful, and more comfortable

Corporate goal: Becoming the most trustworthy food enterprise

Corporate objective: Rewarding customers, the society, employees, and shareholders

Customer care

The Group highly values our customers as important partners for corporate sustainability and development. The Group treasures our cooperative relationship with customers, and established *Criterion of Customer Service Management* and implements an accountability system to promote our service philosophy of "creating value for customers". The Group also developed a dealer management system and signed relevant contracts with dealers in accordance with the State's requirements, such as *dealer contract*, *supermarket contract*, *food agency contract* etc., to ensure compliant business operation. We standardized operations to ensure our corporate and customer interests under protection of law. The Group also ensures that customer data is only used for customer relationship management and not divulged and used for inappropriate purposes.

During the Reporting Period, the Group neither experienced any customer data leakage, nor received any complaints about inappropriate use of customer information.

Anti-corruption

The Group strictly abides by the relevant laws and regulations. The Group already set up a group management office responsible for anti-corruption and formulation of relevant management approaches to govern employee behaviour and fight against corruption, such as bribery, extortion, fraud, money laundering and other illegal acts.

In addition, for independence and confidentiality, the Group established a dedicated whistling system for employees to report and complain. Once the reporting case is confirmed, the whistleblower will be rewarded in accordance with the provisions.

During the Reporting Period, the Group did not receive any allegation against the Group or its employees of bribery, extortion, fraud and money laundering.

3. Product responsibility

Yurun Food attaches great importance to product quality management. We assure product quality and consumers' legitimate rights and interests by establishing a comprehensive and organized quality management system. Yurun Food's quality management system, based on the national and local industry regulations, not only formulated specified internal standard, but also established an independent management system defining management on each important production process.

During the Reporting Period, the Group did not receive any prosecution caused by food safety incident.

Table 1 Yurun Food's compliance with and performance of the major laws and regulations relating to food product quality during the Reporting Period

The laws of the PRC
<i>The Food Safety Law of the PRC</i> <i>The Animal Epidemic Prevention Law</i> <i>The Standardization Law of the PRC</i>
The relevant regulations of the PRC (Practice/ Code / Standard / Regulation)
<i>The Operating Procedures Practice of Pig-slaughtering</i> <i>The Code for Product Quality Inspection for Pig in Slaughtering</i> <i>The Practice of Hygiene Specifications of Meat Processing Plant</i> <i>National Standard of Food Safety for Fresh (Frozen) Livestock and Poultry Products</i> <i>The National Standard of Fresh and Frozen Sliced Pork of the PRC</i> <i>The General Principles on the Labels of Pre-Packaged Food</i> <i>The Regulations on the Administration of Slaughtering of Pigs</i>

Yurun Food's extensive industry experience tells us that product quality is affected by various factors, such as the quality of hogs, efficiency of raw material transportation and production control. To this end, Yurun Food accordingly established quality management systems for four key production processes, namely product quality management, supplier management, animal welfare management and market management.

Table 2 The current management approaches for the important processes along the production chain

Important processes of the production chain		Management approach
Product Quality Management	Production	<ul style="list-style-type: none"> • Formulated <i>Regulations on Production Technology in Fresh Pork System</i> and <i>Regulations on Hygiene Management for Fresh Pork System</i> • Formulated <i>Measures for Quality Control of Mass Production in Processed Meat Factories</i>, which includes: <ul style="list-style-type: none"> • <i>5-minute Reporting Mechanism for Processed Meat Products Quality Control Department</i> • <i>Seasonal Measures for Quality Control</i> • Formulated <i>Regulations on Cold Chain in Processed Meat System</i> • Engaging external professional organizations for quality assurance
	Logistics	<ul style="list-style-type: none"> • Formulated <i>Logistics Management Practice</i> • Formulated <i>Regulations on Fresh Pork Product Transportation</i>
Supplier Management		<ul style="list-style-type: none"> • Formulated relevant quality standards of live hogs, packaging materials and ingredients • Formulated supplier review procedures • Formulated the <i>Provisions of Supplier Engagement and Monitoring Method</i> • Developed Supplier Evaluation System (including raw material and packaging material suppliers) • Developed a blacklist of suppliers
Animal Welfare Management		<ul style="list-style-type: none"> • Formulated specifications of goods vehicles and facilities • Formulated disposal practice of live hogs with disabilities • Formulated transportation practice of live hogs • Formulated slaughtering practice
Market Management		<ul style="list-style-type: none"> • Formulated <i>Regulations on Cold Chain in Market of Fresh Pork System</i> • Formulated <i>Regulations on Handling Customer Complaints</i> • Formulated <i>Regulations on Traceability Management of Fresh Pork</i> • Formulated <i>Regulations on Product Return Management in Processed Meat System</i> • Formulated <i>Contingency Plans for Food Safety</i> • Formulated <i>Management of Product Recall</i>

