

中糧
COFCO
自然之選 盡情享受

中國 2010 年上海世界博覽會高級贊助商
Senior Sponsor of Expo 2010 Shanghai China

Excellent food chain,
quality products
產業鏈 好產品

2009 Corporate Social Responsibility Report 企業社會責任報告

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
中國糧油控股有限公司
(A COFCO Company) (中糧集團成員企業)

stock code 股份代號: 606

Corporate Social Responsibility

Protecting Our Environment

At a time when global environmental issues are becoming more critical than ever, environmental protection is an obligation that any corporate citizen owes to Nature and the society, for we have a duty to protect the home that we mutually share. Environment protection, energy conservation and emission reduction have been and shall continue to be our persistent objectives. We are committed to pro-active environmental protection by optimising our production processes and helping to develop a low-carbon economy, as we strive to build an environment-friendly enterprise and facilitate development in harmony with Nature, in line with China Agri's core philosophy of "re-shaping our life with Nature's resources."

As regards production and operation, we have introduced a revised management concept of energy conservation and emission reduction that seeks to realise energy conservation and emission reduction in each production activity. Clean production technologies have been applied in the production, storage and logistic processes, and production process flows have been improved and management standards enhanced to effectively increase the efficiency of resource utilisation and to minimise the impact of production operations upon the environment. We made use of renewable bio-energy to



produce fuel ethanol in replacement of traditional energy and reduced carbon emission as a result. We have also made effective investigations in the development of clean energy for environmental protection.

In respect of management, we have formulated medium- to long-term environmental protection programmes with specific goals and initiatives, effectively including environmental protection as an integral part of our strategic development. Through vigorous execution and well-defined annual works plans, the effective implementation of corporate planning has been ensured. We have also established effective management of environmental protection by implementing centralised management of environmental protection and production safety on the basis of the safety management performance evaluation system.

In 2009, we improved our management of environmental protection, energy conservation and emission reduction by more rigorously implementing environmental protection at the source and setting up dedicated environmental protection department under the charge of specialised management personnel at major subsidiary enterprises that report significant energy consumption and waste discharge to carry out specialised management of environmental protection, energy conservation and emission reduction.

We have formulated a comprehensive environmental protection performance evaluation system, where energy consumption and emission indicators are incorporated among the key performance indicators (“KPIs”) of the Company. These KPIs include consolidated energy consumption for every RMB10,000 in output value, COD (Chemical Oxygen Demand) and SO₂ (Sulfur Dioxide) emission level, etc. The targets and responsibilities of energy conservation and consumption reduction have been delegated to the levels of workshops, shift teams and individuals, so as to ensure the implementation of environmental management by all employees throughout the entire operating process.

As a result of these efforts, no incidents of environmental pollution or disruption of the ecological environment occurred at the Company during 2009.

Subsidiary COFCO Bio-Energy (Zhaodong) Co., Ltd., named among the “Top 1,000 Energy Conservation Enterprises” of the People’s Republic of China (the “PRC”), has achieved the energy conservation target set by the National Development and Reform Commission in 2009. Subsidiaries COFCO Bio-Chemical Energy (Gongzhuling) Co., Ltd. and COFCO Bio-Chemical Energy (Yushu) Co., Ltd completed technology upgrades for energy conservation with the endorsement of the National Development and Reform Commission and Ministry of Finance for 3 successive years. In 2009, we completed 28 initiatives regarding energy conservation and emission reduction, contributing to a 15.4% reduction in total COD discharge as compared to 2008. Seven of these initiatives received support of the Ministry of Finance in the form of a designated grant of RMB18,890,000, effectively ensuring the successful completion of our targets in energy conservation and emission reduction.

Development Underpinned by Safety

Production safety represents a fundamental responsibility of an enterprise, an important basis on which to achieve sustainable development and foster core competitiveness, and an area where the health and life of our people and the security of our properties are at stake. We have been committed to achieving “zero injury, zero loss and zero accident,” seeking to minimise the risk of personal injury and property losses at acceptable levels to ensure production safety by enhancing prevention and control of accidents and occupational diseases, making improvements to process risk control and implementing continuous identification, prevention, control and elimination of related risk factors at all levels and for all systems, establishing the production safety supervision and management system as well as the risk identification and control mechanism. Consequently, we have lowered and maintained the risks of staff injury and property losses to acceptable levels so as to ensure production safety.

