

CHANGSHOUHUA FOOD COMPANY LIMITED 長壽花食品股份有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1006

Environmental, Social and Governance Report **2017**



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Introduction to the Report

The Environmental, Social and Governance Report (the “ESG Report”) issued by Changshouhua Food Company Limited (the “Company” or “Changshouhua Food”) stated that the Company and its subsidiaries (collectively, the “Group” or “We”) have fully implemented the concept of sustainable development and performed the corporate social responsibilities. The ESG Report elaborated various work of the Group fulfilling the principle of sustainable development and its performance of social governance dated from 1 January 2017 to 31 December 2017 (the “Year”).

Scope of the Report

The ESG Report focused on the environmental and social performance of the core business of the Group (including its corn oil processing plants and refining & filling plants) in the People’s Republic of China (the “PRC”) during the Year. Key Performance Indicators (“KPIs”) of the corn oil processing plants and refining & filling plants were also disclosed for the Year. For details of the corporate governance, please refer to the Corporate Governance Report in the annual report for the Year of the Company.

Reporting Framework

The ESG Report was prepared based on “Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Stakeholder Engagement

The preparation of the ESG Report, which was supported by staff from the Group’s different departments, enabled us to have a better understanding of our current environmental and social development. The information we gathered were not only the summary of the environmental and social work carried out by the Group during the year, but also the basis for us to develop short and long term sustainable development strategies.

Information and Feedbacks

For detailed information about the environmental and corporate governance of the Company, please refer to the official website (<http://www.chinacornoil.com/>) and the annual report of Changshouhua Food Company Limited. Your opinions will be highly valued by the Company. If you have any advices or suggestions, please email to cornoil@163.com.

RIGOROUS PROCESS

Supplier Selection

The Group is committed to becoming a well-known Chinese manufacturer of edible corn oil and we attach importance to the quality assurance of the products. We have strict requirements for the suppliers who cooperate with us as the quality of the purchased materials directly affects the quality of the products. For the required products to be purchased, we review the relevant qualifications, product and quality system of the supplier, and assign the quality control personnel to sample the product samples for inspection. When there are suppliers with similar qualifications, we prioritize suppliers near to the factory locations of the Group to reduce the carbon footprint due to long-distance transport while reducing logistics costs.

After the products are delivered to the plants, the quality control personnel samples the incoming products in batches for testing and retains those samples. We will stop receiving the supplies, discuss with the supplier and remind them to improve the product quality if the product quality requirements cannot be met in the test. The supplies will not be received until they meet the quality requirements. During the cooperation period with the supplier, we conduct a regular assessment to ensure that the supplier can provide high quality products. We will update the list of qualified suppliers by removing the unqualified suppliers upon a certain period of cooperation.

Quality Assurance

Being one of the leading enterprises in the corn oil industry, the Group has always made food safety a top priority of production, and has been constantly putting product quality and customer demand in the first place and serving customers with high quality corn oil. To further ensure the product quality and safety, in addition to meeting the requirements of the laws and regulations related to food safety in the PRC, we also strictly monitor each step from procurement to squeezing, refining and packaging, by improving a series of control systems such as production, inspection, storage and sales, to make the producing process pollution-free with the automated production line, for a production of healthy, green and safe corn oil. The Group is also proactive in being in line with the international management system. Shandong Sanxing Corn Industry Technology Company Limited (“Corn Industry”, an indirect wholly-owned subsidiary of the Company) has been certified by the GB/T19001–2008/ISO9001:2008 quality management system and GB/T22000–2006/ISO22000:2005 food safety management system. During the Year, we have established the innovation awards to stimulate the creative thinking of employees, and optimize our production process by accepting their opinions.

Safe raw and auxiliary materials

The crude oil is refined and processed after pressing and leaching. The refining process requires the addition of raw and auxiliary materials such as phosphoric acid, liquid alkali, carclazyte, etc. Being an edible oil producer, we attach importance to the quality of raw and auxiliary materials used in the production process. On this account, we have established a set of raw and auxiliary materials tracking process. After delivery to the factory, the raw and auxiliary materials should pass the quality inspection procedures. Only the qualified raw and auxiliary materials can be transported to the warehouse for storage. For the raw and auxiliary materials that cannot pass the quality inspection, we will communicate with the suppliers and return those unqualified raw and auxiliary materials to the suppliers. The Group insists on using the raw and auxiliary materials that have reached the national standard and refuses to use those failed to meet the standard in case they may further affect the quality of the entire batch of corn oil.