Product quality management

Yurun Food has appropriate management tools in place for each production process to ensure each and every product satisfies the quality standard through refined management. We have different quality assurance measures for processes from production preparation to food processing. Cold chain management is in place throughout the entire production process to assure product quality.

Production preparation

During production, we have 21 procedures on inspection and quarantine for live hogs, assuring hog health and product quality. Production preparation includes hog arrival, pending slaughter and slaughtering. Hogs are required to be inspected in sensory aspect and quarantined during production preparation stage. In addition, the Group strictly conducts clenbuterol inspection for hog arrived. Hogs are classified and processed differently according to health condition. Only pork of highest quality can be passed to the next production stage. Other raw materials such as other ingredients can only be passed to the production stage after passing sensory and physiochemical inspections. Raw materials which fail the inspection will be returned to ensure that all raw materials fully meet the requirements.

Food processing

Under the quality control measures, Yurun Food sets a clear and specific standard for each production process. On this basis, different seasonal quality control measures are implemented to maintain the highest standard of product quality. The Group also strictly implemented a reporting system to notify certain specific circumstances in which product quality is affected. When a specific circumstance occurs, notification must be made to the quality control department within five minutes thereafter in order to resolve the issue in the shortest possible time and maintain quality production.

Yurun Food has laboratories of high standard equipped with advanced apparatus, conducting microbiological testing, sensory and physiochemical inspection throughout the entire production process to assure product quality. During the production process, relevant staff conduct examination to check the bacteria level and pathogenic bacteria on equipment, staff and apparatus, and in water for production and products. Metal detection is also conducted for finished goods. Metal detector is calibrated every hour to ensure detection accuracy.

After passing all inspection and tests, labels are affixed on product packaging in accordance with the laws and regulations, the *Administrative Provisions on Food Labelling* and the *General Principles on the Labels of Pre-Packaged Food* etc.

During the Reporting Period, the Group did not receive any complaints about improper product labelling and advertisements.

Cold chain management

Cold chain management plays a vital part in product quality assurance, and is adopted in the entire production process. We ensure a uniform cold chain standard in production, transportation, storage and retail stage, which requires production sites, logistics fleet, supermarket etc., to ensure that the products are processed, transported and stored at an appropriate temperature. The Group strictly monitors the temperature of the production line and regulates the refrigerated configuration on the goods vehicles, and requires sellers to make appropriate improvements in respect of product quality in accordance with the requirements of the Group.

Supply chain management

Suppliers, as the source of Yurun Food's products, directly affect the Group's product quality. Only stringent supplier management can prevent quality problems from the source. The Group quantified the supplier selection and evaluation through a systematic, fair and long-effective management mechanism to reinforce the supply chain management and standard. The Group clearly stipulates the qualities and standards of raw materials, ingredients and packaging materials and standardizes suppliers review to ensure the quality of raw materials. In addition to general quality assurance and quality control, the Group proactively arranges site visits to fully and precisely examine whether suppliers meet all quality standards and to assess their performance in environmental and social aspects.

Suppliers of the Group are required to provide a variety of qualifications and pass sample tests and on-site assessments in order to obtain supplier qualifications. Qualifications required include animal quarantine certification, clenbuterol test report, veterinary inspection etc. Sample tests include both sensory and physiochemical inspection. Each supplier has an annual assessment in accordance with the requirements. If a supplier is found to have major quality problems, it will be blacklisted after the confirmation from the technical department, quality control department, supply department. The Group will notify all the subsidiaries of the suppliers blacklisted and prohibit cooperation with the blacklisted suppliers.

