



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



**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2017**

Contents

About this Report.....	2
Reporting Scope	2
Reporting Basis.....	2
Preface	3
Overview of Yurun Food.....	4
About the Company	4
Corporate Values	4
Stakeholder Engagement	5
Materiality Assessment.....	5
Product Responsibility	6
Product Quality Management.....	7
Production Preparation.....	8
Food Processing	8
Cold Chain Management.....	9
Supply Chain Management	9
Animal Welfare Management	11
Market Management	11
Caring for Customers.....	12
Anti-corruption	12
Environment.....	13
Water Resources Management.....	15
Waste Management.....	15
Air Emission Management	16
Greenhouse Gas Management	16
Noise Management.....	17
Environmental Performance	17
Employment and Labour Practices	18
Employment and Labour Standards.....	18
Benefits and Welfare.....	19
Development and Training	20
Health and Safety	26
Community Investment.....	28
Appendix 1 : Index of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide	34

About this Report

This Environmental, Social and Governance (“**ESG**”) Report (this “**Report**”) aims to review the sustainable development and related performance of China Yurun Food Group Limited (“**Yurun Food**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) in 2017. This Report should be read in conjunction with “China Yurun Food Group Limited Annual Report 2017” (particularly the Corporate Governance Report therein), to have a thorough understanding on the Group’s 2017 ESG performance. This Report is the Group’s second ESG Report, and aims to strengthen the communication with stakeholders and the sustainable development of the Group.

The Group maintains close connection with stakeholders, including customers, employees, regulators and the public. Through regular communication, the Group strives to strike a balance between stakeholders’ views and their interests, formulating the direction of the Group’s sustainable development.

Reporting Scope

This Report covers businesses where the Group has operational control and which had material ESG impacts, and includes the Group’s main measures and activities implemented from 1 January 2017 to 31 December 2017 (the “**Reporting Period**”). The scope of this Report includes the Company and all of its subsidiaries.

Reporting Basis

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 “**Hong Kong Stock Exchange**”). The Report includes an *Environmental, Social and Governance Reporting Guide* as Appendix 1 to which readers can make reference.

Preface

Yurun Food believes that “only companies that have the courage to take responsibility can become first-class companies”. Since the Group’s inception, we have adhered to the business philosophy of “you trust because we care”, quality philosophy of “the product quality represents a company’s quality” and the business style of “social interests outweigh company interests and local interests are subordinate to global interests”, and have comprehensively implemented the scientific outlook on development. Through the active innovation in the Group’s development and the continuous improvement of the Group’s corporate governance, Yurun Food pro-actively identifies the most stable and sustainable operational model and developmental pathway for the Group.

Food safety is paramount to a company’s survival, and sound environmental management is necessary for a company to last for a century while the healthy development of business partners and employees is the source of a company’s benefits. In the course of our operations, the Group not only enforces strict control of product quality, but also emphasizes technological and environmental protection management. We also promote the continuous transformation and upgrading of the Group, achieving synergic development between production and environmental protection.

In addition, Yurun Food adheres to the development pathway of “society’s benefits come first before companies’ benefits”, actively responding to the call of the State and actively participating in social and community development. Through the upgrade of production facility, adoption of advanced production management and implementation of environmentally friendly pollution control, the environmental impact of the Group’s production is kept to a minimum on the basis of enhanced resource utilisation efficiency.

Yurun Food is the leading enterprise in the sector of industrial agriculture in China and adheres to the full utilisation of resources to enhance production efficiency and to lead to the healthy development of the Group. As a result, we provide rewards to our society, customers, shareholders and our employees.

Overview of Yurun Food

About the Company

Yurun Food (1068.HK) is one of the People's Republic of China (the “**PRC**”)’s largest meat production enterprises. The Group’s products include chilled pork, frozen pork, low temperature meat products and high temperature meat products; the latter two are predominantly pork products. The products are sold under four major brands, namely “Yurun”, “Wangrun”, “Furun” and “Haroulia”.

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

In April 2017, at 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), Yurun Food once again ranked first with the highest market share of low temperature meat and chilled pork in the PRC market, being the top player in both product segments for 19 years and 5 years in a row respectively. During the Reporting Period, Yurun Food’s “dried sausage” and “bacon” were awarded the “Nongfu Cup - 2017 Quality Meat Product Award of China” (農畝杯-2017 全國優質肉類產品獎) by the China Meat Association.

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, society, employees and shareholders

Stakeholder Engagement

The Group has always attached importance to maintaining communication with stakeholders, and believes that two-way and regular communication helps us understand stakeholders' expectations and to promote the Group's sustainable development. The Group has established various channels to communicate with investors, regulators, customers, consumers, suppliers, employees, society and the media.

