



# 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 2018*



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## About the Report

This is the third Environmental, Social and Governance (“**ESG**”) Report (“**Report**”) issued by China Yurun Food Group Limited (“**Yurun Food**” or “**the Company**”) and its subsidiaries (collectively referred to as “**the Group**” or “**we**”). The purpose of this Report is to report the Group's sustainability policies and performance in 2018 as well as to enhance our communication with stakeholders and promote the Group's sustainability. This Report should be read in conjunction with *China Yurun Food Group Limited's 2018 Annual Report* (in particular the “Corporate Governance Report” therein) for a comprehensive understanding of the Group's ESG performance.

## Reporting Scope

This Report covers the Group's businesses that are under the Group's control and have significant environmental and social impacts, including the production and sales of a wide range of meat (chilled and frozen) and processed meat (low-temperature meat products and high-temperature meat products) with a particular focus on pork products.

This Report covers the period from 1 January 2018 to 31 December 2018 (the “**Reporting Period**”). There was no significant change in the nature of the Group's principal activities during the Reporting Period. This Report covers the Company and all its subsidiaries, which is consistent with the ESG report published last year.

## Preparation Basis

This Report was prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). This Report was prepared in adherence to the reporting principles: Materiality, Quantitative, Balance and Consistency. For detailed information about the provisions of the ESG Reporting Guide, please refer to Appendix 2 to this Report.

## Confirmation and Approval

All information disclosed in the Report has been compiled using the Group's internal documents and statistics. The Group's Board of Directors is responsible for the Group's environmental and social-related strategies and reporting, and has reviewed and approved this Report to ensure the reliability, truthfulness, objectivity and completeness of the information disclosed herein.

# 1. Preface

Yurun Food believes that “only companies that have the courage to be accountable 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 perspective on development. Through the proactive innovation in the Group’s development and the continuous improvement of the Group’s corporate governance, Yurun Food proactively 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 for a company to strive for efficiency. In the course of our operations, the Group not only enforces strict control over product quality, but also emphasises technological and environmental protection management. We also promote 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 while enhancing our resource utilisation efficiency.

Yurun Food is a 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 the Group to healthy development. As a result, we provide rewards to our communities, customers, shareholders and our employees.

## 2. Overview of Yurun Food

### 2.1. About the Company

Yurun Food is one of the largest meat producers in the People's Republic of China (the “PRC”). The Group's products include chilled pork, frozen pork, low-temperature meat products (“LTMP”) and high-temperature meat products; the latter two are predominantly pork products. The products are sold under four major brands, namely “Yurun(雨潤)”, “Wangrun(旺潤)”, “Furun(福潤)” and “Haroulia(哈肉聯)”.

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 have state-of-the-art equipment and processes, as well as proprietary technology to produce a series of premium meat products which cater for consumers' taste.

Yurun Food ranked first in terms of combined market shares of chilled pork and LTMP in China, being the top player in the LTMP market for twenty years in a row and in the chilled pork market for seven consecutive years at the Press Conference of Product Sales Statistics of the PRC Market (中國市場商品銷售統計結果新聞發佈會) held in March 2018.



### 2.2. Corporate Values

The corporate values of the Group are as follows:

- 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



## 2.3. Awards and Honours



In 2018, Jiangsu Yurun Food Co., Ltd was awarded the “Technology Advancement Award of Nanjing City” and the “Technology Advancement Award of China National Light Industry Council”



In December 2018, Nanjing Yurun Chain Stores Operation Management Co., Ltd. was awarded the “Golden Basket” Brand of edible agricultural products in Shanghai

In December 2018, Nanjing Yurun Chain Stores Operation Management Co., Ltd. was awarded the “10 Best-selling Brands” of edible agricultural products in Shanghai in 2018

### 3. Stakeholder Engagement

The Group believes that stakeholder engagement assists the Group in assessing the effectiveness and impact of its decisions and enhancing the Group's ESG management in order to achieve sustainable development.

Parties that are affected by or have influence upon the Group's business operations are considered as major stakeholders of the Group, mainly including shareholders, investors, government departments, clients/markets, consumers, suppliers, employees, communities and media. The Group established different communication channels for stakeholder engagement. In the future, through two-way and regular communication, the Group will better understand the expectations and demands of stakeholders to enhance the Group's sustainability strategies.

Stakeholder Groups	Main Issues of Concern	Communication Channels
Shareholders/Investors	<ul style="list-style-type: none"><li>• Business performance</li><li>• Compliant operations</li></ul>	<ul style="list-style-type: none"><li>• Annual General Meeting</li><li>• Announcements</li><li>• Press releases</li></ul>
Government departments	<ul style="list-style-type: none"><li>• Food safety</li><li>• Environmental compliance</li></ul>	<ul style="list-style-type: none"><li>• On-site inspections</li><li>• Online monitoring</li></ul>
Clients/ Markets	<ul style="list-style-type: none"><li>• Food safety</li></ul>	<ul style="list-style-type: none"><li>• Regular communication and inspection</li></ul>
Consumers	<ul style="list-style-type: none"><li>• Food safety</li><li>• Environmental-related performance</li></ul>	<ul style="list-style-type: none"><li>• Online promotion</li><li>• Trade fairs and promotional activities</li><li>• Hotlines</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• Supply chain management</li><li>• Food safety</li></ul>	<ul style="list-style-type: none"><li>• On-site inspections</li><li>• Supplier inspection</li><li>• Dealer Audits</li></ul>
Employees	<ul style="list-style-type: none"><li>• Employment and labour practices</li><li>• Remuneration and benefits</li></ul>	<ul style="list-style-type: none"><li>• Employee unions</li><li>• Employee representative symposiums</li></ul>
Communities	<ul style="list-style-type: none"><li>• Food safety</li><li>• Community investment</li></ul>	<ul style="list-style-type: none"><li>• Factory visits for consumers</li></ul>
Media	<ul style="list-style-type: none"><li>• Food safety</li><li>• Environmental-related performance</li></ul>	<ul style="list-style-type: none"><li>• Media interviews</li><li>• Press releases/ Announcements</li></ul>

## 4. Materiality Assessment

The Group identified the main disclosure areas of the ESG Report 2018 by conducting materiality assessment, with the following 3 steps:

Establish the pool of ESG issues	The Group established its pool of ESG issues with reference to the ESG Reporting Guide, domestic and international sustainability reporting guidelines, and via industry benchmarking.
Identify the material issues	The Group fully considered its business strategies and industry characteristics, reviewed the ESG-related works in the past, and took into account the stakeholders' concerns in order to identify the material issues of this year.
Review and verify the material issues	The senior management of the Group reviewed and verified the material issues, and confirmed the main disclosure areas of this Report.

Through this assessment, five material issues were identified, and the corresponding responding sections of the material issues are as follows:

Material Issues	Responding Sections
Product Quality	Food Safety and Quality
Supply Chain Management	Supply Chain Management
Market Management	Market Monitoring
Environmental Compliance	Environmental Protection
Employees' Rights	Safeguarding Employees' Rights



## 5. Quality Management

The Group has always been committed to delivering high-quality products. The Group strictly abides by the laws and regulations relating to health and safety, advertising, labelling and privacy matters and having significant impact on the Group regarding its products and services provided. The Group ensures the hygiene and safety of its products by establishing a sophisticated food safety and quality management system and strengthening the management of products in the markets.