The Group regards live hog suppliers as an important management target, and therefore formulated the Quality Evaluation and Management Practice for Live Hog Suppliers and the Letter to the Live Hog Supplier clearly setting out the standards and irregularities. We further signed Agreement on Poultry Quality Assurance with suppliers, assuring the quality of live hogs up to the standards under the national laws and regulations and requirements of the Group.

Yurun Food formulated the principle of avoidance applicable for procurement management. The departments of finance, quality control and pricing strictly comply with the principle of avoidance and are strictly prohibited from contacting with suppliers directly. The Group's purchasing, pricing, quality acceptance and settlement are four distinct and separate functions. The closed-loop management, under the gatekeeping of the finance and supervision departments, prevents any internal procurement relationship, and forms mutual restraint and supervision which can eliminate commercial bribery and other improper transactions etc., ensuring standardized operation of procurement and eliminating supply of defective raw materials and packaging materials.

Table 3 Supplier management and its highlights

Supplier selection process	Highlight of management
Admission of Suppliers	<ul style="list-style-type: none">• Certification<ul style="list-style-type: none">• Documents required by the State or industry• Environmental Requirements• Sample test• Site visits
Evaluation of Suppliers	<ul style="list-style-type: none">• Annual suppliers evaluation• Collecting the statutory third party external inspection report of the supplier
Inspection of Suppliers	<ul style="list-style-type: none">• Surprise onsite inspection of suppliers• The compliance condition of the supplier and the relevant qualification

Animal welfare management

Yurun Food is fully aware of the increasing public concern on animal welfare. We clearly understand that the improper treatment of animals will affect product quality. Therefore, we established the Yurun's *Regulations on Animal Welfare Management* to ensure humane treatment of animals. The Group implements comprehensive animal welfare management to promote harmlessness and no stimulation during transport, loading and unloading, pre-slaughter rest, production etc., to minimize animal anxiety and fear. Currently, the Group has clear specifications of goods vehicles, loading and unloading tools, water supply and stunning method etc.

Table 4 Key elements of animal welfare management and its highlights

Key elements of animal welfare management	Highlight of management
Goods Vehicle	<ul style="list-style-type: none">• Reasonable transportation arrangement to ensure that the truck stocking density is not excessively high• Thorough sanitization of vehicles before loading and after unloading
Staff	<ul style="list-style-type: none">• Regularly conducting humane slaughter training• Each slaughtering section have at least one staff who has been received humane slaughter training and is responsible for operation or supervision of other staff
Facility	<ul style="list-style-type: none">• Flooring design facilitates free movement of hogs
Disabled Hog Treatment	<ul style="list-style-type: none">• Providing clean drinking water for live hogs in disabled hog zone

Market management

Yurun Food always prioritizes product quality and places great emphasis on market management. Persistent monitoring is applicable not only to production process, but also to the sales market where we have more contacts with the general public. The Group deeply understands that the responsibility for maintaining quality of products on market should be included as one of the operation considerations, so we implemented practical monitoring measures and proactively launched cooperation. Strict supervision can ensure proper treatment of the Group's products by the sellers, and active cooperation can help to better maintain product quality.

Table 5 Major aspects of market monitoring

Major aspects of monitoring
<ul style="list-style-type: none">• Check the state of product quality and expiry date at the selling points• Check whether inventory is abnormal

The Group formulated regulations on market supervision and monitored and assured quality of products on market. Quality control department develops an investigation plan monthly and performs surprise onsite inspection to ensure that the sellers maintain our product quality according to the guidelines of the Group. We consolidate the experience and perform rectification jointly by various departments.

Yurun Food strives to achieve "traceable source, trackable destinations, and accountable responsibility" to assure product quality. The Group established a product traceability system, introduced electronic scan tracking technology, and implemented a full traceability mechanism to ensure that products can be tracked and recalled at any point from the stage of production to sale. In order to deal with various inquiries and complaints, the Group established two complaint hotlines systems, namely 800 and 400. The customer service centre is responsible for recording the details of the queries and complaints every day, and either giving timely reply or transferring the queries and complaints to the relevant departments. Subsidiaries must analyse the causes of complaints about product quality and implement corrective and preventive measures accordingly to avoid the recurrences of similar incidents. Subsidiaries are also required to conduct regular product track and recall drill. The Group proactively prevents various risks by designating staff to collect information on relevant food safety risk monitoring and evaluation issued by the Group and the State.