Rigorous production process

The staff responsible for the production must strictly follow the process disciplines and perform the operations according to the specifications and standard operating procedures. Every employee entering the production site is required to comply with the requirements of hygiene standards, achieve cleanliness of the personal positions and maintain good personal and environmental hygiene. These employees must wear neat uniforms before entering the production area and get disinfected as required by the procedures. Any employees with failure of disinfection or improper dressing shall not be permitted for such entrance to ensure that our products are not affected by the hygiene of employees. In addition, our production management staff should ensure that the food storage facilities are safe, harmless and pollution free. They shall inspect employees to maintain daily personal hygiene while monitoring the temperature and humidity of the production site within the specified range to ensure that food quality is controlled.

Careful storage and transportation management

In order to keep the corn oil in the best condition, the Group has formulated the management systems relating to storage and transportation and strictly managed the operation of the warehouse. The warehouse staff should store the raw materials and final products appropriately according to the storage period and conditions, and regularly inspect their appearance and shelf life, and prevent fire, moisture, water, mold and leakage. In the event of any problems found in storage, we will deal with the problem on a timely basis and record the defective products. During the transportation process, we require that the handling staff should handle with care to protect the label and prevent damage to the packaging. We also require that the handling staff should keep the containers, tools and equipment for storage, transportation and containing of food safe, harmless and clean so as to prevent food contamination, and meet the special requirements including temperature necessary for food safety. Transportation along with toxic or hazardous substances is not permitted in order to provide safe and high quality products for customers.

Rigid inspection process

In the production process, the inspection personnel will regularly test the procedures on the production line. Only the semi-processed products which have passed the test are permitted for the next production stage. Production personnel and inspection personnel will evaluate the non-conforming portion and further actions shall be taken to solve such problem. Such products should be labelled and separately stored. The final products should be sampled and tested by the inspection personnel. The results are recorded for review.

Before the delivery of the products, the inspection personnel take and test the samples of each lot after determination of the sampling quantity and plan in accordance with the product requirements and standards. After sampling, the samples should be immediately sealed, stored and kept for testing to ensure that such samples will not change conditions or be missed before the testing and are properly kept. For the samples to be tested, the re-test samples are required to be retained. If the shelf life of the products is two years, the period of retention of re-test samples should be no less than two years. In case of any quality problems in subsequent lot of products, the inspection personnel may immediately take out the samples for testing.

Product Traceability System

In view of the traceability of the products sold by the Group, we have established the management systems regarding the traceability and product labelling and have complied with the national laws and regulations related to product quality, so that traceability will be achieved throughout the food chain. For finished product storages, we mark the name, date of manufacture, shelf life and storage conditions of the finished products at the storage location to store the finished products in order. For the packaging of pre-packaged food, we clearly mark on the product label the important information including specification, date of manufacture, ingredients, shelf life, product standard code, storage conditions, production license certification number, etc. in accordance with national laws, regulations and food safety standards so that customers have access to product information before any purchases. In the event of product quality problem, the Group will find the batch of products with such problem efficiently according to the date of manufacture, product standard code, etc. marked on the product and take relevant handling measures.

Establishment of Complaint Handling Mechanism

The Group has formulated the system relating to complaint handling to control the quality of service and meet the requirements of the customers to the greatest extent. Customers can inform our staff with regard to product quality problem or service requirements by letter, by phone or by a visit to the store. After receiving the complaint, we will record the name, date of manufacture of the product as well as the quality problem referred to in the complaint, and make investigations and analyze the cause that may give rise to customer complaint so as to take appropriate measures. Upon completion of the complaint handling, our specialists will visit the customer and further collect the product quality requirements and service requirements of the customer so that we can take corrective and preventive measures to continuously improve the quality of the service.

Maintenance of Intellectual Property Rights and Privacy

The Group has been emphasizing on technological innovation, and understanding the importance of protecting the Company's legitimate rights and interests from being infringed. Therefore, we have established a mechanism for safeguarding our intellectual property rights, and refused to use any products that may infringe intellectual property rights of others. We have established the intellectual property rights management department, which popularizes the laws and regulations related to patent and promote the publicity of patent knowledge by holding trainings, and takes responsibility for patent application and protection. The Group has also formulated relevant specifications and systems for trademark use and information confidentiality, so as to protect the Company's trademark and confidential information.