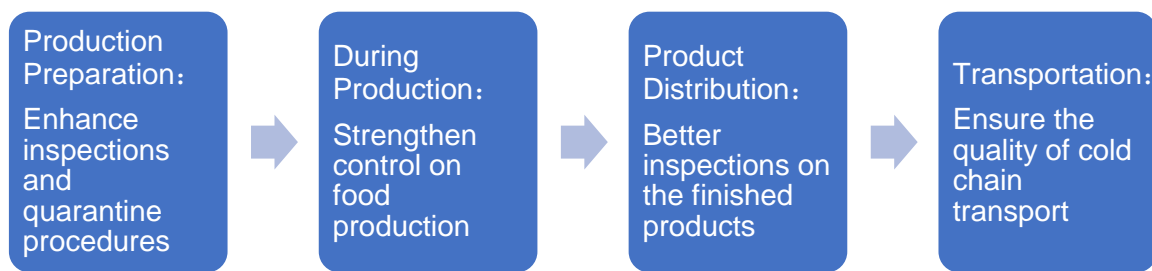
The Group attaches great importance to product quality management. The Group refines product quality management, which assures the quality of products and the legitimate rights and interests of consumers through the implementation of the ISO 9001 Quality Management System and the ISO 22000 Food Safety Management System. The Group complies with industry regulations in the locations where it operates. In addition to formulating targeted and appropriate corporate standards, the Group also sets up independent management systems for important production processes to refine relevant management. Meanwhile, as a meat products brand that leads the development of the industry, the Group strictly abides by the *Advertising Law of the PRC*, the *Interim Measures for the Administration of Internet Advertising*, and other laws and regulations, and strictly implements the requirements governing advertising production and publication on relevant media platforms to ensure the orientation and truthfulness of the advertisements, and carefully build our brand. In addition, the Group has formulated the *Brand Culture and Connotation of Yurun* as its branding standards and guidance, and strengthens its oversight of the advertisements of the brands of the Group.

During the Reporting Period, the Group did not violate any laws and regulations relating to health and safety, advertising, labelling and privacy matters and having significant impact on the Group regarding its products and services provided.

### 5.1. Food Safety and Quality

Yurun Food has been adhering to its operation philosophy of “you trust because we care” and strictly adheres to its commitment to food safety and quality. The Group refines the product quality monitoring procedures and provides high-quality meat products for the public.

The Group has full control over every operation process to ensure product quality, nutrition, hygiene, safety, freshness, tastes, and other performance indicators to meet relevant requirements and regulations of the standards. The Group strictly implements the requirements of the national laws and regulations, national standards and management systems in every operation stage, including the inspections of raw materials, ingredients and packaging materials upon arrival, the quality control and hygiene management in every stage of food production, the inspections of finished product, the storage, the logistics and transportation, and the management of the points of sales.



#### 5.1.1. Production Preparation

The Group performs rigorous inspections on all incoming raw materials, including live hogs, ingredients and other raw materials.

The Group carried out group and individual inspections on live hogs in accordance with the *Quarantine Requirement for Livestock and Poultry at the Places of Production*, and formulated the *21 Procedures on Inspection and Quarantine* to perform 21 procedures on inspection and quarantine for live hogs, assuring hogs' health. The production preparation includes hogs' arrival, pre-slaughtering and slaughtering. Hogs are required to be examined and quarantined according to sensory indicators, physiochemical indicators and microbiological indicators. In addition, the Group conducts stringent clenbuterol inspection and other tests for arrived hogs. Hogs are classified and processed according to their health condition, and only hogs meeting the quality standards are selected for the next production stage.

The Group has established an inspection centre for meat products and related raw materials and ingredients, formulated stringent inspection and acceptance criteria and assigned the quality management department as a gatekeeper for the quality of raw materials and ingredients. Raw materials can only be passed to the production processes subsequent to sampling inspections via sensory and physiochemical indicators. The Group returns those which fall short of the requirements to ensure the raw materials meet the requirement of the Group.

## **Resolutely Maintain Food Safety – Responds to African Swine Fever**

African swine fever has spread rapidly across several provinces in mainland China since the first outbreak in August 2018. As a renowned meat products processing enterprise in China, the Group played an important role in ensuring food safety with a competitive edge in nationwide presence with leading inspection and testing capabilities. In additions to routine technical staff trainings and contingency management system, the Group took further steps to strengthen its management in 2 segments - the hog slaughtering segment and the processed meat segment.

### **Hog slaughtering segment:**

The Group swiftly formulated the *Contingency Plan and Measures regarding African Swine Fever* to further bolster inspection and examination in every hog handling process, including the procurement, production, and stock in and stock out processes.

- Actively engaged with the government agencies to gain a better understanding of the disease development in each region for advanced prevention.
- Adjusted the incoming requirements of live hogs and strengthened the gatekeeping of incoming materials. Strictly prohibited the procurement of live hogs which came from the quarantine areas, those without the animal quarantine certifications, and those have not been verified and accepted by the person who is responsible for quality examination.
- Prohibited the slaughtering of hogs which appear to be infected, isolated them, and reported the cases according to the critical information reporting procedures. In the meantime, adopted measures to properly handle the cases to prevent the spreading of epidemic within the Group. Prohibited the sales of hogs with unknown causes of death, and innocuously treated the concerned hogs.
- Stepped up the management of hog slaughtering segment, including standardising the inspection records of pre-slaughtering, post-slaughtering, and laboratory inspections, ensuring the effectiveness of live hogs traceability system, enhancing the access management of personnel and materials within the production plants, and forming an information reporting system.

### **Processed meat segment:**

The Group strengthened its inspections in 2 aspects: the stock in of raw materials and the distribution of finished products.

- Incorporated the inspections of African swine fever virus into the raw materials inspections system. The raw material inspectors from the Quality Management Department were responsible for conducting random sampling inspection of pork-related types of raw materials and ensured that sampling was conducted for each batch of raw materials. The Group delivered samples to laboratories for inspections of various indicators. Relevant information was provided on the sampling records, such as names of suppliers and dates of manufacture, to maintain product traceability.
- Apart from the inspection required by the State, the Group initiated the inspections of clenbuterol, furan, pathogenic bacteria, and other indicators for each batch of finished products.

### **5.1.2. Food Processing and Storage**

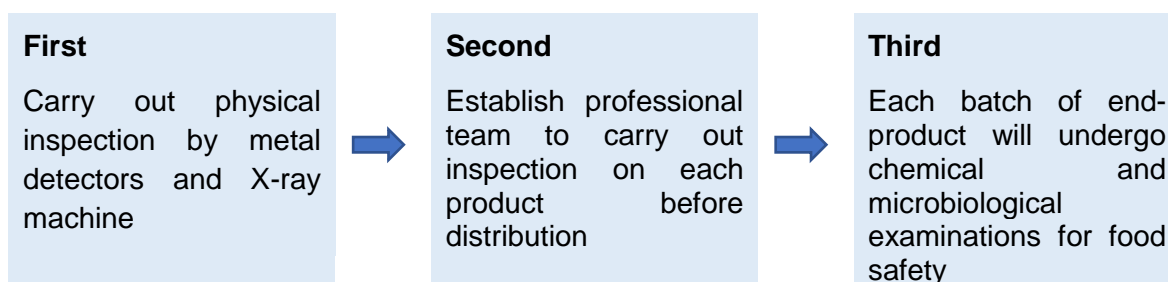
With respect to the production and processing of food, the Group has been proactively introducing advanced meat processing equipment from overseas. Every stage of the food production (from pre-treatment of raw food products, seasoning, handling, cooking to packaging) is carried out by a closed and automatic operation to minimise the likelihood of pollution arising from manually operated system as well as to keep a qualified hygienic environment for meat processing. The Group installed CCTV surveillance devices in the production plants to monitor the entire production process. Actions were taken to rectify any deviations in the production process and to prevent recurrence of the situations, so as to achieve zero defects.