Table 1 Main issues of concern for stakeholders and communication channels

Category of Stakeholder	Main issues of concern	Communication channels
Shareholders/Investors	<ul style="list-style-type: none"> • Business performance • Compliant operations 	<ul style="list-style-type: none"> • Annual general meetings • Public announcements • Press releases
Regulators	<ul style="list-style-type: none"> • Food safety • Environmental compliance 	<ul style="list-style-type: none"> • Field trips • Remote monitoring
Supermarkets and Markets	<ul style="list-style-type: none"> • Food safety 	<ul style="list-style-type: none"> • Regular communication and inspection
Consumers	<ul style="list-style-type: none"> • Food safety • Environmental-related performance 	<ul style="list-style-type: none"> • Online promotion • Trade fairs and promotional activities • Hotlines
Suppliers	<ul style="list-style-type: none"> • Supply chain management • Food safety 	<ul style="list-style-type: none"> • Field trips • Supplier inspection • Dealer Audits
Employees	<ul style="list-style-type: none"> • Hiring and employment • Employment welfare 	<ul style="list-style-type: none"> • Employee unions • Employee representative symposiums
Society	<ul style="list-style-type: none"> • Food safety • Community investment 	<ul style="list-style-type: none"> • Factory visits for consumers
Media	<ul style="list-style-type: none"> • Food safety • Environmental-related performance 	<ul style="list-style-type: none"> • Media interviews • Press releases/public announcements

Materiality Assessment

The Group has commissioned an external professional consultant to conduct industry benchmarking and a materiality assessment. Through this assessment, the Group's material issues include "product quality", "supply chain management", "market management", "environmental compliance" and "employee benefits". The Group will focus on responding to the above issues throughout this Report.

Product Responsibility

The Group attaches great importance to product quality management. The Group refines product quality management, which assures the quality of products and the legitimate rights and interests of consumers, and this is conducted through the implementation of the ISO 9001 quality management system and the ISO 22000 food safety management system. The Group complies with industry regulations in the locations where it operates. In addition to formulating targeted and appropriate corporate standards, we also set up independent management systems for important production processes to refine relevant management. The Group understands that product quality is affected by various factors, such as the quality of the hog, the efficiency of raw material transportation and product quality control, etc. To this end, the Group established four quality management systems based upon the corresponding important production processes, namely product quality management, supply chain management, animal welfare management and market management.

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

Table 2 The significant and applicable laws and regulations relating to food quality that Group complies with and abides by

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>The 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> <i>The National Food Safety Standard General Hygienic Regulation for Food Production</i> <i>The Administrative Provisions on Food Labeling</i>

Table 3 Current management approaches for the important processes along the production chain

Important processes along 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 and 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>
Supply Chain 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

The Group attaches importance to every aspect of production, and has set up corresponding management tools and quality assurance measures, and used detail-oriented management to ensure that the quality of each product meets the required standard. In addition, the Group ensures product quality through the integrated cold chain management and standards. This section will introduce respective management processes relating to production preparation, food processing and cold chain management.

Production Preparation

During production, we have 21 procedures on inspection and quarantine for live hogs, assuring hog health and product quality. The production preparation includes hog arrival, pending slaughter and slaughtering. Hogs are required to be examined and quarantined according to sensory indicators. In addition, the Group conducts strict clenbuterol inspection and other tests for arrived hogs. Hogs are classified and processed according to their health condition, and only pork of the highest quality is selected for the next production stage. Other raw materials can also only be used in the next production stage upon passing sensory and physiochemical inspections. Raw materials which fail these inspections are recalled in order to ensure that only raw materials which fully meet requirements are used.

Food Processing

Under quality control measure, the Group sets clear and specific standards for each production process. On this basis, varying seasonal quality measures are implemented to maintain the highest standard of product quality. The Group also has a strict reporting system to provide notifications on specific incidents in which product quality might be affected, such as employees' improper operating practices, product quality problems or equipment-related accidents. When a specific incident occurs, employees who identify the problem are required to notify the quality control department within five minutes in order to resolve the issue in the shortest possible time and to maintain high quality production.

The Group has state-of-the-art laboratories well equipped with advanced apparatus and conducts microbiological testing, sensory and physiochemical inspection to assure product quality during the entire food processing. During the production process, relevant employees conduct examinations of bacteria levels and pathogenic bacteria on equipment, employees, apparatus, water used for production and manufactured products. Finished products are also screened by metal detectors. The Group ensures that each aspect of manufactured products meets the corresponding standards.

After passing inspections and tests, labels are affixed on product packaging in accordance with the *Administrative Provisions on Food Labelling* and the *General Principles on the Labels of Pre-packaged Food* and other relevant laws and regulations.

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

Cold Chain Management

The Group recognises that cold chain management plays a vital role in product quality assurance. In addition to implementing uniform cold chain management of internal production processes, the Group also continually assists distributors with their cold chain management in reaching the Group's requirements. We ensure a uniform cold chain standard in production, transportation, storage and retail aspects. The Group also requires production sites, logistics fleets, supermarkets and other product distribution points to ensure that products are processed, transported and stored at suitable temperatures. Temperatures across the production line are strictly monitored. We have also standardised the refrigeration configuration of transportation vehicles and require retailers to make appropriate improvements in accordance with the product quality requirements of the Group.

During the Reporting Period, the Group assisted over 700 stores in successfully establishing cold chain distribution terminals.

Supply Chain Management

The Group deeply recognises the importance of suppliers' quality. The Group's upstream supply chain consists of suppliers of various raw materials, ingredients and packaging materials used in production processes; and the Group's downstream supply chain consists of various distributors. In addition to actively managing suppliers, the Group is also delighted to cooperate with distributors to conduct on-site food safety audits.