The Group has a product return procedure and a product return department in place. Staff checks products at selling points on a daily basis and collects both expired products and deteriorating products to prevent substandard products from circulating on the market. The Group also formulated the *Contingency Plans for Food Safety* for to promptly and properly handle ad hoc product quality incidents to assure the Group's food safety and the consumers' legitimate rights and interests.

4. Environment

Yurun Food attaches importance to the protection of natural environment and resources, and incorporates the concept of environmental protection into every aspect of our operation. The Group, as a food processing enterprise, inevitably affects to a certain extent the local environment due to the solid waste, sewage, emission and noise generated during the production processes. Therefore, the Group commits to reducing the impact of operation on the environment and embodies the vision of sustainable production in its operation. We improve the efficiencies of raw materials and energy consumption and reduce emissions of pollutants through equipment improvement, technique improvement, introduction of advanced production technology, etc. The Group improves both its production and environmental performance and strives for sustainable operation.

On the basis of implementing the ISO14001 Environmental Management System (“EMS”), the Group implemented a clean production mechanism, adopting a circular economy. During the Reporting Period, no exceedance of sewage discharge and emission limit was identified according to the real-time monitoring system of the environmental protection bureau in the place of operation, and no violation of waste treatment regulation was identified under the periodic audit of EMS.

Table 6 Yurun Food's compliance with and implementation of the major environmental laws and regulations during the Reporting Period

The laws and regulations of the PRC
<i>Law of Environmental Protection of the PRC</i>
<i>The Law of the PRC on the Prevention and Control of Water Pollution</i>
<i>The Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste</i>
<i>The Law of the PRC on the Prevention and Control of Atmospheric Pollution</i>
<i>The Law of the PRC on the Prevention and Control of Pollution from Environmental Noise</i>
<i>The Cleaner Production Promotion Law of the PRC</i>

Table 7 Yurun Food's compliance with and implementation of the major environmental laws and regulations and the corresponding achievements

Impact	Affected Object(s)	Relevant requirement(s)	Result of inspection
Sewage Discharge	Water source and soil	<ul style="list-style-type: none"> • <i>The Discharge Standard of Water Pollutants for Meat Packing Industry</i> • <i>The Technical Specifications of Sewage Treatment for Slaughtering and Meat Processing</i> 	Over the past three years, no exceedance of sewage discharge limit had been identified according to the real-time monitoring system of the environmental protection bureau
Dust Emission	Air	<ul style="list-style-type: none"> • <i>The Emission Standard of Air Pollutants for Boiler</i> • <i>The Integrated Emission Standard of Air Pollutants</i> • <i>The Emission Standards for Odour Pollutants</i> 	Over the past three years, the national dust emission standard was met and no exceedance of emission limit had been identified in the annual sampling by the environmental bureau
Solid Waste Disposal	Soil and ecological system	<ul style="list-style-type: none"> • <i>The National Hazardous Waste Inventory</i> • <i>The Specification of Management of Chemical Waste Treatment</i> • <i>The Specification of Management of Poisonous Chemical Compound</i> • <i>The Specification of Management of Waste Treatment etc.</i> 	No violation of waste treatment regulation was identified under the periodic audit of EMS over the past three years

Water resources management

Yurun Food proactively implements effective water resources management for achieving sustainable development. Whilst the Group attaches immense importance to sewage treatment and water recycling and reuse, underground sewage stations have been set up to treat sewage from production. We have introduced new equipment to reduce odour emission from sewage treatment and improved the environment surrounding the sewage stations. We discharge the treated sewage only when it satisfies the national and local standards. Some of the treated sewage enters the reclaimed water treatment system for further treatment and is ultimately reused for either production or daily use. Not only can fresh water resources be saved and utilised through reusing reclaimed water, but also can the discharge of sewage be reduced, thereby mitigating the impact on the surrounding environment.

In active response to the State's call, the Group made a pioneering move to implement the reclaimed water reuse technology in the slaughtering industry. The production sewage, domestic sewage, air conditioning condensate and other discharges were collected through independent pipe network and discharged into the sewage treatment station, which, following a centralised treatment, can be reused for car washing, fountains, watering plants, etc.