Under quality control measure, the Group sets clear and specific standards for each production process. On this basis, 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 operation, 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. To protect consumers' health, the Group strictly follows the *Hygiene Standards for the Use of Food Additives* and prohibits the use of food additives which are banned by the State or excessive use of food additives.

To have an overall control on product inventory, the Group has formulated the *Refrigerated Warehouse Management System*. Records are established to show the products which are transferred into and out of the refrigerated warehouses, in order to ensure product completeness and safety. The Group performs regular preventive maintenance on the refrigerated warehouses and formulates equipment maintenance programmes according to the use of equipment, so as to avoid quality defects caused by equipment failure. Moreover, the Group conducts regular hygiene inspections on the refrigerated warehouse in accordance with the *Management System on the Hygiene of Refrigerated Warehouse*.

### **5.1.3. Product Examinations before Distribution**

With respect to the ex-factory inspection, the Group has passed the laboratory system audit performed by, and received accreditation from, the Quality Assessment Committee of the China Quality Inspection Association for its testing competence. The Group adopted a standard higher than the industry and national standards to ensure our ex-factory products fulfil the quality standard. All production factories of the Group have also implemented a three steps management measure before distributing products.



After the products have passed product inspections and tests, labels are affixed on product packaging in accordance with the *Regulations on Food Labelling Management* and the *General Principles on the Labels of Pre-packaged Food* and other regulations. The Group compares testing results from external third parties with the internal testing results and default values to ensure the accuracy of nutrition information. The Group prepares food labels based on the nutrition information to ensure that the nutrition information shown on the labels are not false, misleading or deceptive.

#### 5.1.4. 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 in improving their cold chain management so as to reach the Group's requirements.

The Group requires production bases, 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 by the Group. 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. The Group formulated the Criteria of Logistics Management, Logistics Cold Chain Management System and other internal policies to set out the requirements for the logistics fleets, so as to ensure that the cold chain logistics standards are followed during product transportation.

The Group adopted a full cold chain transport mode. Based on the network of production bases across the country, we link up all processing plants and markets within a distance within a three-hour cold chain coverage. The temperature on each transportation vehicle is being controlled at 0-4 degree Celsius. Through the automatic recorder, including the Global Positioning System, the temperature and other information is automatically recorded by the control centre and monitored on real-time basis to ensure a cold chain transport.



## 5.2. Market Monitoring

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

### 5.2.1. Market Management

The Group formulated the *Cold Chain Management system for Fresh Meat Market* to standardise the management procedures in order to ensure product quality and safety and strengthen the cold chain management in each case during transportation, sales and storage. Moreover, the Group formulated the *Regulation on Market Supervision* and monitored and assured the quality of products available on the market. Quality Control Department developed a monthly inspection plan and performs on-site sudden checks to ensure that the retailers maintain our product quality according to the guidelines of the Group. We consolidate the experience and perform rectification jointly with various departments.

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

### 5.2.2. Product Traceability and Recall

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 production to sale. To ensure that products can be effectively, quickly and completely recalled from the market and handled when problems arise, the Group established the *Product Recall Control Procedures* which specifies the product types, handling task force's responsibilities, and recall procedures to minimise the impacts on consumers. Meanwhile, the subsidiaries of the Group regularly organise mock product traceability and recall exercise to ensure the effectiveness of the product recall system.

To verify the effectiveness of the product traceability system and recall process and to enhance employees' contingent responsiveness, a subsidiary in Jiangsu Province conducted a mock product recall exercise in August 2018. At the beginning of the exercise, a product recall meeting was held with employees from the Quality Management Department, Production Department, Technical Department and other departments to inform them of the targeted products for recall and the corresponding batch number, and the logistics and sale departments were asked to prepare for product recall. The Quality Management Department coordinated with the logistics centre for the targeted products' whereabouts while the Production Department confirmed the quantity of the targeted batch of products based on the production records. Upon the confirmation of product information and their whereabouts, the Managing Directors immediately signed the Product Recall Notice, notified the relevant point-of-sale and recalled the products. The Technical Department, Production Department and Quality Management Department jointly confirmed the targeted products called before the products were destroyed by the Administration Division. The Quality Management Department was responsible for overseeing the disposal process. Product Recall Report was completed after the recall process to record the entire recall process and to provide improvements measures and plans.

The Group proactively prevents various risks by designating employees to collect relevant information on monitoring and evaluation of food safety risk either internally issued by the Group or issued at such locations where we operate. 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.

### 5.2.3. Caring for Customers

The Group has always regarded customers as our important partners in the development of the Group. We continuously practise the service philosophy of “creating value for customers” and established and implemented the *Customer Service Management Standard* and the *Accountability System* to maintain the cooperative relationships with customers. At the same time, the Group has developed a dealer management system to ensure that the operations are regulated and relevant contracts, such as *Dealer Contract*, *Supermarket Contract*, and *Food and Beverage Agency Contract*, are signed with dealers in accordance with the national regulations.

Customers’ feedback is an important input for the Group to achieve continuous improvement, and thus the Group places great importance on customers’ feedback and conscientiously handles their enquiries and complaints. In order to deal with various inquiries and complaints, the Group established 800 and 400 toll-free telephone complaint hotlines systems. The customer service centre is responsible for recording the details of the inquiries and complaints, and either giving timely reply or transferring the inquiries and complaints to the relevant departments. Relevant departments are required to investigate the truthfulness of these complaints and to collect and preserve the relevant evidence. Following the investigation, the relevant employees are required to report the findings to the complainants or the complaining units, regardless of the investigation outcomes. The Group analyses the causes of complaints about product quality and implements remedial and preventive measures accordingly to avoid the recurrences of similar incidents. During the Reporting Period, the Group received 277 complaints which were mainly received through the complaint hotlines, and from distributors and retailers. The Group categorised the complaints according to the complaints handling procedures in a timely manner and assigned relevant departments to further communicate with the complainants, so as to ensure that all complaints are properly handled.

In addition, the Group ensures that customer information is used solely for customer relationship management and is not divulged or used for improper purposes. Disclosure of consumer information to any third party without customers’ authorisation is strictly prohibited by the Group. All information collected is treated as confidential and is properly kept with access by designated employees only.

## 6. Responsible Operation

### 6.1. Supply Chain Management

The Group is committed to building an accountable supply chain and creating sustainable values with the cooperation 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.

#### 6.1.1. Rigorous Suppliers Management

The Group formulated the *Practices and Monitoring Methods for Engaging Suppliers* to regulate the selection, inspection, evaluation and disqualification of suppliers. In addition, the Group persistently evaluates suppliers' performance in terms of quality, safety and hygiene, environmental performance, and social performance.

##### Selecting Suppliers

Raw materials from suppliers are the source of the Group's products and have a 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 sets suppliers' selection thresholds and clearly stipulates the quality requirements and standards of raw materials, ingredients and packaging materials. In addition to general quality assurance and quality control, the Group also proactively arranges on-site visits to fully and precisely examine whether suppliers meet all quality standards. 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.

Apart from those measures regulating raw materials suppliers to ensure food safety, the Group also selects and monitors suppliers in accordance with *Yurun' Food's ESG Evaluation Framework on Suppliers*. The Group effectively manages the environmental and social risks arising from the supply chains by evaluating suppliers' environmental performance, labour-related performance and social impacts, etc.

##### Suppliers Evaluation

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 after confirmation by the Technical Department, Quality Control Department and Supply Department. The Group will notify all subsidiaries about the 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 the standards and irregularities. We further signed the *Agreement on Poultry Quality Assurance* with suppliers, assuring that the quality of live hogs meets the requirements of the laws and regulations of the locations where they operate and the requirements of the Group.