ENVIRONMENTAL PROTECTION

Well-established System

The Group keeps in mind the importance of environmental influence caused by business operation while developing to be a leading brand in the PRC edible corn oil consumer market. For this purpose, we have been always abiding by the national laws and regulations related to environmental protection, and have established complete environmental management system. In particular, Corn Industry has been certified by the GB/T24001-2004/ISO14001:2004 Environmental Management System.

In addition, we have established the safety and environmental protection department. The designated personnel shall not only execute the occupational health and safety policies, but also monitor the disposal of solid wastes, exhaust gas and wastewater generated in the production of edible oil, so as to ensure the satisfaction of environmental protection requirements.

Emission Reduction

As a responsible enterprise, the Group strives to reduce the emissions produced from business operation, so as to achieve the internal environmental protection objectives.

Exhaust gas

The major exhaust gas of the Group is the flue gas produced during the combustion of natural gas, which is emitted outside through the 15m chimney stack. The exhaust gas from vacuumization in the infusion process during production is conveyed to the sealed pool through pipelines, rather than being emitted outside. The dust produced when packaging germ dregs are dedusted and filtered with bag duster, and the remaining gas is emitted outside in height. Staff members will inspect the duster on a daily basis to ensure its effective operation. The staff who works under the dusty environment is required to wear anti-dust respirator and participate in occupational health examination on a regular basis, so as to prevent the discomfort caused by dust inhalation.

The exhaust gas emission from the corn oil refining & filling plants complies with the DB37/2374–2013 Emission Standard of Air Pollutants from Boilers in Shandong Province, and detailed exhaust gas emission data of the Year is as follows:

Exhaust gas	Emission concentration	Emission concentration limit specified in the standard
Particulates (mg/m ³)	6.5~8.2	10
SO ₂ (mg/m ³)	Lower than 15	100
NO _x (mg/m ³)	65.2~94.5	250

In order to reduce exhaust gas emission, we have adopted the efficient, safe and environment-friendly deodorizing system and vacuum system, and installed corresponding dust removal equipment during the Year. In addition, the exhaust gas produced from pretreatment and oil squeezing workshop will be emitted into the steam boiler furnace and discharged after high temperature oxidation, while some exhaust gas will be discharged into the sewage pool or absorbed by activated carbon to reduce the emission of exhaust gas to the outside.

Wastewater

The wastewater of the Group includes wastewater from production and domestic sewage. The wastewater from squeezing plant is mainly wastewater with solvent in diversion box in infusion process, condensate water from heat exchanger, and cleaning wastewater of equipment and floor, which is conveyed through underground pipes to external sewage disposal plant for unified treatment, while the wastewater from decoloration, deacidification and deodorization processes in refining plant and the cleaning wastewater of equipment and floor is flowed into the external sewage disposal station for oil removal and unified treatment. And the daily domestic sewage of the Group is treated in the septic tank, and then flowed into the local sewage disposal plant along municipal sewage discharge network for centralized treatment.

In order to cope with the drainable problem during the rainy season in the Year, we modified the underground drainage pipes in the refining plant, diverged the rainy water and wastewater, which not only reduced the treatment load of sewage disposal station, but also ensured that the wastewater from production should not be discharged outside.

Wastes

We adhere to the principle of facilitating the comprehensive utilization of solid wastes to handle the Group's wastes, so as to turn industrial wastes into useful materials for rational utilization.

The hazardous wastes in offices, including waste cartridges of printers and waste packages of chemical reagents, are collected together and then recycled by suppliers. In addition, the hazardous wastes of the Group from the production of corn oil include scrap saponins and clay waste, which are of recycling values for other industries. As related environmental protection departments have not classified such wastes, the Group redefines scrap saponins and clay waste as non-hazardous wastes in view of its low contamination and the aforesaid reasons, and sell them to resource regeneration companies, such as being used as raw materials.

The non-hazardous wastes of the Group include the waste germ dregs, which are by-product from the production of corn oil, are sold to feed mill to be used as raw material, thus reducing the discarded non-hazardous wastes. The domestic wastes are sent to the environmental hygiene departments for treatment after centralized collection.

Resources Conservation

In addition to emission reduction, the Group also makes certain contribution to our environment by vigorously promoting the concept of resources conservation inside the Group and improving the environmental awareness of our staff.

With an aim to reduce energy consumption of the Group, we require all departments and staff to aware of the consumption of energy and resources in daily work and living, and cultivate a good habit of energy saving, such as turning off the light when leaving the workplace. Air conditioners shall be turned off half an hour before off-duty, and the temperature shall be set at no less than 26°C in summer and no more than 18°C in winter. In the production process, we also strictly execute technological procedures, control all energy-consumption indexes and undergo equipment maintenance constantly to reduce energy waste.