The raw materials that suppliers provide are the source of the Group's products and have direct impact on the quality of the Group's products, therefore, quality problems at the source can be eliminated only through the strict management of suppliers. The Group reinforces supplier chain management and regulation through a systematic, impartial and long-term supplier management mechanism as well as by quantifying suppliers' performance. We clearly stipulate the quality requirements and standard of raw materials, ingredients and packaging materials; and suppliers are required to provide products that meet these standards. In addition to general quality assurance and quality control, the Group has also proactively arranged on-site visits to fully and precisely examine whether suppliers meet all quality standards, and assess their performance in environmental and social aspects.

To become the Group's suppliers, suppliers are required to provide various qualification certificates and to pass sample tests and on-site assessments. Qualifications required include animal quarantine certifications, clenbuterol test reports, veterinary certificates, etc. Sample tests include both sensory and physiochemical inspections. Each supplier is required to undergo annual assessments in accordance with the Group's requirements. Should any supplier have any substantial quality issues, it will be blacklisted following confirmation by the technical department, quality control department and supply department. The Group will notify all subsidiaries about blacklisted suppliers and prohibit cooperation with these suppliers.

The Group recognises live hog suppliers as an important management target, and formulated the *Quality Assessment and Management Practice for Live Hog Suppliers* and the *Letter to Live Hog Suppliers*, clearly setting out standards and irregularities. We further signed the *Agreement on Poultry Quality Assurance* with suppliers, assuring that the quality of live hogs are up to the standard of the laws and regulations of the places where they operate and requirements of the Group.

The Group has formulated the principle of avoidance applicable for procurement management. The finance, quality control and pricing departments must strictly comply with this principle and are strictly prohibited from directly engaging with suppliers. The Group's raw material procurement, pricing, quality acceptance and settlement are four distinct and separate functions. Under the closed-loop-management gatekeeping of the finance and supervision departments, internal procurement relationships are prevented, and mutual restraint and cross monitoring enable to prevent commercial bribery and improper transactions, etc. This ensures the standardised operation of procurement and elimination of supply of defective raw materials.

Table 4 Supplier management and management highlights

Supplier Selection Process	Management Highlight
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 tests • Site visits
Evaluation of Suppliers	<ul style="list-style-type: none"> • Annual suppliers evaluation • Collecting statutory third party external inspection reports of suppliers
Inspection of Suppliers	<ul style="list-style-type: none"> • On-site dawn-raid inspection of suppliers • Compliance condition of suppliers and relevant qualifications

During the Reporting Period, the Group abided by the *Food Safety Law of the People's Republic of China*, the *National Food Safety Standard General Hygienic Regulation for Food Production* and the *Measures for the Administration of Food Production Licensing* and other laws and regulations of our operation locations. Furthermore, we conducted 2017 annual supplier inspections in accordance with our *2017 Annual Inspection Plan*. The Group communicated with 11 suppliers and assisted them to improve their management, whilst 12 suppliers which failed to meet the rectification standards were delisted.

Table 5 2017 Supplier Inspection:

Satisfactory Suppliers	Newly Added Suppliers	Total
544	250	794

The Group is willing to listen to distributors' ideas and willing to accept their recommendations on product quality improvement. Every year, the Group performs on-site food safety audits and thoroughly studies the food safety audit records of distributors. Where practicable, we adopt and implement the relevant recommendations from the distributors.

Animal Welfare Management

The Group highly values animal welfare and understands that improper treatment of animals will affect product quality. Therefore, we established *Yurun's Regulations on Animal Welfare Management* to ensure humane treatment of animals. The Group is committed to providing animals with comprehensive animal welfare management to enable the harmless and stimulation-free treatment of animals and to minimise their anxiety and fear during transportation, loading and unloading, pre-slaughter rest, production, etc. The Group has clear standards regulating goods vehicles, loading and unloading tools, water supply and tranquilising methods, etc.

Table 6 Key elements and highlights of animal welfare management

Key elements of animal welfare management	Management highlights
Goods Vehicles	<ul style="list-style-type: none">• Transport vehicles with sufficient ventilation• Prohibition of using iron tools to guide pigs into and out of vehicles
Employees	<ul style="list-style-type: none">• Regularly conducting humane slaughter training• Each slaughtering section to have at least one staff who has received humane slaughter training and is responsible for the operation or supervision of other staff
Facilities	<ul style="list-style-type: none">• Installation of ventilation, insulation and spraying devices in hogs' living facilities
Disabled Hog Treatment	<ul style="list-style-type: none">• Providing clean drinking water for live hogs in disabled hog zone

Market Management

The Group is strongly aware of the importance of good management to maintain product quality after product delivery to the market. Persistent monitoring is applicable not only to the production process, but also to the sales market where we have stronger contact with the general public. The Group earnestly maintains the quality of the products on the market and implements feasible monitoring measures and active cooperation with retailers. Through strict supervision of retailers, we ensure proper treatment of the Group's products. We also actively cooperate with retailers to maintain product quality.

