

# 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 2018



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

### Introduction

The Environmental, Social and Governance (“ESG”) Report issued by Changshouhua Food Company Limited (the “Company” or “Changshouhua Food”) states that the Company and its subsidiaries (collectively, the “Group” or “We”) have fully implemented the concept of sustainable development and performed their corporate social responsibilities. The ESG report elaborates on the Group’s work to fulfil the principle of sustainable development and its social governance performance during the period from 1 January 2018 to 31 December 2018 (the “Year”).

### Scope of the Report

The ESG report focuses on the core business of the Group in the People’s Republic of China (the “PRC”), including its corn oil processing plants and refining and filling plants. During the Year, we continued to focus on the disclosure of the Key Performance Indicators (“KPIs”) of the corn oil processing plants and refining and filling plants regarding to the environmental and social performance. For details on corporate governance, please refer to the Corporate Governance Report in the Company’s Annual Report for the Year.

### Reporting Framework

The ESG report is based on the “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”).

### Opinion and Feedback

For detailed information about the Company’s environmental, social and corporate governance, please refer to the official website (<http://www.chinacornoil.com/>) and the Annual Report of Changshouhua Food Company Limited. The Company values your opinions on this report. If you have any advice or suggestions, please email to [cornoil@163.com](mailto:cornoil@163.com).

## STAKEHOLDER ENGAGEMENT

### Communication with Stakeholders

The Group strongly emphasises communication with stakeholders, and formulates and implements its short-term and long-term sustainable development strategies based on their advice. During the Year, we have conducted stakeholder engagement activities and materiality assessment, which enabled us to understand the needs of stakeholders and identify material ESG topics.

The Group communicates with stakeholders on the ESG aspects through an array of channels that includes meetings, announcements, company websites and emails and understands their requirements and expectations. Advice from stakeholders helps us to optimise our management methods, improve our ESG performance, and reach our target on sustainable development. During the Year, we communicated with and responded to stakeholders’ requirements and expectations in the following ways:

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Stakeholders	Requirements and Expectations	Means of Communication and Response
Government and regulatory authorities	<ul style="list-style-type: none"> <li>Compliance with national policies and laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Inspection and supervision</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Income and returns</li> <li>Increase in corporate value</li> <li>Information transparency and effective communication</li> </ul>	<ul style="list-style-type: none"> <li>Company announcements</li> <li>Emails, telephone communications and company website</li> <li>On-site inspections</li> </ul>
Partners	<ul style="list-style-type: none"> <li>Operation with integrity</li> <li>Mutual benefits</li> </ul>	<ul style="list-style-type: none"> <li>Business communications</li> <li>Communication and discussion</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Health and safety</li> <li>Operation with integrity</li> </ul>	<ul style="list-style-type: none"> <li>Customer communication meetings</li> <li>Social media platforms</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Compliant emissions</li> </ul>	<ul style="list-style-type: none"> <li>Research and inspection</li> </ul>
Industry	<ul style="list-style-type: none"> <li>Industry standard setting</li> </ul>	<ul style="list-style-type: none"> <li>Industry forums</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Remuneration and benefits</li> </ul>	<ul style="list-style-type: none"> <li>Company internal journal and intranet</li> <li>Training and workshops</li> </ul>
Community and the public	<ul style="list-style-type: none"> <li>Participation in public welfare</li> <li>Information transparency</li> </ul>	<ul style="list-style-type: none"> <li>Media interviews</li> <li>Social media platforms</li> </ul>

### Materiality Assessment

During the preparation of the ESG report, the Group entrusted an independent third party consultant with the assistance of conducting a fair and just materiality assessment to identify material ESG topics of the Group. The materiality assessment was divided into the following three main stages:

- I. Identify potential material ESG topics which may affect the Group's business or stakeholders, based on the actual development of the Group and characteristics of the industry.
- II. Invite stakeholders to participate in a questionnaire survey to express their concerns and opinions regarding various potential material topics.
- III. Analyse the questionnaires collected and prioritise potential material topics.