Apart from performing annual supplier evaluation, the Group irregularly conducts sudden audits on suppliers to ensure that the suppliers can meet the Group's standards at all times. The audit allows the Group to understand our suppliers' supply capability, management standards, and whether they have violated laws and regulations relating to environmental and other aspects. During the Reporting Period, the Group had 626 suppliers. The Group performed document review on 100% of its suppliers and conducted on-site inspections for 30% of its suppliers.

#### **6.1.2. Eliminate Commercial Bribery**

The Group emphasizes business integrity along its supply chains. The Group has formulated the principle of avoidance 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 divided into four distinct and separate functions. Under the closed-loop-management and dual gatekeeping performed by the finance and supervision departments, internal procurement relationships are prevented, and mutual regulation and cross monitoring is formed to prevent commercial bribery and improper transactions, etc. This ensures the standardised operation of procurement and elimination of supply of sub-standard raw materials.



## 6.2. Animal Welfare Management

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

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

### 6.3. Business Integrity

The Group upholds the core values of integrity and righteousness and strictly abides by the laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group. The Group has set up a group management office responsible for anti-corruption and formulation of relevant management rules to govern employees' conduct and to fight against corruption, such as bribery, extortion, fraud, money laundering and other illegal acts.

The Group puts emphasises on anti-corruption and regulates the corruption prevention works by focusing on the establishment of management systems and the promotion of business integrity.

Refine Anti-corruption System	In accordance with the relevant laws and regulations of the locations where the Group operates, the Group updated and revised anti-corruption policies and systems, further clarified acts involving corruption, and increased the penalty for corruption. The Group formulated the <i>Anti-corruption Management System</i> to regulate the corruption handling procedures.
Foster a culture of business integrity	The Group places emphasis on fostering a culture of business integrity. The Group regularly prepares anti-corruption publicity materials and displays related announcement on the notice boards of all subsidiaries to enhance employees' awareness of integrity at all levels.
Strengthen the efforts in market monitoring	The Group pays on-site visits to the business partners we cooperate with at sales markets and raw material markets, enhances information communication as well as financial information that is checked, and makes regular return visits to sales markets and raw material markets in order to effectively reduce the risk of corruption.

The Group considers that a refined whistleblowing mechanism enables the identification of possible misconduct or fraud risks of a particular operation or function, and encourages employees to raise concerns in good faith. The Group has formulated a whistleblowing policy and the *Integrity Reporting Management System*, which set out anti-corruption-related principles and reporting procedures to guide directors, employees and those who do businesses with the Group to report possible improper and illegal conduct in a fair and proper manner. The Audit Committee of the Group is responsible for monitoring and reviewing the effectiveness of the whistleblowing policy and system periodically. To protect whistle blowers, all reported cases are handled by the Group in strict confidence.

During the Reporting Period, the Group did not violate any laws and regulations relating to anti-corruption and having significant impact on the Group, and did not receive any cases regarding bribery, extortion, fraud and money laundering which involve the Group or its employees.

## 7. Environmental Protection

As a responsible enterprise, the Group strives for excellence in promoting environmental protection. The Group strictly abides by the laws and regulations relating to air and greenhouse gas (“**GHG**”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group. The Group upholds the environmental management approach of “Complying with Environmental Regulations, Preventing Pollution; Treasuring Resources, Achieving Energy Conservation and Emission Reduction; Enhancing Environmental Education, Increasing Environmental Awareness”. The Group incorporates the concept of environmental protection into every aspect of our operations to reduce environmental impacts.

During the Reporting Period, the Group did not violate any laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group.

### 7.1. Environmental Management

#### 7.1.1. Water Resources Management

The effective management of water resources is an important part for the Group to achieve sustainable development. The Group has strict regulations on water usage, sewage treatment and discharge. The Group sources water for businesses from municipal water supply and underground water. The use of underground water is monitored and regulated by the relevant local government departments. During the Reporting Period, the Group did not have any issues in sourcing water. In order to save water for production and domestic use in the daily operation, the Group, for instance, requires its employees to turn off water taps after use.

Through the implementation of wastewater treatment and reuse system, the Group collects production wastewater, domestic sewage, condensate from air-conditioning equipment, and other wastewater by independent pipelines for central treatment, and applies the reclaimed water to car-washing, plant watering, flushing, etc. Not only could freshwater resources be saved and utilised through reusing reclaimed water, the discharge of wastewater could also be reduced, thereby mitigating the impacts on the surrounding environment. During the Reporting Period, the wastewater reuse system has been implemented in the Group’s production bases in Xinjiang, Yunnan and Anhui provinces and approximately 68,000 tonnes of wastewater was reused.



The Group attaches great importance to wastewater treatment and strictly abides by the *Discharge Standard of Water Pollutants for Meat Processing Industry* and the *Technical Specifications of Sewage Treatment for Slaughtering and Meat Processing*. The Group established wastewater treatment facilities to process production wastewater, and the processed wastewater is discharged only when it meets both national and local standards.

On 8 April 2018, the Ministry of Ecology and Environment of the PRC issued the “Notice on Strengthening the Prevention and Control of Nitrogen and Phosphorus Pollution from Fixed Pollution Sources” to strictly control the discharge of nitrogen and phosphorus by key industries. To this end, the Group strengthened the prevention and control of nitrogen and phosphorus pollution. During the Reporting Period, the Group installed nitrogen and phosphorus on-line monitoring equipment in the production plants, and established the *On-line Monitoring System Management System* to strictly control wastewater discharge in order to meet the wastewater discharge standards.



### 7.1.2. Waste Management

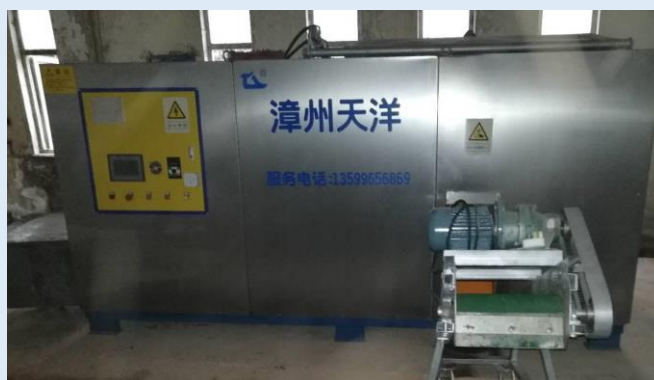
The Group always attaches great importance to the management of waste. The Group formulated strict regulations on the storage, transfer and disposal procedures on various types of waste and the duties of relevant departments. The solid wastes generated by the Group mainly consist of domestic waste, food waste, greasy waste, sludge and substandard products.

The Group reduces waste generation by strengthening the control and management of its production process and improving the utilisation of raw materials. The Group has implemented waste labelling for the waste storage and management, and the relevant departments categorize and store the waste according to the labels, and prevent leakage during transportation and storage. The Group centrally collects and transfer non-hazardous waste to the environment and hygiene departments in the operation locations for further handling. The Group engages qualified entities in accordance with the relevant requirements for the disposal of hazardous waste.

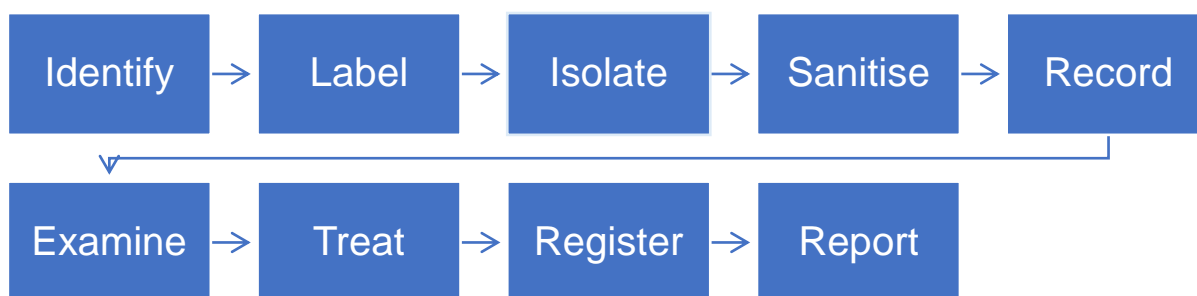
The Group manages the greasy waste generated in the grease traps in accordance with the *Opinion on the Strengthening of the Overhaul of Gutter Oil and Management of Cooking Wastes issued by the General Office of the State Council*. The greasy waste is regularly collected and treated by the qualified waste treatment entities. Sludge produced during wastewater treatment is also regularly collected and treated by the qualified waste treatment entities.