Table 7 Major aspects of market monitoring

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

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

The Group 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 inquiries and complaints every day, and either giving timely reply or transferring the inquiries and complaints to the relevant departments. Relevant departments are required to investigate the authenticity of these complaints and to keep the relevant evidence. Following the investigation, the relevant staff are required to report the findings to the complainant or the unit, regardless of the investigation outcome. The subsidiaries must analyse the causes of complaints about product quality and implement corrective and preventive measures accordingly to avoid the recurrences of similar incidents. The subsidiaries are also required to conduct regular product track and recall drill. The Group proactively prevents various risks by designating staff to collect relevant information on monitoring and evaluation of food safety risk either internally issued by the Group or issued in locations where we operate.

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

Caring for Customers

The Group has always regarded customers as important partners in the development of the Group. We continuously practise the service philosophy of "creating value for customers" and established and implemented *Criterion of Customer Service Management* and *Guaranteed Satisfactory Solution System* to maintain cooperative relationships with customers. At the same time, the Group has developed a dealer management system to ensure that operations are regulated and relevant contracts, such as *Dealer Contract*, *Supermarket Contract*, *Food and Beverage Agency Contract*, etc., are signed with dealers in accordance with the regulations of the State. The Group's standardised operations ensure that corporate interests and customer interests are protected by the law. In addition, the Group ensures that customer information is used solely for customer relationship management and not divulged or used for improper purposes.

During the Reporting Period, the Group did not receive any report on incidents of customer information leakage, or any complaints about improper use of customer information.

Anti-corruption

Business integrity is a core value of the Group, and we strictly comply with the laws and regulations relating to anti-corruption, bribery, fraud and money laundering across our operation locations. The Group has set up a group management office responsible for anti-corruption and formulation of relevant management approaches to govern employees' 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.

Table 8 The significant and applicable laws and regulations relating to anti-corruption that the Group complies with and abides by

Laws of the PRC
<i>The Company Law of the People's Republic of China</i> <i>The Bidding Law of the People's Republic of China</i> <i>The Anti-unfair Competition Law of the People's Republic of China</i>
Relevant regulation of the PRC
<i>The Interim Provisions on Banning Commercial Bribery</i>

In 2017, in accordance with the relevant laws and regulations of locations where the Group operates, the Group updated and revised anti-corruption policies and systems, further clarified acts involving corruption, increased the penalty for corruption and informed and assisted subsidiaries in implementing relevant policies and system updates. We also placed emphasis on strengthening and developing a corruption-free culture, and regularly produced and posted anti-corruption publicity materials to enhance all employees' awareness of integrity. In addition, the Group regularly pays visits to customers we cooperate with at dealers and raw material markets, increasing the amount of information that is communicated as well as financial information that is checked which effectively reduces the risk of corruption. We have also improved our anti-corruption related reporting system and hotline, and printed a complaint hotline on each delivery invoice.

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

Environment

The Group incorporates the concept of environmental protection into every aspect of our operation to reduce its environmental impacts. The Group understands that the solid waste, sewage, emission and noise generated during production processes have certain impacts on the environment of the locations where we operate. Therefore, the Group commits to reducing the impact of operation on the environment through complying with environmental-related laws at our operation locations and embodying the vision of sustainable production in our operations. We improve the utilisation efficiency of raw materials and energy consumption, and reduce emissions of pollutants through equipment improvement, technique improvement and introduction of advanced production technology, etc. The Group improves both its production and environmental performance and strives for sustainable operations.

On the basis of implementing the ISO14001 Environmental Management System ("EMS"), the Group implemented a clean production mechanism and targeted at 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 department in our operation locations, and no violation of solid waste treatment regulation was identified under the periodic audit of EMS.

Table 9 The significant and applicable laws and regulations relating to environmental protection that the Group complies with and abides by

The laws and regulations of the PRC
<i>The 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 Air Pollution</i> <i>The Law of the PRC on the Prevention and Control of Pollution from Noise Pollution</i> <i>The Cleaner Production Promotion Law of the PRC</i>

Table 10 The Group's compliance with and implementation of the major environmental laws and regulations and the corresponding achievements

Impact	Affected Areas	Relevant Requirements	Inspection Results
Wastewater Discharge	Water Source and Soil	<ul style="list-style-type: none"> • <i>The Discharge Standard of Water Pollutants for Meat Processing 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 department
Dust Emissions	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> 	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 department
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</i> 	No violation of waste treatment regulation was identified under the periodic audit of EMS over the past three years

Water Resources Management

The effective management of water resources is an important part of the Group's realisation of sustainable development. The Group attaches great importance to sewage treatment and water recycling and reuse. Underground sewage treatment stations have been set up to treat sewage from production processes. 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 the discharge of sewage can also 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 networks and discharged into the sewage treatment station, which, following a centralised treatment, can be reused for car washing, fountains, watering plants, etc. During the Reporting Period, certain subsidiaries of the Group reused water, amounting to a total of approximately 68,000 tonnes.