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The following table shows the potential material ESG topics which may affect the Group's business or stakeholders:

Environment and resources		Employment and labour practices		Operating practice		Community investment	
1	Compliance with environmental laws and regulations	9	Compliance with labour laws and regulations	16	Compliance with laws and regulations in relation to the provision and use of products and services	24	Impact on the community
2	Exhaust gas management	10	Employee remuneration and benefits	17	Supplier environmental assessment	25	Direct economic value generated from communities
3	Waste management	11	Employee working hours and rest periods	18	Supplier assessment for labour practice and human rights		
4	Carbon emissions	12	Employee diversity and equal opportunities	19	Supplier assessment for impacts on society		
5	Energy management	13	Occupational health and safety	20	Customer health and safety		
6	Water resources management	14	Training and education	21	Marketing and labelling		
7	Use of raw materials and packaging materials	15	Child labour and forced labour	22	Customer privacy		
8	Research and development			23	Anti-corruption		

Through the above materiality assessment and review of questionnaire results, the Group has identified the following material topics of importance to its business and stakeholders, and has made disclosures and responses in the corresponding paragraphs.

Material Topics	Corresponding Section
1 Compliance with environmental laws and regulations	An Established System
2 Exhaust gas management	Emissions Reduction
6 Water resources management	Emissions Reduction, Resource Conservation
8 Research and development	Quality Assurance, Intellectual Property Rights and Privacy
13 Occupational health and safety	Health and Safety
14 Training and education	Development and Training
20 Customer health and safety	Quality Assurance, After-sales Service
22 Customer privacy	Intellectual Property Rights and Privacy

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A RIGOROUS PROCESS

### Supplier Selection

The Group is committed to becoming a well-known Chinese manufacturer of edible corn oil, and to that end, assuring the quality of our products is a high priority. We impose stringent requirements on our suppliers, as the quality of the raw and auxiliary materials we purchase directly affects the quality of the finished products. For the required products to be purchased, all suppliers must pass our reviews of their relevant qualifications, product delivery capability, service, reputation and other factors, and we also assign quality control personnel to inspect product samples the suppliers provide. When there are suppliers with similar qualifications, we prioritise those nearest to the Group's factories to reduce logistics costs as well as the carbon footprint generated by long-distance transportation.

After products are delivered to our plants, the quality control personnel takes samples in batches for testing. All samples are retained for future reference. If a supplier's product fails in tests, we will stop receiving their products and engage with the supplier to improve their quality. Delivery of their products will not resume until quality requirements are again satisfactorily met. We conduct assessments annually in respect to suppliers' delivery timeliness, procurement inspection results, service quality, environmental protection, safety behaviour and integrity, so as to ensure the products provided are of quality. We also regularly update our list of qualified suppliers and eliminate suppliers whose performance has not met expectations.

### Quality Assurance

As a leading enterprise in the corn oil industry, the Group has always attached great importance to food safety. We have put product quality and customer demand in the first place, and served customers with high quality corn oil. To ensure that our products are safe and of quality, we strive to meet all relevant national food safety laws and regulations and standards, such as the Food Safety Law of the PRC and GB2716-2005 Hygienic Standard for Edible Vegetable Oil. We also closely monitor each step of the production process, from procurement to squeezing, refining and packaging, by enhancing a series of control systems for production, inspection, storage and sales. Our automated production line makes much of the process pollution-free to produce healthy, green and safe corn oil. The Group is also fully in line with international management systems. Our Shandong Sanxing Corn Industry Technology Company Limited (the "Corn Industry", an indirect wholly-owned subsidiary of the Company) has been certified under the GB/T19001-2016/ISO9001:2015 Quality Management System and GB/T22000-2006/ISO22000:2005 Food Safety Management System. During the Year, we continued to establish innovation awards to discuss and study the feasibility and benefits of employees' advice on technological modification and process innovation, and implement accordingly. Our innovation awards help incentivise employees' creative thinking, and optimise our production processes at the same time.

### Raw and auxiliary material safety

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 and carclazte. Being an edible oil producer, we understand that the quality of raw and auxiliary materials is of paramount importance, so we have established tracking processes dedicated to them. The procurement department purchases the raw and auxiliary materials according to the quality standards and ensures the availability of valid inspection reports and production licenses. After being delivered to our factory, the raw and auxiliary materials must pass quality inspection procedures. Only the qualified raw and auxiliary materials can be transported to the warehouse for storage. When the raw and auxiliary materials fail the inspection, we will communicate with their suppliers and return the unqualified materials to them. The Group insists on using the raw and auxiliary materials that meet national standards and refuses to use substandard materials lest they adversely affect the quality of entire batches of corn oil.