The Equipment Management Department of the Group is responsible for recoding the monthly water and electricity consumption. By comparing the monthly output of products, the Financial Department will be responsible for calculating the quarterly economic indicators, so as to control and improve the Group's water and electricity consumption. For example, if the monthly water consumption is found abnormal, we will execute relevant control procedures to save water, such as using water-saving taps and adjusting water supply pressure, and control water consumption by reducing water pressure to the greatest extent under the precondition of ensuring production demands.

We have requested and used raw and auxiliary materials required in production in strict accordance with the consumption quota, taken efficient control over process, reduced the rate of non-conforming products as far as possible, and enhanced the utilization ratio of raw materials. Meanwhile, we also strengthen the training for use of auxiliary materials among employees, instruct the employees to adjust the addition of auxiliary materials according to oil quality, and endeavor to reduce the consumption of resources and production of wastes to the greatest extent under the precondition of not affecting the quality of eligible oil.

The Group has also taken a series of measures for controlling office and living supplies. As for general notices, we encourage employees to announce via the Company's office network or transmit by email or phone call, so as to reduce the distribution of documents. For the documents that must be printed, we suggest employees to narrow the font size and row pitch, adopt duplex printing and photocopying, or use the backsides of other fax paper or letters to reduce paper consumption.

TALENTS CULTIVATION

Improving Recruitment Process

The Group has always adhered to the philosophy of "People-oriented and Pursuit of Excellence", and strictly abided by the requirements in relevant employment laws and regulations. The Group has established explicit recruitment process and organizes relevant recruitment activities to attract talents to join our Group based on the job requirements of each department. Applicants who meet the basic requirements of the jobs they applied for are given equal interview opportunities and none of them are unfairly treated due to his/her gender, age, race, religion belief or disability. In order to prevent forced labour, we give applicants a detailed introduction of the job, including job duties, welfare and salary package, at the time of interview and ensure every applicant has an informed understanding about the job. We will not enter into labour contracts with applicants unless we have achieved a consensus with them and both parties are willing to enter into the contract. When employees report for their duties, we require the employee to present the original copy and photocopy of identity document to ensure that child labor is not mistakenly hired by the Group.

Employees are provided with competitive salary package in order to attract and stimulate them to work for the Group. In addition to the salary adjustment after the completion of probation period, we review employees' salary package regularly and make appropriate adjustment in line with the salary benchmark in the industry. At the end of each year, the Group conducts employee performance assessment, and performance bonus will be paid to employees according to their assessment results and those with excellent performance are given promotion opportunities. In accordance with the requirements of relevant employment laws and regulations, we require reasonable working hours and vacations for employees. During the employment, employees are entitled to maternity leave, marriage leave, funeral leave and annual leave as stipulated by law. Upon termination of the labour contract, we pay the remaining wages of the resigned employee in time in accordance with the national provisions.

During the Year, we continuously organized different recreational activities, including the Hundred-day Action project of “Safety, Environmental Protection, Energy Conservation and Innovation”, sports meeting, mountain climbing activity during the Women’s Day, to boost employees’ morale and increase their sense of belonging.

Health and Safety

Employees are our valuable assets. We abided by the requirements of relevant laws and regulations concerning occupational health and safety. Corn Industry has obtained the certification of GB/T28001–2011/OHSAS18001:2007 Occupational Health and Safety Management System.

The Group organizes physical examination for its employees. Every new or temporary employee shall pass the physical examination and obtain the health certificate before engaging in his/her job. Production and processing staff and other relevant employees shall take the physical examination at least once a year and accept temporary examination when necessary. We have created employee health record for each employee and kept a record of the health condition of employees who directly contact with food. We also provide health and safety education to new or temporary employees, who are not allowed to engage in their jobs without taking the courses. In addition, a leading group has been established to take charge of the sanitation management matters in order to ensure the plant area is clean and tidy at all times. All equipment in the workplace are subject to routine repair and maintenance, in order to ensure they are operated in a clean and safety condition, and workers are working in a safety environment.

During the Year, in addition to the regular factory inspection, we also carried out identification and risk analysis of hazard source in the squeezing plants, and took corresponding control measures according to analysis results, so as to reduce the occurrence of occupational diseases or accidents.