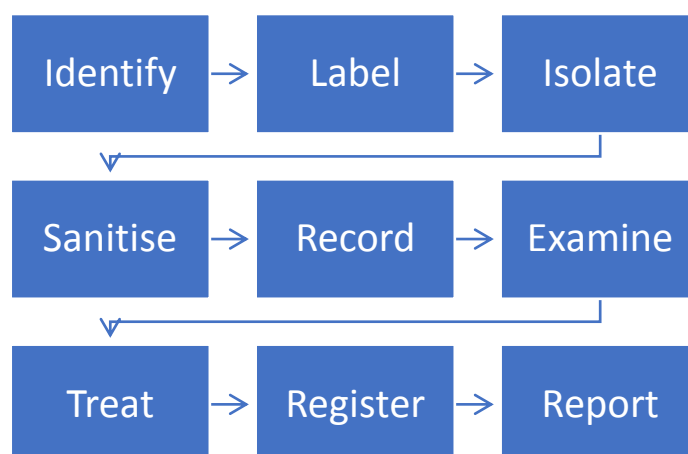
The Group sources water for businesses from municipal water supply and underground water. The extraction of underground water is monitored and regulated by relevant local government department. During the Reporting Period, the Group did not have any issues about water-sourcing.

Waste Management

The Group has always cautiously treated solid waste arising from our production. We properly classify and treat solid waste, reducing the impacts on our operation locations. The solid wastes produced in the place of operation mainly consist of domestic waste, greasy waste, sludge and substandard products. Domestic wastes primarily include food waste and general non-hazardous solid waste produced by employees, which are centrally collected and treated by the local environmental and 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 and qualified waste treatment companies. Sludge produced during sewage treatment is also regularly collected and treated by government-authorized and qualified waste treatment companies.

The Group established a strict management system for the 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 and suspected to be dead due to disease, the suspected afflicted hogs and the corresponding products or appendages are treated according to designated 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, video recording systems and cameras, and the relevant information is submitted through the system and archived for future reference.

Photo 1 Processing Flow



During the Reporting Period, the Group created labels for various waste types and relevant departments were required to store waste under the relevant label, and to prevent leakage of wastes during transportation and storage. In addition, the Group also required employees to inspect factory wastes to ensure that waste was properly stored and to prevent waste from mixing, thus facilitating the effective disposal of waste.

Air Emission Management

The main sources of the Group's air pollutant emissions originate from boilers and ammonia emissions from the use of ammonia-compressed refrigeration. Since the State Council of the PRC's issuance of the *Action Plan on Prevention and Control of Air Pollution*, each province and municipality have introduced relevant rules, promoting the comprehensive renovation of small coal-fired boilers to accelerate the process of coal-to-gas conversion between industrial and commercial sectors. In response to the government's call, six of the Group's factories ceased the operations of nine coal-fired boilers and switched to four natural gas-fired boilers, two electric boilers and one heat-pump hot water system, effectively reducing our air pollutant emissions. With regard to fugitive ammonia emissions, the Group abides by *Technical Methods for Making Local Emission Standards of Air Pollutants* to ensure that there are no inhabitants in potentially affected areas.

Greenhouse Gas Management

The Group is aware of the impacts of climate change on our operating activities and understands the impacts of our greenhouse gas emissions arising from our operations. The Group's greenhouse gas emissions mostly come from the direct emissions of fuel combustion and indirect emissions of purchased electricity. At this stage, the Group is focused on improving energy consumption efficiency to reduce fuel and electricity consumption, and is focused on promoting the use of renewable energy sources to reduce direct greenhouse gas emissions.

Further to the use of distributed solar power stations in Jiangsu production base in the preceding year, Anhui production base also completed the construction of a 1.2 MW distributed solar power station in 2017, providing approximately 2.6 million kWh of electricity annually.

Noise Management

The Group strictly complies with the requirements of *Emission standard for industrial enterprises noise at boundary* (GB12348—90). The Group's sources of noise mainly originate from facilities in production processes. This includes noise from operating meat grinders, air compressors, cooling towers, fans, water pumps, 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.

Environmental Performance

During the Reporting Period, the environmental data are as follows:

Indicator	2017	
	Amount	Intensity (per tonne)
Air Emission (tonnes)		
NO _x	556,337	0.94
SO _x	3,454	0.01
Greenhouse Gas Emission (tonnes)		
Scope 1		
Stationary Source	38,468	
Scope 2		
Purchased Electricity	59,206	
Total Greenhouse Gas Emission	97,673	0.16
Hazardous Waste (tonnes)		
Sludge ¹	2,496	0.04
Non-hazardous Waste (tonnes)		
Wastewater	3,410,118	5.75
General Wastes ^{1, 2}	15	0.00
Direct Energy Consumption		
Natural Gas (10 ⁶ m ³)	5,201,422	8.77
Coal (tonnes)	12,393	0.02
Indirect Energy Consumption		
Electricity Consumption (kWh)	109,973,175	185.51
Water Consumption (tonnes)		
Underground Water	1,713,340	
Municipal Water Supply	2,631,667	
Total Water Consumption	4,345,007	7.33
Packaging Material		
Paper Box (boxes)	15,062,483	25.41
Label (pieces)	155,982,382	263.13

¹ The data only includes the subsidiaries in the sector of Food Processing

² The general wastes include paper boxes, plastics and metals

Employment and Labour Practices

Employment and Labour Standards

“Individual respect, personal development and proper deployment” is the Group’s employment ideology, and strictly observes labour laws in operation locations. The Group believes that employee diversity has positive impacts 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 due to factors such as gender, age, ethnicity and religion.