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### *Rigorous production process*

Staff members involved in production must strictly follow process disciplines and perform their operations according to specifications and operational instructions. Every employee entering the production site is required to comply with hygiene standards, cleans the personal positions well and maintains personal and environmental cleanliness. All must wear neat uniforms before entering the production area and undergo disinfection as required. Employees who are improperly attired or who fail to undergo disinfection are not permitted to enter the production area to ensure that our products are not affected by employee hygiene problems. Additionally, our production management staff ensures that food storage facilities are safe, harmless and free of contaminants. They inspect employees to maintain daily personal hygiene, as well as monitor the temperature and humidity of the production site within the specified range to ensure that food quality is under control.

### *Careful storage and transportation management*

To maintain corn oil at its best condition, the Group has emplaced effective management systems relating to the storage and transportation, including strict management of warehouse operations. Warehouse staff are required to store both raw and auxiliary materials and finished products appropriately according to the storage period and conditions, regularly inspect their appearance and shelf-life, and prevent fire, moisture, water, mould and leakage. If any problems are found in stored products, the Group records and rectifies the issue on a timely basis. Handling staff are required to handle products with extra care during transportation to protect their labels and prevent damage to their packaging. We also require that handling staff should keep all containers, tools and equipment used for storage, transportation and containing of food safe, harmless and clean so as to prevent food contamination and ensure meeting specific requirements like temperature for food safety. Transportation of food along with toxic or hazardous substances is absolutely prohibited in order to provide safe and high quality products for customers.

### *Stringent inspection process*

In the production process, inspectors regularly conducts testing at various processes on the production line, and only those semi-processed products which have passed the test are permitted to enter the next production stage. The unqualified products will be reworked, and then the inspector will re-test the semi-processed products that has been reworked until they are qualified. In accordance with finished product sampling standards, inspectors sample and test finished products and record the results for review. Before products are delivered, inspectors again test samples from each batch according to the product requirement and standard. These samples taken are immediately sealed and retained by inspectors for future testing to ensure the samples are not changed or lost before testing are kept in a safe place. 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 batch of products, the inspectors may immediately take out the samples for inspection.

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### Product Traceability System

Product traceability system facilitates the management of production, storage and sales processes. Thus, the Group has established a mechanism for product traceability and labeling to facilitate traceability throughout the food chain. During the production process, we appropriately label the purchased, semi-processed and finished products in various processes of the workshop to clearly record their nature and status to prevent product confusion and misuse. For finished product storages, the name, date of manufacture, shelf-life and storage conditions for each finished product are subsequently marked at the storage location to store the finished products in order. The label of pre-packaged food also clearly indicates important information including specification, date of manufacture, ingredients, shelf-life, production batch number, 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 can find the affected product batch quickly according to the date of manufacture, product batch number, etc. marked on the product and take appropriate rectification measures.

### After-sales Service

The Group's continual product quality improvements allow it to standardise after-sales service and build a good enterprise and brand image. In light of the actual operation of the company, we have established a complaint handling mechanism which fully complies with laws and regulations related to consumer rights including but not limited to the Law of the PRC on the Protection of Consumer Rights and Interests, taking into account the principle of mutual interests, in order to find suitable solutions to the complaints. Customers can inform our staff about product quality problems or service requirements by letter, telephone or in person at store locations. We will exchange or refund products with quality problems to protect the interests of consumers. When receiving customer complaints, we record the product's date of manufacture, type and specification, as well as a description of the quality problem referred to in the complaint. Each complaint is investigated, and their potential causes are analysed so that we can take corrective and preventive measures to continually improve the quality of our service. If necessary, we implement product recall procedures to minimise damage to consumers' health owing to our product quality problem as far as possible. We carry out customer satisfaction surveys twice a year to collect customer opinions on the product flavour, packaging, supply and after-sales service. The aspects which receive low satisfaction ratings are subsequently improved upon.