During the Reporting Period, some production plants installed sludge dewatering equipment and solid-liquid separator to reduce the water content of sludge and livestock manure. The water content of sludge decreased to 80%, resulting in a reduction of about 120 tonnes of sludge and manure annually.

Automatic and detoxification treatment equipment has been in use in the Group's production plants in Hefei and Weinan. The wastes from the production process (including waste grease, fur, branded skin, PSE (pale, soft, exudative) meats, etc.) have been processed into organic fertilisers.



The Group established a strict management system for the carcasses of afflicted hogs and developed a sound procedure for innocuous treatment with reference to 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 the 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.





### 7.1.3. Air Emission Management

The main source of the Group's air emissions is our boilers. In order to reduce air emissions from boilers, the Group proactively replaced coal-fuelled boilers in its production plants, accelerated coal-to-gas conversion, used steam from municipal pipeline, and selected steam generators with less emissions. In addition, the Group has also proactively adopted air emission reduction and treatment technologies so as to reduce the emissions of air pollutants.

In January 2018, 2 coal-fuelled steam boilers in the production base in Gansu Province were replaced with steam from municipal pipeline.

In August 2018, 2 coal-fuelled steam boilers in another production base in Gansu Province were replaced with 2 biomass steam generators.



During the Reporting Period, the gas-fuelled boilers in the production bases in Henan and Jiangsu Province were modified with the conventional burners replaced with low-nitrogen burners, reducing nitrogen oxides emissions.

#### 7.1.4. GHG Management

The Group understands the impacts of GHG emissions arising from its operations on global warming. The Group's GHG emissions mostly came from the direct emissions of fuel combustion and indirect emissions of purchased electricity. The Group focuses on improving energy efficiency to reduce electricity consumption while actively reducing natural gas and fossil fuel consumption in production to minimise GHG emissions.

##### Improve energy efficiency

The Group's indirect GHG emissions mainly came from purchased electricity. The Group formulated the *Energy Consumption Control Procedures* to regulate the use of energy-consuming equipment, and maintains the principle of energy saving at all times in order to reduce electricity consumption. The Group records electricity consumption on a monthly basis and immediately handles unusual consumption once identified.

Lighting facilities	The Group installed LED light fixtures that provide adequate illumination in the operating zones to reduce electricity consumption caused by extra lighting. The Group also helped its staff to form the habit of switching off lights that are not in use to save energy.
Air-conditioning equipment	The Group maintains a proper indoor temperature in the workplace at all times and requires employees to turn off the air conditioners that are not in use. The Group cleans the air conditioner filters in the production plants at regular intervals to maintain the air conditioning performance and to reduce electricity consumption.
Production equipment	The Group requires that production equipment shall be switched on and off by designated operators to avoid electricity wastage caused by engine idling. Furthermore, the Group performs routine maintenance on production equipment to keep them running efficiently and productively, thereby reducing energy use.

During the Reporting Period, two production bases in Hubei Province upgraded the hog scalding process and changed the swinging process into conveyor process to reduce steam consumption.

### Promoting the use of renewable energy

The Group is committed to finding opportunities to use renewable energy sources, reducing the consumption of fossil fuels, and striving to minimise carbon emissions.



Solar energy devices were installed in the production bases in Jiangsu and Anhui Provinces to reduce the reliance on fossil fuels for electricity generation and minimise GHG emissions. During the Reporting Period, approximately 4.5 million kWh of electricity was generated.



In response to the national policies, the Group actively promotes the use of green energy. During the Reporting Period, the production base in Hefei installed grid-connected photovoltaic panels on the roof of the production plant and transferred all of the generated electricity to the national grid.

### **7.1.5. Noise Management**

The Group strictly complies with the requirements of the *Emission Standard for Industrial Enterprises Noise at Boundary*. The Group's sources of noise mainly originate from production facilities. 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 from two approaches:

- noise is reduced through the introduction and use of advanced low-noise equipment;
- noise pollution is mitigated through the physical use of various sound insulation measures.

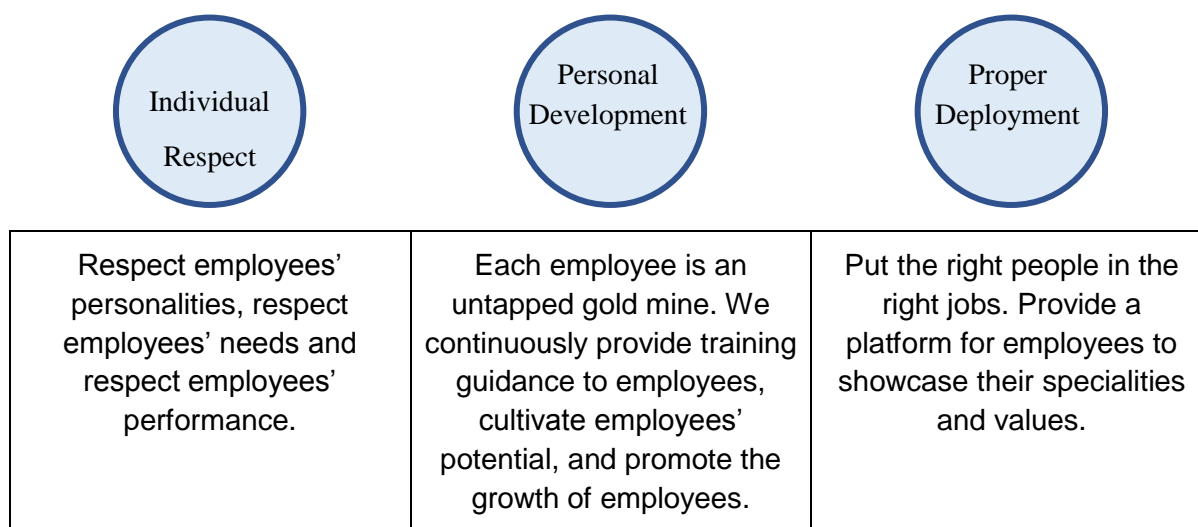
During the Reporting Period, the Group did not receive any significant complaint regarding noise pollution.

## 7.2. Environment and Natural Resources

As a food processing enterprise, the Group understands that the solid waste, sewage, emission and noise generated during production process 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.

## 8. People-oriented

“Individual respect, personal development and proper deployment” is the Group’s longstanding employment ideology. The Group puts employees first and strives to safeguard employees’ rights and build a strong team. The Group provides competitive remuneration and welfare, sufficient training, equal development opportunities and a safe workplace to enable employees to grow with the Group. As at 31 December 2018, the Group had approximately 10,000 employees.



### 8.1. Safeguarding Employees’ Rights

#### Human Resources Management System

The Group highly values employees’ rights and interests and ensure that employees are legally entitled and clearly aware of their rights and interests through the establishment of various human resources management systems. The Group sets out the requirements relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in its internal policies and management systems, such as the *Recruitment Management System*, *Compensation Management System*, *Benefits Management System*, *Performance Management System*, and the *Employee Handbook*. 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 employees 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.