The Group highly values employees’ rights and interests and ensures that employees are legally entitled to and clearly aware of their rights and interests through different means. Labour contracts are signed and terminated in strict compliance with relevant laws and regulations in order to fully protect the rights and obligations of employees and the Group. Each employee is provided with a staff manual and an explanation of the manual’s contents by the human resources department to ensure that every employee is aware of the rules and regulations of the Group and his/her own rights and obligations.

During the Reporting Period, the Group provided such benefits the employees were entitled to according to the updated staff manual and informed all employees of such update.

The Group provides competitive remuneration and other employee benefits, and has established a clear promotion system to ensure that employees are able to enjoy reasonable remuneration and promotion opportunities. The Group has implemented a performance evaluation system for all employees and applied multi-dimensional indicators for the purpose of progressively improving the managerial-graded evaluation system, which helps to provide comprehensive references and basis for employee promotion. The Group treats safety and compliance as the core values of management, and pays close attention to the managers’ performance in the aspects of safe production, compliant operation, integrity and self-discipline, etc.

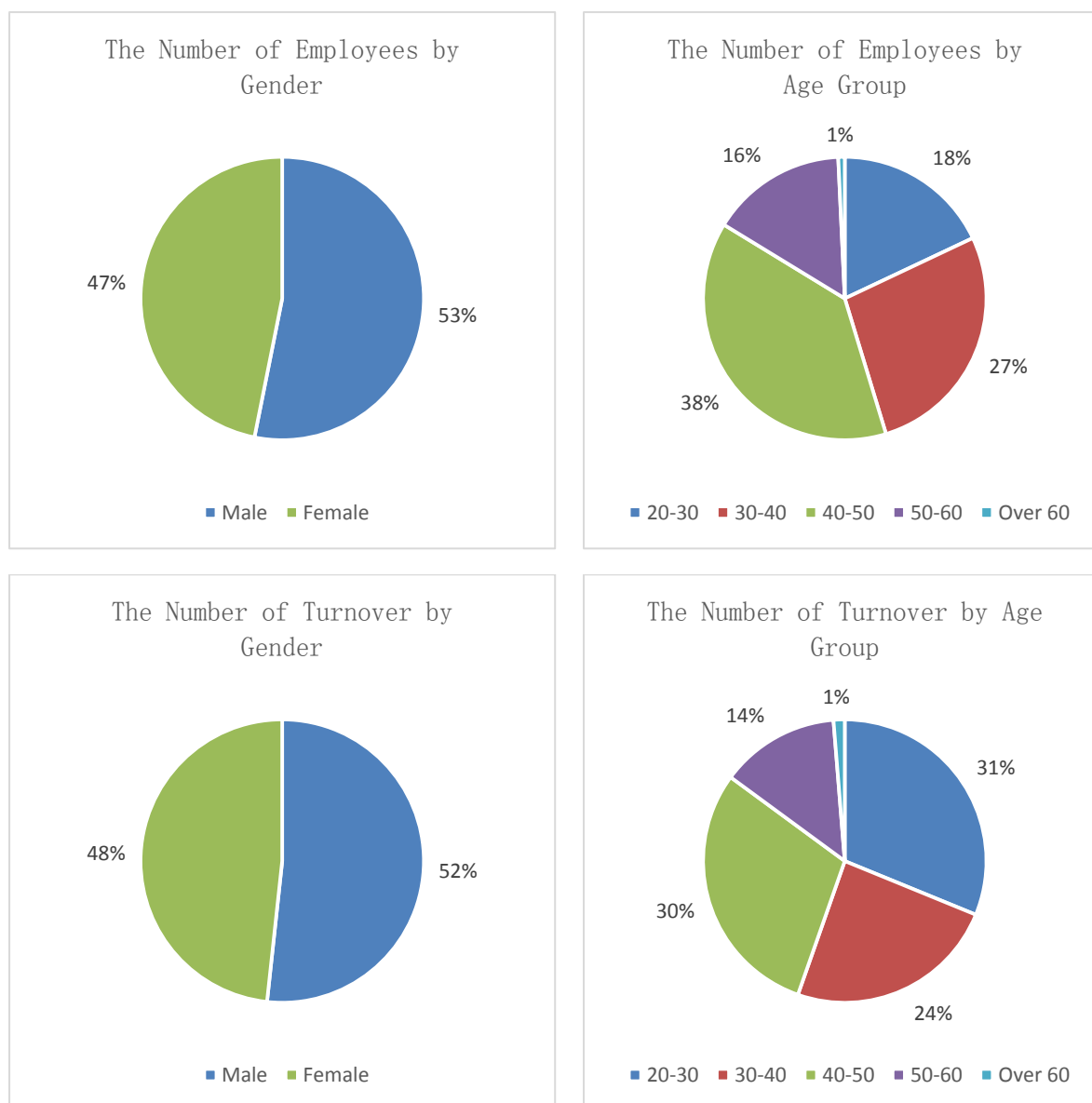
The Group strictly prohibits child and forced labour by adopting strict measures such as conducting interviews and regularly checking employee information. The Group has required that persons below the age of 16 are prohibited from being recorded in the personnel management system so as to avoid any possibility of child labour. The Group also communicates regularly with employees to understand their thoughts and to follow up identified problems. In addition, the Group has established labour unions to understand employees’ work and to give their advice on the legality of labour-related laws and regulations.