Case Study – rectification of sewage treatment facility

The Group has regularly reviewed the sewage treatment performance of each plant. If the facilities cannot satisfy with the requirements, rectification will be carried out to meet the sewage discharge standards. During the Reporting Period, the production base in Hong'an County in Hubei Province carried out rectification of the sewage treatment facilities with particular regard to the sources of sewage to assure the compliance with the sewage discharge standards. The Group has always adhered to the use of sophisticated and cost-effective technology to assure ease of operation and maintenance of the equipment, which has facilitated the smooth transitioning from the old sewage treatment facilities to the new ones.

Figure 1 Rectified sewage treatment facility in Hong'an County in Hubei Province

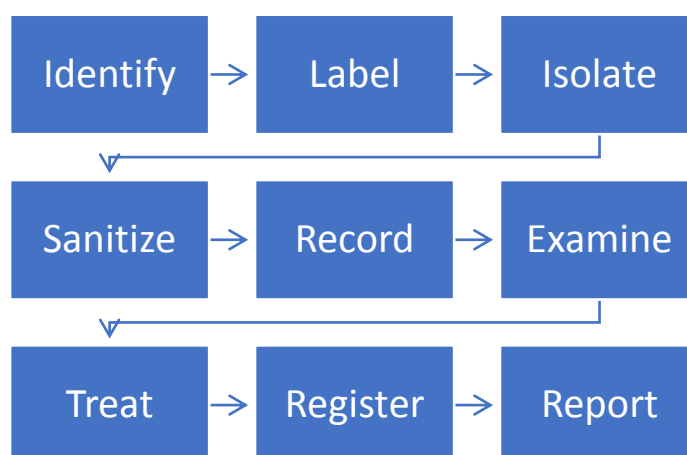


Solid waste management

Yurun Food has always cautiously treated the solid waste arising from the production. We properly classified and treated solid waste with a view to reducing the impact on the place of operation. The solid wastes produced in the place of operation are mainly domestic waste, greasy waste, sludge and substandard products. The domestic wastes primarily include food waste and general non-hazardous solid waste produced by staff, which are centrally collected and treated by the environmental hygiene department. The greasy waste produced by the grease traps is managed in accordance with the *Opinion on the Strengthening of the Overhaul of Gutter Oil and Management of Cooking Wastes issued by the General Office of the State Council* and is regularly collected and treated by government-authorized waste treaters. Sludge produced during sewage treatment is also regularly collected and treated by government-authorized waste treaters.

Yurun Food established a strict management system for the incoming carcasses of afflicted hogs and developed a sound procedure for innocuous treatment on the basis of the *Technical Standard for Innocuous Treatment of Hog* issued by the Ministry of Commerce of the PRC. If any hog is found dead with signs of disease, the suspected afflicted hogs and the corresponding products or appendages are treated according to scientific methods in order to completely eliminate pathogens; and the sites and objects contacted by the afflicted hogs are disinfected. In order to better handle the carcasses of afflicted hogs, the Group established an innocuous treatment monitoring and information reporting system. The innocuous treatment process is recorded by monitoring devices, videotaping systems and cameras, and the relevant information is submitted through the system and archived for future reference.

Figure 2 The procedure for innocuous treatment



Emission management

Yurun Food's major emission sources of air pollutants are boilers and the fugitive ammonia emission from the use of ammonia for compression refrigeration. On the basis that its air pollutant discharge is compliant with national and local requirements, the Group has continued to upgrade the facilities and progressively promote the use of clean energy. In order to control the emission from boilers, the Group has gradually replaced the existing boilers with oil and gas fired boilers. The use of clean fuels such as natural gas and light diesel further reduced the air pollutant emissions. With regards to the fugitive ammonia emission generated by the production units, the Group has set a protective zone in accordance with the *Technical Methods for Formulating Local Standards for Air Pollutant Emissions* and ensures that there are no residential settlements within the specific zone.

Case Study – rectification of odour collection facilities in hog waiting lairage and dry dung storage area

The Group has regularly upgraded the odour collection facilities in the plants to ensure that the odour emission will not affect the surrounding environment and the health of employees. During the Reporting Period, the odour collection facilities in hog waiting lairage and dry dung storage area of the plant in Hefei in Anhui Province were rectified. Ventilation ducts were installed at a suitable point of location to collect and direct odour to the efficient spray tower. The process removes odour and particulates, leading to a reduction of particulate emissions. Thus, it can be ensured that the emission is in compliance with the *Integrated Emission Standards of Air Pollutants*.