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. The Group strictly prohibits child and forced labour by adopting strict measures such as requesting each new employee to provide identity proofs. Meanwhile, the Group has required that any person below the age of 16 is prohibited from being recorded in the personnel management system so as to avoid any possibility of child labour. If a case of child labour is found, the Group shall impose penalties on the employees directly violating the employment rules, and hold the head of the work units involved in the violation of employment rules accountable. In the meantime, the Group shall carry out labour inspections on other work units to ensure that they do not have similar situations. Regarding the revocation and termination of labour contracts, the Group strictly adheres to the requirements of relevant laws and regulations, and sets out the handling procedures of employees' departure in the *Employee Handbook*.

The Group provides competitive remuneration, and has established a clear and precise promotion system to ensure that employees are able to enjoy reasonable remuneration and promotion opportunities. The Group sets employee remuneration based on job requirements, employee competencies, performance and market trends. In addition, the Group offers performance bonus to outstanding employees for their contribution. The Group implemented a performance evaluation system in a fair, open and impartial manner for all employees, and applies multi-dimensional indicators for employee evaluation, which helps to provide comprehensive references and basis for employees' remuneration, rewards and promotion.

The Group creates employer-employee relationship by following the principles of equality and voluntariness, legitimacy and fairness, and honesty and trustworthiness, and does not tolerate the use of forced labour. The Group lists out the working hours for different employment types in the *Employee Handbook*, and strictly regulates overtime application to prevent forced labour.

The Group focuses on employee communication and invites employees to communicate their thoughts through a variety of communication channels. The Group has established trade unions for the supervision and inspection of the human resources management system. The Group has also established a complaint and feedback mechanism for employees to provide feedback to the Human Resources Department and the managing directors.

The Group is committed to providing every employee with an equal and non-discriminatory working environment. During the Reporting Period, 16 employees with disabilities were hired and were given equal pay for equal work, helping them to realise their value in the workplace.

## Benefits and Welfare

Employees of the Group are entitled to paid annual leave and statutory holidays, and also sick leaves, casual leaves, marital leaves, maternity leaves and others in accordance with the laws. The Group makes contribution to insurances and provident funds for employees in accordance with the requirements of the operation locations, and additionally 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.

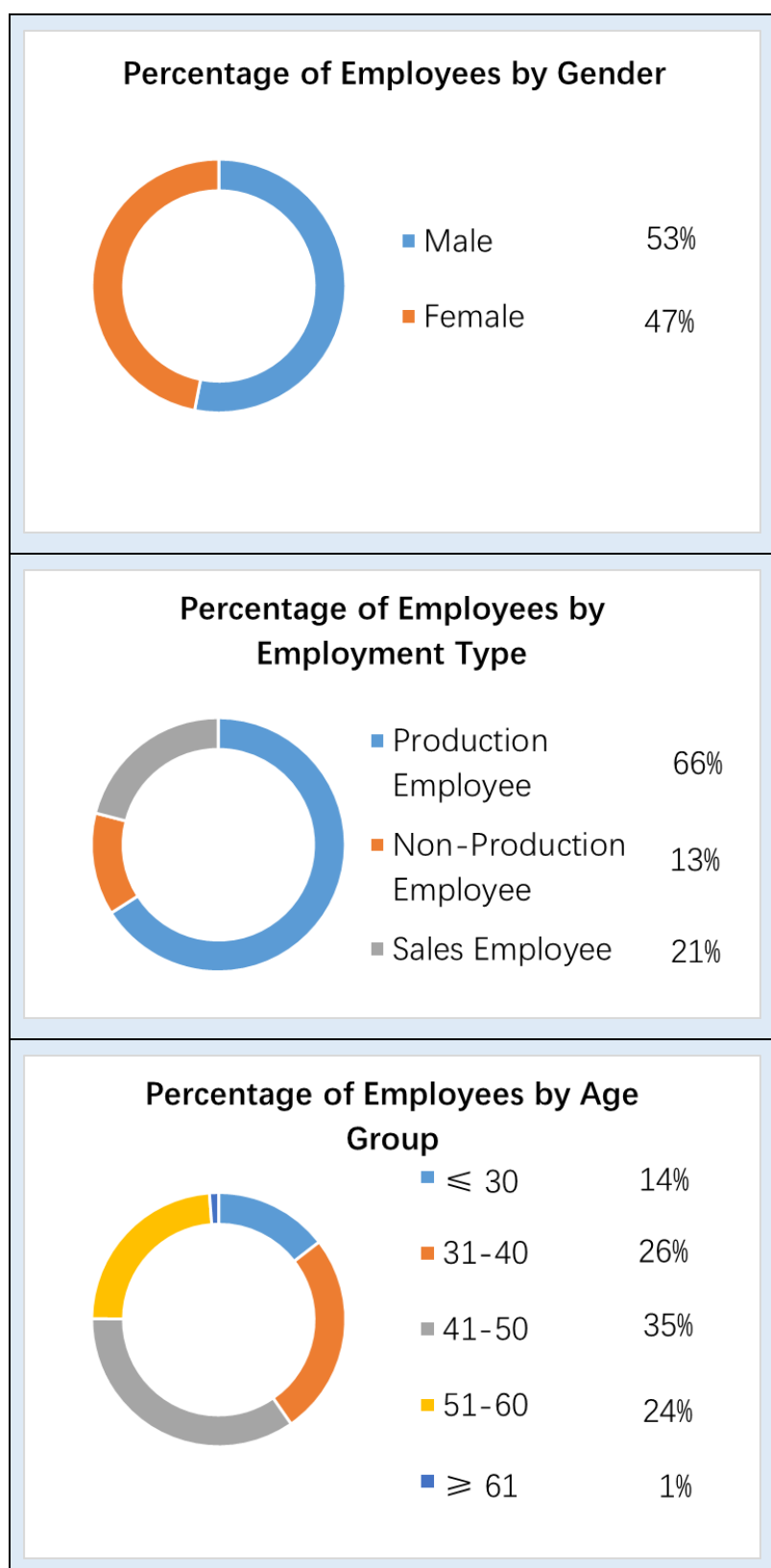
The Group attaches importance to the employees' representative system. By establishing employee associations such as labour union, and conducting various activities, employees are provided with a platform to understand the development trend of the Group as well as critical issues relating to their own interests, and they are given the opportunities and channels to express their views. In addition, the party committee and labour union organise employees' representative forums annually to solicit opinions on the development of the Group from employees and answer their questions.

The Group deeply cares about its employees and provides assistance to the employees living in hardship for them to pass through difficult circumstances. During the Reporting Period, the Group reached out to the employees living in hardship. The Group paid more than 50 visits to more than 120 employees living in hardship, and offered gifts and consolation money which worth approximately RMB 150,000 in total.



During the Reporting Period, the Group did not violate any laws and regulations relating to employment and prevention of child and forced labour that have a significant impact on the Group.

The Group's labour-related data are as follows:



## 8.2. Supporting Employees' Development

The Group has always been committed to employee's development and advancement, and offers a comprehensive career path for employees. The Group offers various types of training and continuously provides learning and promotion opportunities for employees, enabling them to reach their full potential..