Table 11 The significant and applicable laws and regulations relating to labour rights that the Group complies with and abides by

Relevant laws of the PRC
<i>The Labour Law of the PRC</i> <i>The Labour Contract Law of the PRC</i> <i>The Social Insurance Law of the PRC</i> <i>The 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 no case of illegal child and forced labour.

During the Reporting Period, the Group's labour related data are as follows:



Case study – equality and anti-discrimination

The Group is committed to providing every employee with an equal and non-discriminatory working environment, and in 2017, the Group continued to recruit people with disabilities. A total of 17 employees with disabilities were hired and they were tasked with suitable job duties and given gifts during festivals.

Benefits and Welfare

Employees of the Group are entitled to the paid annual leave and statutory holidays, and also sick leave, casual leave, marital leave, maternity leave and others in accordance with the law. The Group regulates the working hours of employees in accordance with the laws for the purpose of maintaining the work-life balance of employees. The Group offers reasonable overtime payment to employees if they are required to work after normal working hours.

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 direction of the Group as well as critical issues relating to their own interests, and also have opportunities and channels to express their views. In addition, the party committee and labour union organise staff representative forums annually to solicit opinions on development of the Group from employees and answer their questions. The Group is deeply concerned about grassroots employees at the front line. Through visits, offering condolences and donations, the Group provides assistance to employees living in hardship with the aim of solving their practical problems and helping them to overcome difficulties.

The Group makes contribution to insurances and provident funds for employees in accordance with the requirements of the operation locations, and further provides personal accident insurances in order to protect employees in a comprehensive way and to 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 the pressure of employees and protect their physical and mental health.

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

Development and Training

The Group has always paid attention to the development and advancement of employees. We continuously provide employees with opportunities for learning and promotion through training in Yurun University, external training, professional skills training, basic industrial management training, outward bound training and online training for the purpose of enhancing individual advancement and goal achievement and allowing employees to develop together with the Group.

The Group organises 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 candidates of general manager cadres of the Group. During the Reporting Period, 58 employees participated in training courses for candidates of general manager cadres. Each participating employee was trained for approximately four days, amounting up to 36 training hours in total.

The Group also conducts regular training courses for both regional and city managers. During the Reporting Period, over 40.56% of city managers were trained. At the same time, the Group attaches importance to training new recruits. During the Reporting Period, 186 employees participated in induction training. Each participating employee was trained for 11 days, accumulating up to 82 training hours in total.

Photo 2 In August and October 2017, the Group organised training for candidates of general manager cadres, focusing on strengthening the management ability of the Group's management cadres.



Photo 3 During the training in October 2017, the Group carried out an inauguration ceremony for the internal trainer. The Group's president-grade leaders become mentors to managerial-grade cadre candidates and help them to develop through teaching, helping and leading.



Photo 4 In September 2017, training on financial management, marketing, supplier management, production management and other related aspects was provided to managerial-grade cadre candidates at Yurun University.



Photos 5 and 6 In May 2017, the Group hosted a training course for city-managerial grade staff



Photos 7 and 8 In 2017 , the Group hosted several outdoor quality development training and fun sports activities



Photo 9 In March 2017, the Group conducted SAP-HCM training



Photos 10, 11 and 12 The Group carried out a number of occupational health and safety training sessions





Health and Safety

The Group conducts production safety management 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 the OHSAS 18001 Occupational Health and Safety Assessment Series, 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. Furthermore, 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 safety management is assessed monthly with results incorporated into annual indicators.

Table 12 The significant and applicable laws and regulations relating to production safety that the Group complies with and abides by

Relevant laws and regulations of the PRC
<i>The Production Safety Law of the PRC</i> <i>The Law of the PRC on Prevention and Control of Occupational Diseases</i> <i>The 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 on production safety.

The Group continues to enhance safety management awareness of all levels of management. By adopting management measures such as "one position with dual responsibilities", *Veto by One Vote for Safety Incidents* and *Safe Production Management Regulation*, production safety is effectively achieved. In addition, the Group continues to encourage our subsidiaries to apply for the certification of safety-related standards in order to continuously improve the level of safety management and production safety, and to ensure that employees work in safe environments.

The Group arranges safety management personnel to explain occupational hazards to other employees on a regular basis and to conduct safety-related training for employees, effectively preventing them from occupational hazards. In addition to striving to enhance safety management personnel' quality of safety management, we also highly value the safety of production equipment and require employees to regularly inspect and maintain related equipment. From January 2017 to December 2017, the Engineering Technology Centre of the Group launched a "special safety inspection of safe production equipment" within the Group. More than 50 subsidiaries received inspection, and more than 410 hidden dangers of equipment were identified and rectified. Through random inspections, safety risks are eliminated and the Group did not experience any major safety incidents in 2017.