Development and Training

The Group is committed to enhancing the professional knowledge and expertise of employees and it prepares an annual training program every year. We provide employees with corresponding training programs such as internal training and on-the-job training specific to different job requirements in accordance with the training program. Upon completion of the training, employees have to take relevant examinations to determine whether he/she is qualified. Employees engaging in the special type of work are required to pass relevant examinations and obtain the qualification certificate in order to be employed.

As an oil producer, the Group takes safety training seriously. Therefore, we continued to provide employees with a series of safety training in the Year, including occupational health and safety training, heatstroke prevention and cold-resistant training, fire training and drills, etc., to improve employees’ safety awareness. In addition to safety training, we also provided specialized technology-related on-the-job trainings, such as refining and packaging training, responsibility building training of the squeezing plant, etc. Moreover, we provided employees with internal trainings, including business case summary, key working disciplines, profession training, etc., to strengthen their understanding of the Group.

Advancing Corruption-free Management

The Group abides by the national anti-corruption requirements. A discipline inspection department has been set up to monitor and inspect the implementation of various activities and rules and regulations, implement the decisions on corruption-free management, ensure various bidding and tendering process complying with laws and regulations, handle complaints, reports, calls and letters concerning various irregularities, and investigate into the responsibility of the person in breach of the rules and regulations of the Group. The discipline inspection department is responsible for the internal corruption-free education, strengthens the fostering of corruption-free culture, and plays an important role in pushing forward corruption-free management of the Group.

In order to achieve the strategic goal of the Group, further improve the overall image of the Group, regulate cadres and employees' personal behaviors, and to create good and corruption-free working environment, employees are required to sign the Ethical Conduct Commitment and prohibited from taking advantage of position in committing bribery, blackmail, fraud, extortion against and illegally accepting property from others. In addition, the cadre is also required to sign the Corruption-Free Management Responsibility Statement, and the leading groups shall be responsible for the corruption-free management within their authorities. Each year, according to the requirements of the corruption-free management, the discipline inspection department carries out a responsibility assessment against the relevant leading group to review the achievements made by the Group in corruption-free management.

In respect of the cooperation between the Group and its suppliers, the Group enters into an anti-commercial bribery agreement with each supplier, under which a supplier commits that it will not secure a transaction opportunity by means of providing our employees with any materials or spiritual benefits such as referral fees and free travel opportunities. We have also established a whistleblower hotline through which suppliers may report any of our employees who seek for personal rewards for its own benefits to the senior management of the Group, and the Group will take corresponding actions.

CARE FOR THE COMMUNITY

In the development history of the Group, we have been adhered to the enterprise tenet of "commitment to operational excellence, contributing society in good faith", as well as honest and trustworthy. The Group keeps in mind contributing to the society and actively cares for and supports the national development of education and charity undertakings while developing its business.

The Group has been helping employees suffering from financial difficulties in a long term, including badly-off employees caused by serious disease or other reasons. We have relieved their financial burden through donation, and persist in visiting them on an annual basis.

In our future development, the Group will continue to pay high attention to food safety, enhance moral and conscientiousness self-discipline, consciously guarantee food safety, safeguard customer benefits, and take into account social demands, so as to promote the on-going development of the Group.

MAJOR KEY PERFORMANCE INDICATORS

During the Year, KPIs of the Group's corn oil processing plants and refining & filling plants are as follows:

Environmental indicators	2017
Greenhouse gases	
Total greenhouse gas emissions (tons of CO ₂ equivalent)	66,822
Greenhouse gas emissions per ton of overall edible oil (tons of CO ₂ equivalent/ton of overall edible oil)	0.22
Wastes	
Total non-hazardous wastes produced (tons)	357,401
Non-hazardous wastes produced per ton of overall edible oil (tons/ton of overall edible oil)	1.16
Use of resources	
Total energy consumption (MWh)	124,561
Energy consumption per ton of overall edible oil (MWh/ton of overall edible oil)	0.40
Energy consumption from use of natural gas (MWh)	13,509.27
Energy consumption from use of electricity (MWh)	41,025.33
Energy consumption from use of heating (MWh)	70,026.33
Total water consumption (m ³)	236,239
Water consumption per ton of overall edible oil (m ³ /ton of overall edible oil)	0.77
Use of packaging materials	
Total consumption of paper boxes (tons)	9,122
Paper boxes consumption per ton of overall edible oil (tons/ton of overall edible oil)	0.03
Total consumption of plastic (tons)	25,688
Plastic consumption per ton of overall edible oil (tons/ton of overall edible oil)	0.08