Figure 3 Rectified odour collection facility in Hefei in Anhui Province



Case Study – renewable energy plan

Yurun Food has not only progressively turned to clean fuels, but has also proactively responded to the national incentive policies of renewable energy uses and the construction of distributed solar power plants. The Group invested approximately RMB 25 million in 2014 for its headquarter and plants in Nanjing and completed the construction of a distributed solar power plant by the end of 2015. The plant officially commenced operation in 2016. The Group encourages its subsidiaries to gradually increase the adoption of renewable energy at the production bases so as to further contribute towards the environment.

Figure 4 The distributed solar power plant in Nanjing production base



Noise management

The major sources of noise produced by the Group are the production processes. Noise is produced during the operation of meat grinders, air compressors, cooling towers, fans, water pumps, etc., which may affect employees and local residents. The Group controls the levels of noise from the equipment mainly in two approaches: First, noise is reduced through the introduction and use of advanced low-noise equipment; Second, noise pollution is mitigated through the physical use of various sound insulation measures.

5. Employment and labour practices

Employment and labour standards

Yurun Food strives to implement an employment ideology of "individual respect, personal development and proper deployment", and strictly observes labour related laws and regulations. The Group believes that a diversified composition of employees has a positive impact on its operation. The employees of the Group have diverse backgrounds in terms of race, education, working experience, nationality, knowledge and skills. The Group persists in recruiting and employing staff in a fair and equal manner and implementing the requirements of equal pay for equal work, so as to avoid differential treatment because of factors such as gender, age, ethnicity and religion.

The Group has continuously improved the employee management system and enters into labour contracts with employees according to the laws. The termination of labour contracts and dismissal of employees are carried out in strict compliance with the relevant laws and regulations so as to fully protect the rights and obligations of employees and the Group. Each employee is provided with a staff manual by the human resources department, which explained to him/her the content of staff manual to ensure that every employee is aware of the rules and regulations of the Group and his/her own rights and obligations.

Yurun Food has established a scientific and market-oriented salary and promotion system to provide reasonable salary protection and promotion opportunities to employees. The Group has implemented a performance evaluation system for all employees and applied multi-dimensional indicators for the purpose of progressively improving the manager evaluation system, which helps to provide comprehensive references and supports for employee promotion. It is worth noting that the Group treats safety and compliance as the core values of management, and also pays close attention to the managers' performance in the aspects of safe production, compliant operation, integrity and self-discipline, etc.

The Group strictly prohibits child and forced labour by adopting strict measures and advanced mechanisms for prevention, such as face-to-face interviews and regular reviews of employee information. The Group also regularly communicates with employees to know their concerns and effectively deals with any issue so discovered. In addition, the Group has established a labour union for the purpose of understanding the working condition of employees and providing advices on the legality of labour related issues.

Table 8 Compliance and implementation of labour related laws by Yurun Food during the Reporting Period

Relevant laws of the PRC
<i>Labour Law of the PRC</i>
<i>Labour Contract Law of the PRC</i>
<i>Social Insurance Law of the PRC</i>
<i>Law of the PRC on Labour Dispute Mediation and Arbitration</i>

During the Reporting Period, the Group did not receive any complaint about unequal employment and there was not any case of illegal child and forced labour.

Case study – equality and anti-discrimination

In response to the demand for developing a fair and equal society, the Group has recruited people with disabilities at the headquarters in Nanjing. The Group has about a dozen of employees with disabilities. As such, formal labour contracts were signed and social insurance was paid in accordance with relevant laws and regulations so as to allow them to enjoy all rights and benefits at the same working platform with the same sense of accomplishments as normal people.

Benefits and welfare

Employees of the Group are entitled to the paid annual leaves and statutory holidays, and also sick leaves, casual leaves, marital leaves, maternity leaves and others in accordance with the laws. The Group monitors the working hours of employees in accordance with the laws for the purpose of protecting physical and mental health of employees. The Group offers reasonable overtime payment to employees working after statutory working hours if so requires.