### Intellectual Property Rights and Privacy

The Group has always attached great importance to technological innovation, and understands the importance of safeguarding the company's legitimate interests from infringement, so it protects intellectual property rights to ensure advanced advantage in the industry. We strictly abide by all national laws and regulations related to the protection of intellectual property rights, including but not limited to the Patent Law of the PRC, Trademark Law of the PRC, and Advertising Law of the PRC. Accordingly, we have established a mechanism for the protection of intellectual property rights and for determining the goals and work plans of intellectual property rights. Intellectual property rights management has been comprehensively implemented in each department, and the Group prohibits the use of products that infringe the intellectual property of other parties. Corn Industry has been certified by the GB/T29490-2013 Intellectual Property Management System. Our responsible department of intellectual property management conducts declaration and maintenance for the intellectual property rights of the company. It also disseminates the laws and regulations related to patents internally by holding training sessions which aid departments in understanding the practical relationship between their work and intellectual property rights. During the Year, Corn Industry has obtained 28 patents.

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The Group has also formulated specifications and systems related to the use of trademark and information confidentiality to protect the company's trademark and confidential information. Unless an authorised department or the competent personnel of the Group gives consent specifically, employees are absolutely prohibited from taking confidential documents, materials or items related to the Group's equipment, documents, technical material and electronic information away. In the meantime, employees shall not disclose or provide competitors with materials related to the Group's technical processes, training, customer archives, operational modes and company secrets during their employment or after their resignation. Employees in special positions are required to sign confidentiality and non-competition agreements with the Group to protect the Group's privacy.

In order to create efficient sales profits and market share, the Group strengthened corporate promotion through various media, and internally established an advertising management system to regulate advertising activities and protect the legitimate rights of consumers. We are committed to using advertisements to allow consumers to truly understand the characteristics of the products, increase their familiarity with the products, and deliver messages accurately and efficiently through the most appropriate advertising media. The Group strictly forbids any false or misleading advertising techniques that deceive consumers, adhering to honesty and integrity and advocating fair competition.

### ENVIRONMENTAL PROTECTION

#### An Established System

While developing into a top brand in edible corn oil market of the PRC, the Group is acutely aware of the impact of its business on the environment, and has always operated in full compliance with national laws and regulations and standards related to environmental protection, including but not limited to the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, Environmental Protection Law of the PRC and GB16297-1996 Integrated Emission Standard of Air Pollutants, along with a sound environmental management system established. Additionally, Corn Industry has been certified by the GB/T24001-2016/ISO14001:2015 Environmental Management System.

During the Year, we have established an environmental protection leading group to supervise and manage the works related to environmental protection and implemented various environmental protection systems. The group members mainly conduct standard checks of wastewater discharges, exhaust gas emissions, odor and solid waste disposal and environmental treatment of the plant area to ensure a safe and green production.

#### Emissions Reduction

In view of the growing problem of global warming, as a responsible enterprise, the Group internally formulates and implements a range of environmental protection objectives and measures to reduce emissions created by its business operations.



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### Exhaust gas

The major exhaust gas generated by the Group is the flue gas produced by the combustion of natural gas during the production process, which is emitted outside via a 15m chimney stack. Exhaust gas created by vacuumisation in the infusion process during production is conveyed to a sealed pool via pipeline, without being emitted outside. Meanwhile, the dust produced when packaging germ dregs are dedusted and filtered with bag duster, and the remaining gas is emitted outside in the air. Staff members inspect the duster daily to ensure its effective operation. Staff members who work in dusty environments are required to wear anti-dust respirators and are given regular occupational health examinations to prevent discomfort caused by inhalation of contaminants.

Exhaust gas emissions from the corn oil refining and filling plants comply with the DB37/2374-2013 Emission Standard of Air Pollutants from Boilers in Shandong Province. Detailed exhaust gas emission data for the Year is as follows:

Exhaust gas	Emission concentration	Emission concentration limit specified in the standard
Particulates (mg/m <sup>3</sup> )	6.6-8.5	10
SO <sub>2</sub> (mg/m <sup>3</sup> )	3-5	50
NO <sub>x</sub> (mg/m <sup>3</sup> )	39-86	200

We adopted efficient, safe and environmentally-friendly deodorising and vacuum systems and installed dust removal equipment to effectively reduce its exhaust gas emissions. In addition, part of the exhaust gas produced by pre-treatment and oil squeezing plants is emitted into steam boiler furnaces and emitted after high temperature oxidation, while other exhaust gas is emitted into sewage pools or absorbed by activated carbon to reduce the level of pollutants emitted into the environment.