The Group formulated the *Procedures for Control and Management of Training* to regulate the development, implementation, evaluation and record keeping of training. The Group's training is mainly divided into 4 types as follows:

Employees' induction training	The Group provides induction training for the new recruits so as to allow them to have a comprehensive understanding of the corporate values and policies, and obtain the fundamental knowledge of food safety, hygiene and internal management systems.
Personnel in key positions and specialists training	The Group provides training for personnel in key positions and inspectors involved in food safety, and specialists who are required to hold a work license expressly required by the government. The Group also stipulated that corresponding personnel shall pass the training exam or obtain a work license before starting the job duties.
Tutor/apprentice training	The Group provides tutor/apprentice training for new employees in functional and production positions so as to help them to acquire the skills satisfying job requirements and continuously improve their professional skills.
On-the-job training	In order to develop employees' potential and continuously encourage employees' learning, the Group actively organises and implements training in different aspects, such as training on management knowledge and technical skills and seminars provided by experts, to encourage continuous learning in the workplace.

During the Reporting Period, the Group offered various training to improve employees' knowledge and skills for discharging duties at work, including operation and management training, human resources management training, sales skills training, production management training, and outdoor team building activities.

#### Operation and management training

Key managing directors are the mainstay of the Group. The Group provides training for the inaugural managing directors and the incoming managing directors, such as "12 Aspects of Managerial Capabilities", to enhance their operational and managerial capabilities.

In September 2018, the Group organised training for the key back-up managing directors in the headquarters comprising topics such as financial management, marketing, supply management and production management. 42 employees attended the training, accumulating up to 36 training hours in total and achieving a 100% training passing rate.



#### Human resources management training

The Group actively organised human resources management training for the employees of the Human Resources Department to increase their understanding of the human resources management system and labour-related laws and regulations.

In May 2018, the Group organised human resources training for 50 employees, accumulating up to 50 training hours in total and achieving a 100% training passing rate.



## Sales skills training

To enhance the capabilities and performance of the sales and marketing teams, the Group utilised the training resources from the Yurun University to conduct business enhancement training for urban managers, regional managers and others in the forms of internal and external training. Through providing training and offering rewards after performance assessment, the Group effectively improves the performance of the sales and marketing teams.

In May 2018, 70 sales managers of the Group participated in the Key Urban Manager Training organised by the Sales Department, accumulating up to 40 training hours in total and achieving a 100% training passing rate.



## Production management training

The Group provides production management training for the plant leaders, production supervisors, back-up managers and others to enhance their capabilities on production cost management, product quality management, production employee management and production planning management.



During the Reporting Period, training was organised by each production plant comprising topics such as fire safety, quality management, and production management. In addition, knowledge of food safety, product innovation, and system management was shared and provided during the pre-shift meetings of each production plant.



## Outdoor team building activities

The Group actively organises outbound training for employees to procure work and life balance and reduce work stress, and at the same time, to stimulate potential, foster determination and willpower, uplift mind and spirit and develop good personality of employees, and build a stronger team.

During the Reporting Period, the Group organised several outdoor team building activities and fun sports days to bolster employees' cohesiveness.





### 8.3. Employees' Health and Safety

Not only does the Group commit to providing safe food to customers, but also concerns about the health and safety of each employee. The Group strictly complies with the laws and regulations relating to provision of a safe working environment and protection for employees from occupational hazards that have a significant impact on the Group.

#### Caring for Employees' Health and Wellbeing

The Group regularly provides physical check-ups for employees to maintain their health and well being. The Group strives to improve the workplace by implementing the concept of green factory in order to reduce employees' stress in the workplace and protect employees' health.

#### Ensuring Employees' Safety

The Group conducts production safety management in strict compliance with the relevant laws and regulations where the operation is located on production safety. It established a safe production management team and formulated policies and annual targets relating to production safety management. The Group has formulated 40 production safety management provisions based on the relevant laws and regulations and the OHSAS 18001 Occupational Health and Safety Management System. The Group continues to enhance safety management awareness of all levels of management. By adopting management measures such as the "one position with dual responsibilities", the Veto by One Vote for Safety Incidents and the Safe Production Management Regulation, production safety is effectively achieved. In addition, the Group continues to encourage its subsidiaries to apply for the certification of safety-related standards in order to continuously improve the level of safety management and production safety, and ensure that employees can work in safe environment. 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. The Group also highly values the safety of production equipment and requires employees to regularly inspect, maintain and repair production equipment.

In order to improve the management of safe production and ensure effective management of the production facilities, working conditions and the employees, a production base in Jiangsu province established a Safety Management Task Force during the Reporting Period for the implementation of the Safety Production Liability System and setting out the allocation of work and the responsibilities of dedicated managers.

The Group conducted workplace and occupational hazard assessments, and formulated safety-related work processes and a unified and comprehensive Safety Incident Prevention System. The Group devised relevant contingency plans and incident handling procedures according to the nature of incidents. The Group also organises contingency drills every year to elevate employees' emergency response capabilities and prevent the impacts of unexpected events in advance.

In addition, the Group displayed relevant safety reminders and signage in the production plants, such as the *Flow Chart of Handling Unexpected Events*, the *Fire Safety Reminder*, the *Safe Handling of Ammonia Leakage*, and the *Workplace Hazard Notification*, to warn employees of safety hazards in order to prevent accidents in the workplace.

### Promotion of Safety and Health Culture

The Group attaches great importance to the advocacy of and education on occupational safety and health, and strives to promote safety awareness of employees and enhances their emergency response capabilities, effectively protecting employees from occupational hazards.



In October 2018, the Group organised a lecture with the theme of “Protecting Health and Enjoying Life” for employees to acquire the basic knowledge of first aid.

During the Reporting Period, the Group did not violate any laws and regulations relating to provision of a safe working environment and protection for employees from occupational hazards that have a significant impact on the Group, and there was no incident of work-related fatalities.

## 9. Contributing to Society

The Group gives full consideration and effectively responds to the community's demands. The Group procures the development of social economy in cooperation with the community in the areas where it operates, in order to fulfil corporate civic duties.

In response to the growing concern of the public over food quality and safety, the Group actively organises visits to Yurun Food Industrial Park for the public to have a better understanding of the Group's production processes and recognise the importance of food quality and safety.



During the Reporting Period, the Group organised an open house event catering more than 20,000 visitors in the Yurun Food Industrial Park. While learning about the Yurun Food's history and its modern production processes, a visitor stated that, "From now on, we would definitely purchase Yurun Food's products when shopping in supermarkets and can rest assured when consuming its products."

In addition, the Group actively participates in various community and charity activities for developing a strong sense of social responsibility.

In December 2018, the Group participated in the “2018 Pukou Economic Development Zone’s Welcoming Joyous Run”.



## 10. Performance

### 10.1. Environmental Data

During the Reporting Period, the environmental data<sup>1</sup> of the Group are as follows,

	Units	2018
Annual Output	Tonnes	707,500
Air Emissions <sup>2</sup>		
Nitrogen Oxides	Tonnes	259,100
	Tonnes per Tonnes Annual Output	0.37
Sulphur Oxides	Tonnes	45,000
	Tonnes per Tonnes Annual Output	0.06
GHG Emissions		
GHG Emissions (Scope 1 and Scope 2)	Tonnes CO <sub>2</sub> e	144,463
	Tonnes CO <sub>2</sub> e per Tonnes Annual Output	0.20
Scope 1: Direct Emissions <sup>3</sup>	Tonnes CO <sub>2</sub> e	51,886
Scope 2: Indirect Emissions <sup>4</sup>	Tonnes CO <sub>2</sub> e	92,578

<sup>1</sup> The reporting scope includes the Group's production plants from the fresh meat segment and the processed meat segment that operated during the Reporting Period. The Group's data collection and calculation methods are provided in the footnotes. The intensity for the Group's environmental data was calculated on the basis of the Group's annual output.

<sup>2</sup> The calculation scope of air emissions includes stationary sources and vehicles. Air emissions were calculated by using the *Discharge Coefficients of Industrial Pollutants in the First National General Survey of Pollution Sources* and the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* issued by the Ministry of Ecology and Environment of the PRC.