In 2009, our management structure was further optimised and improved, underpinned by initiatives to standardise systems and processes. Our production safety accountability structure was broadened and deepened to cover all segments and levels for enhanced execution efficiency, complemented by a performance evaluation for production safety emphasising both the process and the results.

We have also introduced application of the safety management performance assessment system to all aspects of our operations. On the basis of this system, the safety management status of the enterprise has been assessed to provide a comprehensive and systematic measurement of safety risks. Ongoing improvements to safety performance have been achieved with the implementation of risk management by all employees throughout the entire operation process. Our overall safety management standard has been raised and a production safety supervision and management model has been established.

With the application of the system and taking into consideration overall corporate strategies, medium- to long-term planning in production safety has been formulated with specific overall objectives and measures, such that the planning, implementation and development production safety initiatives are conducted in full accord with overall corporate strategies and conducive to the execution of such strategies.

In addition, we have also improved our emergency management system for production safety matters and emergency planning system to enhance our ability to provide protection against incidents. As a result, a concerted and responsive emergency management system has been formed.

Ensuring Food Safety

Given the present-day world's increasing concern for food safety, it is the primary obligation of an agricultural product processing company to ensure food safety and protect the physical health and safety of the public, which is also one of the core missions of the Company. Our mission is to offer natural, nutritious and healthy raw materials and food. We are committed to rigorous food safety management and resolved to eradicate any products that are hazardous to health for genuine protection of consumers' interests, in honour of our commitment to integrity and sound business ethics.

We have established a comprehensive structure for food safety management with clearly defined targets and responsibilities. Food safety risk control has been implemented throughout the entire production process with the operation of comprehensive rules and processes and a food safety process management system to eliminate food safety risks at the source, as well as the strengthening of food processing inspection and control and food safety contingency system that enhances our ability to respond to contingency situations.

In line with our principle to assure food safety at the source, we have examined the practice of food safety risk control throughout the entire production chain and have established a comprehensive systems for product labeling and tracking quality, as well as comprehensive food safety control systems at each of the segments of plantation, purchasing, manufacturing, packaging, storage, sales, logistics, etc. Control throughout the whole process has been implemented in strict adherence to requirements of the ISO9001 international quality management system and HACCP food safety management system. Currently, 27 subsidiaries of the Company have qualified for ISO9001 certification, while 23 have qualified for QS certification and HACCP certification and 3 have qualified for ISO22000 certification. COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. has also been awarded the AIB accreditation in the United States. All in all, our comprehensive management systems have effectively assured the safety of our food production processes.

As a VIK grain and oil supplier of the 2010 World Expo, the Company has endeavoured to assure food safety management for VIK products supplied at the World Expo by setting up the VIK Product Food Safety Steering Group and Working Group to execute specific VIK product food safety management requirements. We have also prepared a “Manual for World Expo VIK Food Safety Control” in association with other suppliers to further assure product supply safety at the World Expo.

All in all, the Company has succeeded in assuring product safety and protecting consumers’ health with its unceasing efforts throughout 2009, as evidenced by the absence of any food safety incidents.

Facilitating the Establishment of New Villages

We have established more than 40 food processing enterprises in 15 provinces and 2 Municipalities in China, engaging in the processing of numerous agricultural products such as wheat, rice, corn, oils and barley. Our business characteristics (integration of primary/advanced processing of agricultural products on the one hand and domestic/international trading on the other) and our leading position in the agricultural industry have given us unique advantages in crossovers between the urban and rural areas, between the industrial and agricultural sectors and among the regional, domestic and international markets. Therefore, we are well positioned to make our contributions towards the establishment of new villages which can be translated into the promotion of an internationalised agricultural industry for China, the coordination of urban, rural and regional developments and the further opening up of the nation.

As guided by the new strategic objective “creating a food processing enterprise that covers the entire value chain” mandated by the COFCO Group, we continued to improve our industry chain in 2009 by consistently extending our reach and exercising effective controls in key areas such as raw materials acquisition, logistics processing and product marketing. Through initiatives such as the establishment of contracted farming bases and three-fold guarantee by the bank, enterprise and individual farmers, previously fragmented operations by small, individual farmers have been organised to facilitate regional distribution of raw materials, specialised agricultural production and a reasonable level of economy of scale. The issue of an excessive number of small farmers mismatching with a rapidly changing vast market has been effectively resolved, with stable supply and quality control of raw materials at the source and better coordination between the upstream and the downstream segments. Unplanned agriculture production has been reduced and yield for farmers has been increased, providing the necessary physical condition for the establishment of new villages.