### Wastewater

The Group's wastewater, including production wastewater and domestic sewage, is discharged within standard. Wastewater from squeezing plants mainly comprises of wastewater with solvent in diversion boxes from the infusion process, condensated water from heat exchangers, and wastewater from the cleaning of equipment and floors. These are conveyed through underground pipes to external sewage treatment plants for unified treatment. Wastewater from decolouration, deacidification and deodourisation processes in refining plants and wastewater from the cleaning of equipment and floors is conducted into external sewage treatment stations for oil removal and unified treatment. Daily domestic sewage of the Group is treated in septic tanks, and then conducted to local sewage treatment plants within the municipal sewage discharge network for centralised treatment.

To improve drainage during the rainy season, underground drainage pipes at the refining plant were modified in 2016 to diverge rainwater and wastewater. This not only reduced the sewage treatment station's treatment load, but also ensured that wastewater from production would not be discharged outside. However, the rainy season still causes stagnant water, and even overflows and/or backward flows at the sewage pool, which polluted the plant environment. We subsequently carried out centralised cleaning of the rainwater pool during the Year and established a flood prevention emergency response team. The plant's drainage efficiency was enhanced, while ensuring the stagnant water in the rainwater pool meeting standards for outward discharge. We also strengthened the management and control of the discharge of wastewater generated in workshops to avoid pollution of the rainwater pipe network.

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## Waste

For the waste handling, the Group strives to comprehensively utilise the solid waste it generates, and turns its waste into useful materials for appropriate re-use. The Group's non-hazardous wastes include the waste germ dregs produced during the corn oil production, which are by-products of corn oil production and are sold to feed mills to be used as raw material, thus reducing the discarded non-hazardous wastes. Other non-hazardous waste generated by the Group includes scrap saponins, clay waste and domestic waste. We sell the scrap saponins and clay wastes to resource regeneration companies for re-use as raw materials, while domestic waste is sent to environmental hygiene departments for treatment after centralised collection. Hazardous waste generated, including used printer cartridges and chemical reagent packaging, is gathered together for recycling by suppliers. The Group has also established a leading group which is responsible for managing hazardous wastes, and carefully implements supervision and management on hazardous wastes in accordance with internal requirements to ensure proper collection, storage, transportation and disposal of hazardous waste.

## Resource Conservation

In addition to emissions reduction, the Group strives to contribute to the environment by promoting the concept of resource conservation and improving staff members' environmental awareness.

With an aim to reduce energy consumption of the Group, we require all departments and staff members to be aware of the consumption of energy and resources in daily work and living, and cultivate energy-saving habits. This includes such practices as switching off lights when leaving the workplace, switching air conditioners off 30 minutes before going off-duty, moderating air conditioner output by setting temperatures at no less than 26°C in summer and no more than 18°C in winter. We strictly execute technological procedures in the production process and manage various energy consumption indicators to minimise energy waste. Production schedules are adjusted to conform with market orders, ensuring that the equipment can reach full capacity and the idle time is minimal. For equipment that can be used intermittently, we timely adjust the stop-start status to reduce electricity consumption. We also carry out regular equipment maintenance to improve operational efficiency and utilisation. During the Year, Corn Industry implemented technical modification for dewaxing filters at its refining plants to reduce electricity consumption.

The Group records its monthly consumption of water and electricity and calculates the quarterly economic indicators by comparing with the monthly product output, which helps the Group to control and improve water and electricity consumption. For example, if monthly water consumption is abnormal, we will execute effective control procedures to save water, such as using water-saving taps and adjusting and lowering the water supply pressure to the greatest extent possible under the precondition of fulfilling production demand, to control consumption of water.