In 2017, the Group held 52 safety training sessions of various types, training over 1,040 people. Over 106 emergency drills were carried out and over 10,340 people participated in these drills.

The number of lost days due to work injury of the Group's employees amounted to 3,285.5 days, involving nearly 60 employees or approximately 0.4% over the total working days of the Group. The Group did not receive any complaints about employee safety.

Photos 13 and 14 In April, August and October 2017, Nanjing production base carried out fire safety drills, quality management, production management and other related training. Various production workshops and teams promoted and shared knowledge of food safety, product technology, system management and others during morning assembly. Over 800 people participated in these training sessions and emergency drills and the passing rate for first-time participants was above 95%. Participants who failed were retrained, and only upon passing could they resume their duties.



Community Investment

Supporting Employees with Hardship

On the advent of the Spring Festival, the Group's party committees and labour unions implemented important instructions under the guidance and specific help from higher-level party members, we actively identified party member staff with hardship, keeping our hearts close to the poor suffering from illnesses or natural disasters. We organised employee activities and mobilised all levels of the party organisation to visit party members with hardship.

Party leaders personally led visits to hospitals, homes, dormitories, front-line locations and other places to pass the care from the Central Committee and higher-level party members. A total of 22 party members with hardship received compassionate money and gifts of condolences. Upon visiting each place, the Group's leaders showed warm support to the families, and wished they could overcome their difficulties and again lead a happy life.

Photo 15 The Group's party branch secretary of the subsidiary in Ma On Shan visited employees with hardship and expressed condolences to them.



Photo 16 Leaders from the Group's Anhui subsidiary expressed condolences to employees with hardship.



Photo 17 Leaders from the Group's Beixu subsidiary expressed condolences to employees in hardship.



Photo 18 Leaders from the Group's Shenyang subsidiary paid visits to employees with hardship, and passed them compassionate money and New Year gifts



Interacting With Consumers

The Group continues to carry out consumer interaction activities and actively hosts open day activities, attracting tens of thousands of consumers to visit the factory park, allowing them to understand the outstanding quality of China's leading low-temperature meat producer in the factory park tour.

Photo 19 In August 2017, we hosted a Yurun Food industrial park visit



Photo 20 In September 2017, we hosted a factory visit for consumers



Photos 21 and 22 In October 2017, an open day was held



Photo 23 In October 2017, we hosted a factory visit for consumers



Yurun Food Enters Into the Community

Photo 24 In May 2017, Yurun Food carried out community activities in Gulou District, Nanjing



Appendix 1 : Index of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide

Subject Areas, Aspects, General Disclosures and KPIs		
	"Comply or explain" Provisions	Section
A. Environmental		
Aspect A1: Emissions	<p>General Disclosure</p> <p>Information on: (a) the policies; and (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>	Environment
	KPI A1.1 The types of emissions and respective emissions data.	Air Emission Management Environmental Performance
	KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance
	KPI A1.5 Description of measures to mitigate emissions and results achieved.	Air Emission Management Greenhouse Gas Management
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management

Aspect A2: Use of Resources	General Disclosure		Environment
	Policies on the efficient use of resources, including energy, water and other raw materials.		
	Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		
	KPI 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).	Environmental Performance
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Air Emission Management Greenhouse Gas Management
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Resources Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Performance	
Aspect A3: The Environment and Natural Resources	General Disclosure		Environment
	Policies on minimising the issuer’s significant impact on the environment and natural resources.		
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Water Resources Management Waste Management Air Emission Management Greenhouse Gas Management Noise Management

Subject Areas, Aspects, General Disclosures and KPIs				
	"Comply or explain" Provisions	Recommended Disclosures		Section
B. Social				
Employment and Labour Practices				
Aspect B1: Employment	General Disclosure	General Disclosure		Employment and Labour Standards
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect B2: Health and Safety	General Disclosure	General Disclosure		Health and Safety
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	KPI B2.1	Number and rate of work-related fatalities.	
		KPI B2.2	Lost days due to work injury.	
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	

Aspect B3: Development and Training	General Disclosure Policies on improving employee knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	General Disclosure		Development and Training
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
		KPI B3.2	The average training hours completed per employee by gender and employee category.	
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.	General Disclosure		Employment and Labour Standards
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

Operating Practices				
Aspect B5: Supply Chain Management	General Disclosure	General Disclosure		Supply Chain Management
	Policies on managing environmental and social risks of the supply chain.	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
Aspect B6: Product Responsibility	General Disclosure	General Disclosure		Product Quality Management Market Management Caring for Customers
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality Management
	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Market Management
		KPI B6.4	Description of quality assurance process and recall procedures.	Product Quality Management Market Management
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Caring for Customers
Aspect B7: Anti-corruption	General Disclosure	General Disclosure		Anti-corruption
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	KPI 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.	
	relating to bribery, extortion, fraud and money laundering.	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	

Community				
Aspect B8: Community Investment	General Disclosure	General Disclosure		Community Investment
	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.	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	