The Group attaches importance to the employee representative system. By establishing employees' rights organizations, such as labour union, and conducting various activities, employees can understand the development trend of the Group as well as critical issues relating to their own interests, and also have the opportunities and channels to express their views. Besides, the party committee and labour union organize staff representative forum annually to solicit opinions on development of the Group from employees and answer their questions. Yurun Food is deeply concerned about grassroots employees at front line. Through visits, offering condolences and donations, Yurun Food provides assistance to employees living in hardship with the aim of solving their practical problems and helping them survive in difficulties.

The Group makes contribution to insurances and provident funds for employees in accordance with the state requirements, and further provides personal accident insurances in order to protect employees in a comprehensive way and enhance their sense of belonging. In addition, the Group also provides employees with free accommodation, meal allowance, family visit leaves, birthday benefits and other welfare programs, and regularly provides physical check-ups for employees to maintain their health. The Group strives to improve the working environment of employees by implementing the concept of green factory, in order to mitigate pressure of employees and protect their physical and mental health.

During the Reporting Period, the Group did not receive any complaint about employee benefits.

Development and training

Yurun Food always pays concerns to the development and advancement of employees. It continuously provides opportunities of learning and promotion to employees through trainings in Yurun University, external trainings, professional skills trainings, basic industrial management trainings, outward bound trainings and online trainings for the purpose of enhancing individual advancement and goal achievement and allowing employees to growing up together with the Group.

The Group organizes training courses for newly appointed general managers and general managers not professionally trained. At the same time, trainees are trained to become internal trainers who would share their management experiences with potential successors in trainings for alternate general managers of Yurun Food. During the Reporting Period, 80 employees were trained in trainings for alternate general managers. Each participating employee was trained for about a week, up to 40 training hours in total.

The Group also conducts regular training courses for both regional and city managers. During the Reporting Period, more than 90% of city managers were trained. At the same time, the Group attaches importance to training new recruits. During the Reporting Period, a total of more than 200 employees participated in induction trainings. Each participating employee was trained for two weeks, up to 150 training hours in total.

Figure 5 In April 2016, trainings about production, supply and sales were held in Yurun University for the management level



Figure 6 In May and June 2016, trainings for the management at city-manager level in sales department and the management at manager level in supply chain department were held in Yurun University



Figure 7 From 12 July to 26 July 2016, the Group organized induction training, job training, career planning and military trainings of 2016 for university graduates at the headquarters of Yurun Food



Health and safety

The Group conducts the management of production safety in strict compliance with the relevant laws and regulations on safe production. It has established a safe production management team and formulated policies and annual targets relating to safe production management. To establish a unified and comprehensive incident prevention system, the Group has formulated 40 safe production management provisions based on the relevant laws and regulations and management experience, and devised relevant contingency plans and incident handling procedures according to the nature of incidents. The Group organizes contingency drills every year to ensure that employees are aware of, and familiar with, the contingency plans. Meanwhile, the safety management team of the Group has entered into a pledge of responsibility for safety management with managers at all levels. The performance of safe management is assessed monthly with its results incorporated into annual indicators.

Table 9 Compliance and implementation of major laws and regulations relating to production safety by Yurun Food during the Reporting Period

Relevant laws and regulations of the PRC
<i>Production Safety Law of the PRC</i> <i>Law of the PRC on Prevention and Control of Occupational Diseases</i> <i>Implementation Rules for the Supervision and Administration on the Quality Safety of the Food Manufacturing and Processing Enterprise</i>

During the Reporting Period, the Group was not aware of any serious violation of the relevant laws and regulations.

The Group continues to enhance awareness of safety management among the management at all levels. By adopting management measures such as "one position with dual responsibilities" and "veto by one vote for safety incidents", effective implementation of production safety is guaranteed. Nanjing Yurun Food Co., Ltd., a subsidiary of the Group, being qualified as a Second-Class Enterprise in Production Safety Standardization, monitors safety management of the Group in accordance with the relevant provisions of the Production Safety Standardization. In 2016, Yurun Food conducted 153 safety trainings of various types, and more than 6,000 employees were trained; and more than 70 contingency drills were carried out, and more than 4,000 people had participated.