We request and use raw and auxiliary materials required for production in strict accordance with consumption quotas, take effective control over process efficiency, reduce the rate of non-conforming products as far as possible, and enhance the utilisation ratio of raw materials. We have also strengthened employee training in the use of auxiliary materials, instructed employees to adjust the addition of auxiliary materials according to oil quality, and endeavoured to reduce the consumption of resources and production of waste to the greatest extent under the precondition of not affecting the quality of edible oil.

The Group has also taken a series of measures for controlling office and daily supplies. We encourage employees to make announcements using the company's office network, email or phone calls rather than paper documents to reduce the record and distribution of documents. For documents that must be printed, we encourage employees to reduce the font size and row pitch, adopt duplex printing and photocopying, or use the backsides of other fax papers or letters to reduce paper consumption.

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## CULTIVATING TALENT

### Improving the Recruitment Process

The Group follows a philosophy of “People-oriented and Pursuing Excellence”, and strictly abides by employment laws and regulations including the Labour Law of the PRC and Labour Contract Law of the PRC. We have established a consistent recruitment process that aims to recruit and attract talent to our teams suited to the job requirements of each department. Applicants who meet the requirements for a post are given equal interview opportunities regardless of gender, age, race, religion or disability. Applicants are provided with a detailed description of the job, including duties, welfare and salary packages, at the time of interview to ensure that every applicant has an informed understanding of the job and to prevent forced labour. We do not enter into labour contracts without the full agreement and consent of the applicant to ensure no reluctance between the applicant and the Group. When employees report for their duties, we require them to present the original copy and photocopy of their identity documents to ensure that they do not constitute child labour.

Employees are provided with a competitive salary package in order to attract and incentivise them to work for the Group. In addition to a salary adjustment after the completion of a probation period, we review employees’ salary packages regularly and make appropriate adjustments in line with industry benchmarks. At the end of each year, the Group conducts employee performance assessments, and performance bonuses are paid to employees according to the results. Those with excellent performance are given promotion opportunities. In accordance with relevant employment laws and regulations, we require reasonable working hours and provide vacations for employees. During their employment, employees are entitled to maternity leave, marriage leave, funeral leave and annual leave as stipulated by law. For departing employees, we pay the remaining wages in time in accordance with national provisions.

During the Year, we continued to organise recreational activities for employees to promote their physical and mental health. Corn Industry organised “Safety, Environmental Protection, Energy Conservation and Innovation” 100-day campaign, Women’s Day sports meet, basketball matches and various outdoor activities to stimulate employees’ morale and increase their sense of belonging.

### Health and Safety

Employees are the Group’s most valuable assets. We therefore comply with all laws and regulations concerning occupational health and safety, including the Law of the PRC on the Prevention and Control of Occupational Diseases and Production Safety Law of the PRC. Corn Industry has obtained GB/T28001-2011/OHSAS18001:2007 Occupational Health and Safety Management System certification. The Group responded to the national production safety principle of “Safety Priority, Prevention Orientation, and Comprehensive Control”, organized and implemented production safety and occupational health work, strived to improve the working environment and aimed at the safety and health target of zero work injuries and zero occupational diseases. We hold a safety management meeting every quarter to regularly analyze production safety, and plan the major tasks for production safety in the next quarter.

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The Group offers regular physical examination for its employees. Every new or temporary employee must pass a physical examination and obtain a health certificate before engaging in his/her job. Production and processing staff are given physical examinations at least annually, and undergone temporary checks as deemed necessary. We set up the health records for each employee and maintain those records of employee whose job brings them in direct contact with food. We require new employees to participate in the third-level safety educational training to let them know the sources of danger and safety precautions in the factory. They must pass the training and obtain a safety certificate before they can participate in their work. We also actively carry out special safety training for employees on occupational health, job safety procedures, safety regulation system and fire safety, to enhance employees' ability to identify, distinguish and avoid danger, as well as improving their safety quality. During the Year, Corn Industry has conducted a safety knowledge competition to strengthen employees' occupational health and safety knowledge.

In oil leaching and production process at the squeezing plant, we strictly comply with the fire safety regulations among the industry, on-site drills are conducted and emergency plans were improved to prevent and reduce the hazards of fires and explosions at workshops, and ensure the safety of employees in the workplace. It is necessary for employees at workshops to comply with the internal safety responsibility guidelines and various safety regulations, and raise occupational safety awareness. We have also formulated an emergency plan to respond in a timely manner in the event of an accident.