<sup>3</sup> The calculation scope of GHG emissions (Scope 1) includes stationary sources, vehicles, and fugitive emissions associated with the use of refrigerants. GHG emissions (Scope 1) were calculated by using the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* and the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions for Road Transport Enterprises (Trial)* issued by the National Development and Reform Commission of the PRC, and the *Fifth Assessment Report* issued by the Intergovernmental Panel on Climate Change (IPCC).

<sup>4</sup> The calculation scope of GHG emissions (Scope 2) includes purchased electricity. GHG emissions (Scope 2) were calculated by using the *2011-2012 Regional Power Grid Average CO<sub>2</sub> Emission Factors in China* issued by the National Development and Reform Commission of the PRC.

	Units	2018
Wastewater Discharge		
Wastewater	Tonnes	4,496,134
	Tonnes per Tonnes Annual Output	6.35
Hazardous Waste		
Sludge	Tonnes	673
	Tonnes per Tonnes Annual Output	0.001
Non-Hazardous Waste		
Total Non-Hazardous Waste	Tonnes	1,770
	Tonnes per Tonnes Annual Output	0.003
Domestic Waste	Tonnes	1,635
Food Waste	Tonnes	48
Other Types of wastes (include paper, plastic and metal)	Tonnes	87
Energy Consumption		
Electricity	kWh	132,128,236
	kWh per 10,000 Tonnes Annual Output	186.75
Natural Gas	m <sup>3</sup>	11,114,646
	m <sup>3</sup> per Tonnes Annual Output	15.71
Coal	Tonnes	2,092
	Tonnes per Tonnes Annual Output	0.003
Gasoline (for business commute)	Litres	163,760
	Litres per Tonnes Annual Output	0.23
Diesel (for business commute)	Litres	42,110
	Litres per Tonnes Annual Output	0.06



	Units	2018
Water Consumption		
Total Water Consumption	Tonnes	5,701,670
	Tonnes per Tonnes Annual Output	8.06
Municipal Water	Tonnes	3,233,756
Ground Water	Tonnes	2,467,914
Packaging Materials Usage		
Paper Box	Pcs	44,165,161
	Pcs per Tonnes Annual Output	62.42
Label	Pcs	108,486,531
	Pcs per Tonnes Annual Output	153.34



## 10.2. Social Data

### Employees

No. of employees	2018
No. of employees	10,369
By gender	
Male	5,503
Female	4,866
By employment type	
Production employee	6,841
Non-production employee	1,352
Sales employee	2,176
By age group	
≤ 30	1,507
31-40	2,677
41-50	3,605
51-60	2,459
≥ 61	121
Employee turnover rate	2018
Employee turnover rate	34.89%
By gender	
Male	33.81%
Female	36.07%
By age group	
≤ 30	46.92%
31-40	32.55%
41-50	32.58%
51-60	31.66%
≥ 61	30.06%

### Safety

Work injury	2018
Lost days due to work injury	3,252

### Product

Products and service-related complaints	2018
No. of complaints	277
Complaints resolution rate	100%
Products Recall	2018
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0%

### Legal Cases

Legal cases regarding corrupt practices	2018
Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	0

## Appendix 1 Laws and Regulations Abides by the Group

Laws and Regulations
Product Responsibility
<p> <i>The Food Safety Law of the PRC</i>  <i>The Animal Epidemic Prevention Law of the PRC</i>  <i>The Standardization Law of the PRC</i>  <i>The Food Hygiene Law of the PRC</i>  <i>Product Quality Law of the PRC</i>  <i>Hygienic Standards for Uses of Additives in Food Containers and Packaging Materials</i>  <i>The Administrative Provisions on Food Labeling</i>  <i>The General Principles on the Labels of Pre-Packaged Food</i>  <i>The Operational Rules for Pig-slaughtering</i>  <i>The Code for Product Quality Inspection for Slaughtered Pig Products</i>  <i>The Hygiene Rules for Meat Processing Plants</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 Regulations on the Administration of Slaughtering of Pigs</i>  <i>The General Hygiene Rules for Food Production</i> </p>
Environment
<p> <i>The Environmental Protection Tax Law of the PRC</i>  <i>Regulation on the Implementation of the Environmental Protection Tax Law of the PRC</i>  <i>The Environmental Protection Law of the PRC</i>  <i>The Law of the PRC on the Prevention and Control of Water Pollution</i>  <i>Regulation on the Implementation of the Law on the Prevention and Control of Water Pollution of the PRC</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 Environmental Noise</i>  <i>The Law of the PRC on Promotion of Cleaner Production</i> </p>

Employment and Labour Standards
<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>Law of the PRC on the Protection of Minors</i> <i>Trade Union Law of the PRC</i> <i>Law of the PRC on the Protection of Women's Rights and Interests</i> <i>Law of the PRC on the Protection of Disabled Persons</i> <i>The Labour Dispute Mediation and Arbitration Law of the PRC</i> <i>Regulation on Settlement Of Labour Disputes In Enterprises of the PRC</i> <i>Regulation on Work-Related Injury Insurance</i>
Occupational Health and Safety
<i>The Production Safety Law of the PRC</i> <i>The Prevention and Control of Occupational Diseases Law of the PRC</i> <i>The Implementation Rules for the Supervision and Administration on the Quality Safety of the Food Manufacturing and Processing Enterprises</i>
Anti-corruption
<i>The Company Law of the PRC</i> <i>The Bidding Law of the PRC</i> <i>The Anti-unfair Competition Law of the PRC</i> <i>Negotiable Instruments Law of the PRC</i> <i>Criminal Law of the PRC</i> <i>Interim Provisions on Prohibition of Commercial Bribery</i>

## Appendix 2 Environmental, Social and Governance Reporting Guide Content Index

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Sections and Remarks in the ESG Report
<b>Environmental</b>		
<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.	7, 7.1 Appendix 1
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	7,10.1
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10.1
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10.1
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	10.1
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	7.1
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	7.1
<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.	7, Appendix 1
<b>KPI A2.1</b>	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).	10.1
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	10.1
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved.	7.1
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	7.1
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	10.1
<b>Aspect A3 : The Environment and Natural Resources</b>		
<b>General Disclosure</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	7, Appendix 1
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.2

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Sections and Remarks in the ESG Report
<b>Social</b>		
<b>Aspect B1 : Employment</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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	8, Appendix 1
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	10.2
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	10.2
<b>Aspect B2 : Health and Safety</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 providing a safe working environment and protecting employees from occupational hazards.	8, Appendix 1
<b>KPI B2.1</b>	Number and rate of work-related fatalities.	8.3
<b>KPI B2.2</b>	Lost days due to work injury.	10.2
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	8.3
<b>Aspect B3 : Development and Training</b>		
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	8, Appendix 1
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	-
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category.	-
<b>Aspect B4 : Labour Standards</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 preventing child and forced labour.	8, Appendix 1
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	8.1
<b>KPI B4.2</b>	Description of steps taken to eliminate such practices when discovered.	8.1
<b>Aspect B5 : Supply Chain Management</b>		
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	6.1
<b>KPI B5.1</b>	Number of suppliers by geographical region.	-
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	6.1

General Disclosures and Key Performance Indicators (KPI)	Description	Relevant Sections and Remarks in the ESG Report
<b>Aspect B6 : Product Responsibility</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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5, Appendix 1
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	10.2
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	5.2, 10.2
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	-
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	5.1, 5.2
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2
<b>Aspect B7 : Anti-Corruption</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 bribery, extortion, fraud and money laundering.	6.3, Appendix 1
<b>KPI B7.1</b>	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.	10.2
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	6.3
<b>Aspect B8 : Community Investment</b>		
<b>General Disclosure</b>	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.	9
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	9
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	-