In accordance with the Safe Production Management Regulations of the Group and based on on-site random inspection, Yurun Food provides training for safety management staff about factors of occupational hazards and production safety regulations to effectively prevent employee injuries due to occupational hazards, and enhance quality of safety management conducted by the safety management staff at all levels.

From the beginning of April 2016 to the end of December 2016, the Engineering Technology Centre of Yurun Food launched a program of "special safety inspection of safe production equipment" within the Group. A total of more than 50 subsidiaries were inspected, and more than 100 hidden dangers of equipment were identified and rectified.

During the Reporting Period, the Group did not receive any complaint about employee safety, and there was not any major employee safety incident in the course of production and operation.

Figure 8 In May and September 2016, the Group organized special trainings for safety production and equipment management staff of production-oriented subsidiaries at the headquarters



Figure 9 In March 2016, Yurun Food organized fire drill activities at the headquarters



Figure 10 In June 2016, Yurun Food organized training for the headquarters' security staff



Figure 11 In March 2016, Yurun Food organized safety management training for the headquarters' safety staff and relevant personnel



Figure 12 In April 2016, the Group carried out inspection of equipment at a plant in Jiangsu Province



6. Community investment

Yurun Food, as the first batch of leading agriculturally industrialized enterprises at national level recognized by eight ministries and commissions including the Ministry of Agriculture, always adheres to the "company + base + farmers" mode of contract farming. By adopting a strategy of "industry re-contributing to agriculture", factors of production such as information, technologies, experts and funds are transferred from industry to agriculture to enhance urban and rural economic development and increase farmers' income.

The Group actively participates in social welfare and charity events, and offers donations to charitable organizations, educational institutions and disaster areas in different ways from time to time.

Visits and condolences

With the Spring Festival approaching, the party committee and labour union of the Group actively conducting fund raising, visits and offering condolences to the employees of the Communist Party living in hardship, the Group brings warmth and care of the Communist Party to homes of those employees. A total of 11 members of the Communist Party and senior managers of the Group were benefited.

Figure 13 In December 2016, the human resources department of Yurun Food together with the labour union and party committee of the Group paid visits and offered donations and gifts of the Company to families of the employees living in hardship.



Interaction with consumers

Yurun Food actively launches consumer interaction events to enhance consumer understanding of food safety by organizing the regular activities of "consumer visits to factory".

Figure 14 In April 2016, the activity of "consumer visit to factory" was held at a plant in Henan Province



Figure 15 In May 2016, the activity of "consumer visit to factory" was held at a plant in Harbin



Figure 16 In October 2016, the activity of "consumer visit to factory" was held at a plant in Hefei



Appendix 1: Content of the *Environmental, Social and Governance Reporting Guide*

Subject Areas, Aspects and General Disclosures		
	“Comply or explain” Provisions	Disclosure Section
A. Environmental		
Aspect A1: Emissions	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	<ul style="list-style-type: none"> • Water resources management • Solid waste management • Emission management • Noise management
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	<ul style="list-style-type: none"> • Water resources management • Solid waste management • Emission management
Aspect A3: The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimizing the issuer’s significant impact on the environment and natural resources.</p>	<ul style="list-style-type: none"> • Water resources management • Solid waste management • Emission management • Noise management

Subject Areas, Aspects and General Disclosures		
	“Comply or explain” Provisions	Disclosure Section
B. Social		
Employment and Labour Practices		
Aspect B1: Employment	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	<ul style="list-style-type: none"> • Employment and labour standards • Benefits and welfare
Aspect B2: Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</p>	<ul style="list-style-type: none"> • Health and safety
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees’ knowledge and skills for discharging duties at work.</p> <p>Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	<ul style="list-style-type: none"> • Development and training

Subject Areas, Aspects and General Disclosures		
	“Comply or explain” Provisions	Disclosure Section
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	<ul style="list-style-type: none"> • Employment and labour standards
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	<ul style="list-style-type: none"> • Supply chain management
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	<ul style="list-style-type: none"> • Product responsibility • Customer care
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<ul style="list-style-type: none"> • Anti-corruption

Subject Areas, Aspects and General Disclosures		
	“Comply or explain” Provisions	Disclosure Section
Community		
Aspect B8: Community Investment	<p>General Disclosure</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.</p>	<ul style="list-style-type: none"> • Community investment