In addition, the Group has established a health management leading group to monitor the cleanliness of the plant area according to the health management system and implemented 6S management. For risks regarding to production safety and occupational hazards, we insisted on carrying out different safety inspections for all departments, processes and equipment, such as periodic inspections for illegal operations, protection safety facilities, and professional inspections on natural gas systems in the plant and electrical equipment in the workshops. Through the inspection and management of hidden dangers, we implemented effective controlling measures and carried out rectification to reduce the risk of accidents. We will also carry out daily repairs and maintenances for the equipment and facilities at the production site to avoid overloading or abnormal operation of the equipment which ensure clean and safe operation.

During the Year, in addition to regular factory inspections, we also carried out identification of hazard sources and risk analyses in the squeezing plants, and subsequently introduced control measures in accordance with analysis results, in order to reduce the occurrence of occupational diseases and accidents. Corn Industry conducted occupational hazard monitoring for its production workshops and public and auxiliary utilities to ensure that concentrations of chemical hazards, noise levels, occupational diseases and personal protective equipment all met testing requirements.

### Development and Training

The Group is committed to enhancing the professional knowledge and expertise of employees and offers an annual training programme to provide suitable trainings for employees. Programmes include both internal training and on-the-job training specific to the practical operation of different job. For example, new employees are given basic training which introduces them to management policies and targets of the company as well as the knowledge relating to quality, food safety, environmental protection, occupational health and safety, and the relevant laws and regulations employee. After finishing vocational skill training, employees undergo examination and qualification confirmation. Those engaged in special work must pass post-training examination and obtain a qualification certificate before taking up their posts.

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As an oil producer, the Group takes safety training very seriously. We continued to provide employees with a series of safety training in the Year, including health and safety training, heatstroke prevention, cold resistance, regular fire training sessions and drills, to improve employee safety awareness. Specialised technology-related on-the-job training is also given for such operations as refining and packaging, nitrogen machines operating, and nitrogen use. Moreover, we provided employees with internal training including business case summaries, key working disciplines, and various types of professional training to strengthen their understanding of the Group.

### Corruption-free Management

The Group abides by national anti-corruption laws and regulations, including the Criminal Law of the PRC and Anti-Money Laundering Law of the PRC. A discipline inspection department has been established to monitor and inspect various activities of the Group in view of relevant rules and regulations, to implement decisions involving corruption-free management, to ensure that bidding and tendering processes are legally in compliance, to receive and respond to any internal complaints, calls and letters reporting potential irregularities, and to investigate any person(s) found to be in breach of the Group's rules and regulations. The discipline inspection department is also responsible for internal anti-corruption education, fostering a corruption-free culture, and plays an important role in pushing forward corruption-free management of the Group.

To help achieve the Group's strategic goals and further maintain its good public image, it regulates cadres' personal behaviours and strives to provide employees with a productive, transparent and corruption-free working environment. Employees are required to sign the ethical conduct commitment and are prohibited from taking advantage of their position to commit acts of bribery, blackmail, fraud, extortion against and illegally accepting property from others. Cadres also sign the corruption-free management responsibility statements, and the executive groups are responsible for maintaining corruption-free management within their areas of authority. In fulfilment of the requirements for corruption-free management, the discipline inspection department carries out responsibility assessments of the relevant executive group annually, 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 anti-commercial bribery agreements with each supplier, under which they promise to make no attempt to influence our employees with materials or benefits such as referral fees and free travel opportunities. We have also established a whistle-blower hotline through which suppliers may report any of our employees who seek personal reward for its own benefits to the senior management of the Group, and the Group will take corresponding actions.

### CARE FOR THE COMMUNITY

During the Group's entire history, it has adhered to tenets of "commitment to operational excellence, contributing to society in good faith", as well as honesty and integrity. While developing its business, the Group keeps in mind contributing to the society and actively cares for and supports the national development of education and charity undertakings.

During the Year, villages and towns in the counties of Shouguang and Qingzhou in Shandong province, were subject to flooding due to Typhoon Rumbia. We donated supplies, including corn oil and soy sauce, worth more than RMB200,000 to aid the victims in overcoming difficulties and support recovery of the disaster areas. We also continued to help employees in difficulties suffering from serious diseases or other difficulties by relieving their financial burden through donation, and to insist on visiting them every year to show our concern.