Our agricultural product processing enterprises throughout the country have provided ample employment opportunities for the local population, especially rural residents. In so doing, we have in effect facilitated the establishment of small towns in rural area and contributed to the coordination of urban and rural developments by promoting the industrialisation of villages and driving the steady transfer of massive surplus rural labor force.

Active Participation in Social Welfare

As a leading bulk agricultural product manufacturer and supplier in the PRC, we appreciate that a mature enterprise does not weigh its success merely in terms of profitability and economic benefits, but is also obliged to pursue higher values by rewarding the society and honoring our duties as a proven corporate citizen.

We are aware that it is our charge to repay and reward the society, as social harmony and stability is the prerequisite and foundation for any corporate development and growth.

In 2009, COFCO Malt (Dalian) Co., Ltd. additional financial support to impoverished employees' family as poverty relief and made various donations to the Pulandian City Charity Foundation. Meanwhile, COFCO ADM Oils & Grains Industries (Heze) Co., Ltd. organised a "Charity Donation Day" among employees, the proceedings of which were entrusted to the Social Welfare Development Bureau of the development zone for use in charity operations. COFCO Tayuan Honghua (Xinjiang) Co., Ltd. organised donations to injured victims in the "July 5th" incident, including members of the police force and other citizens. The donations were personally delivered to the police officers to show appreciation for their efforts in protecting local residents during the incident.

As part of our effort to improve our corporate culture and enhance staff awareness of social responsibility, we encourage our staff to join volunteering social services and offer assistance to the underprivileged and low-income groups.

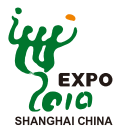
On the eve of the Chinese New Year, the Nanjing Branch of our Rice Department donated Fulinmen (福臨門) premium rice products from the Northeast to underprivileged groups in Nanjing and made a pledge for ongoing financial assistance. At the May 4th Youth Festival, the staff of COFCO Tayuan Honghua (Xinjiang) Co., Ltd. participated in a ceremony organised by the Emin County Communist Youth League to commemorate the 90th anniversary of the May 4th Movement and to mark the establishment of the Youth Volunteers Association. During the ceremony, many of our employees took part in the mobilisation for blood donation under the theme of "Love for Emin and Protection of the Mother River." Meanwhile, staff of COFCO Northsea Oils & Grains Industries (Tianjin) Co., Ltd. paid a visit to the "Sunshine Home" School for the Mentally Retarded

to spend time with the children and delivering donations and gifts. On the eve of Chong Yang Festival, staff of Feixian COFCO Oil & Grain Industries Co., Ltd. visited senior citizens at the Feixian Home for the Aged and brought them festive gifts. COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. set a new record when 208 employees responded to calls for blood donation, contributing 46,000 ml in total.

Education is the foundation to the prosperity of any nation. To show our care and support for education, we have been actively involved in charity donations and education assistance and aids to help improving education in impoverished areas and assuring proper education for underprivileged groups.

To commemorate the first anniversary of the “May 12th” Wenchuan Earthquake, the Communist Youth League Committee of the Company organised a book donation programme under the theme of “COFCO Youth for Wenchuan Teens,” during which 1,309 copies were collected in three days with the enthusiastic support and participation from the top management and other staff alike. COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. actively participated in the “Hope Computer Room” aid project for rural areas in Guangdong, whereby computers were collected and donated to primary schools in underdeveloped rural areas and administrative villages after refurbishment. As part of the “Re-enactment of The Long March” initiative, the Oils and Fats Department donated stationery, gymnastics equipment and teaching tools to the Hongguang Hope School in Zhongzhuang Town, Honghuagang District, Zunyi to help improve conditions of the school. At COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd., staff loyalty has been enhanced after the company helped to provide schooling for children of expatriate staff by approaching the local government and securing public school places for 56 of them.

The Chinese texts of this report shall prevail over the English texts.



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