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

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### MAJOR KEY PERFORMANCE INDICATORS

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

Environmental indicators	2018	2017
<b>Greenhouse gases</b>		
Total greenhouse gas emissions (tons of CO <sub>2</sub> equivalent) <sup>1</sup>	<b>88,749</b>	66,822
Greenhouse gas emissions per ton of overall edible oil (tons of CO <sub>2</sub> equivalent/ton of overall edible oil)	<b>0.28</b>	0.22
<b>Wastes</b>		
Total non-hazardous wastes produced (tons)	<b>379,818</b>	357,401
Non-hazardous wastes produced per ton of overall edible oil (tons/ton of overall edible oil)	<b>1.21</b>	1.16
Total hazardous wastes produced <sup>2</sup> (tons)	<b>0.26</b>	N/A
Hazardous wastes produced per ton of overall edible oil (kg/ton of overall edible oil)	<b>0.0008</b>	N/A
<b>Use of resources</b>		
Total energy consumption (MWh)	<b>161,602</b>	124,561
Energy consumption per ton of overall edible oil (MWh/ton of overall edible oil)	<b>0.52</b>	0.40
Energy consumption from use of natural gas (MWh)	<b>13,316.58</b>	13,509.27
Energy consumption from use of electricity (MWh)	<b>55,674.63</b>	41,025.33
Energy consumption from use of heating (MWh)	<b>92,611.12</b>	70,026.33
Total water consumption (m <sup>3</sup> )	<b>230,806</b>	236,239
Water consumption per ton of overall edible oil (m <sup>3</sup> /ton of overall edible oil)	<b>0.74</b>	0.77
<b>Use of packaging materials</b>		
Total consumption of paper boxes (tons)	<b>5,214</b>	9,122
Paper boxes consumption per ton of overall edible oil (tons/ton of overall edible oil)	<b>0.02</b>	0.03
Total consumption of plastic packaging materials (tons) <sup>3</sup>	<b>4,514</b>	25,688
Plastic packaging material consumption per ton of overall edible oil (tons/ton of overall edible oil)	<b>0.01</b>	0.08

<sup>1</sup> During the Year, the Group's emissions are within three detailed scopes: scope I – direct emissions, scope II – energy indirect emissions and scope III – other indirect emissions are 2,726 tons of CO<sub>2</sub> equivalent, 85,907 tons of CO<sub>2</sub> equivalent and 116 tons of CO<sub>2</sub> equivalent, respectively.

<sup>2</sup> The Group started to quantify and record hazardous wastes from the Year.

<sup>3</sup> During the Year, plastic packaging materials included bottles, films and bottle caps. Plastic packaging materials in 2017 included only bottles and films.

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<b>Aspect A1: Emissions</b>	<b>General Disclosure</b> 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.	An Established System Emissions Reduction	7 7
<b>KPI A1.1</b>	The types of air emissions and respective emissions data.	Emissions Reduction	7
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tons) and where appropriate, intensity.	Major Key Performance Indicators	13
<b>KPI A1.3</b>	Total hazardous waste produced (in tons) and where appropriate, intensity.	Major Key Performance Indicators	13
<b>KPI A1.4</b>	Total non-hazardous waste produced in tons and, where appropriate, intensity.	Major Key Performance Indicators	13
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	Emissions Reduction	7
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<b>Aspect A2: Use of Resources</b>	<b>General Disclosure</b> Policies on the efficient use of resources, including energy, water and other raw materials.	Resource Conservation	9
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KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Resource Conservation	9
KPI A2.5	Total packaging material used for finished products (in tons), and (if applicable), with reference to per unit produced.	Major Key Performance Indicators	13
<b>Aspect A3: The Environment and Natural Resources</b>	<b>General Disclosure</b> Policies on minimising the issuer' impact on the environment and natural resources	Resource Conservation	9
KPI A3.1	Description of the significant impact of activities on the environment and natural resources and the actions taken to manage them.	Resource Conservation	9
<b>Social</b>			
<b>Employment and Labour Practices</b>			
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