



CHINA AGRI-INDUSTRIES HOLDINGS LIMITED  
Stock Code: 606



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# About This Report

This report is the eighth Corporate Social Responsibility Report released by China Agri-Industries Holdings Limited.

## REPORTING PERIOD

From 1 January 2016 to 31 December 2016. Parts of the report contain information from previous years.

## SCOPE

This report covers China Agri-Industries Holdings Limited ("China Agri" or "the Company") and its group companies. Unless otherwise stated, all data and case studies presented in this report are derived from China Agri and its subsidiaries.

## REPORTING FRAMEWORK

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide ( "ESG Reporting Guide" ) issued by the Stock Exchange of Hong Kong Limited.

## REPORTING IMPROVEMENTS

Compared to last year, the following improvements were made to this report: The core CSR issues related to the Company's businesses and the content of the report were further identified and screened to complete the framework of this report in accordance with the amended ESG Reporting Guide published by the Stock Exchange of Hong Kong Limited.

## DATA COLLECTION

The content of this report was selected to ensure that it meets the compliance requirement in the ESG Reporting Guide published by the Stock Exchange of Hong Kong Limited, which is in line with international standard for sustainability/social responsibility reporting. The report also took reference from best practices of sustainability management of industry in China and abroad.

## PUBLICATION

This report is available in traditional Chinese and English. Electronic copy can be accessed and downloaded from the Company's website ([www.chinaagri.com](http://www.chinaagri.com)).

## UNAUDITED DATA

Unless otherwise specified, the data in this report is unaudited. Please refer to our 2016 Annual Report for the audited consolidated financial statements of the Company for the year ended 31 December 2016 and other details of our financial performance and operating results. The 2016 Annual Report is available on the Company's website. Unless otherwise specified, the currency shown in this report refers to Renminbi.

Certain figures and financial information relating to the year ended 31 December 2016 or the last five years included in this report are not the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered those consolidated financial statements for the years ended 31 December 2012, 2013, 2014 and 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 in due course.

The Company's independent auditor has reported on those financial statements. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.



## A Message from the Chairman

The grain industry involves the vital interests of the people and is the lifeline of the national economy. The healthy development of the industry lays a foundation for building of a well-off society in an all-round way. 2016 marks the first year of the 13th Five-Year Plan, during which the development of the grain industry will face more challenges and open more valuable opportunities. China Agri will take on challenges and seize opportunities to further build an international level enterprise engaged in the entire chain of the grain and oil industry, aiming at create a desirable value return for shareholders and realize the coordinated development of the economy, society and environment.

As a leading domestic enterprise engaged in the grain and oil business, China Agri has adhered to its CSR philosophy of boosting agricultural development, safeguarding food safety and promoting social progress. We strengthen the quality control of agricultural products and the construction of the food safety supervision system in business that covers the entire industrial chain “from fields to dining tables” in order to provide consumers with safer, more nutritional, and healthier products. At the same time, we endeavor to actively promote product R&D, advocate the concept of healthy life, and constantly enhance customers’ satisfaction and sense of gain while promoting the progress of the industry.

As a leading enterprise of the domestic biochemical industry, the Company always cherishes natural resources and fights against environmental pollution. We strictly control the impact of production activities on the environment, actively promote energy conservation and emissions reduction, and vigorously

promote the application of biomass fuel in the market. We also work towards green operation, strive to build a resource-saving and environmental-friendly enterprise in order to contribute to the sustained development of the economy and environment.

As an enterprise with a strong sense of social responsibility, the Company actively pays attention to the communication among employees, shareholders, communities and other stakeholders. Being employee-oriented, we focus on the interests of employees and their career development to support a cohesive enterprise. We enhance corporate operation management and core competitiveness, as well as maximize the value of shareholders. We participate in community construction and devote ourselves to public welfare undertakings to build a dedicated enterprise.

The Company marked its 10th anniversary of its Hong Kong IPO in 2017. Looking into the future, the Company will continue to perfect corporate value creation, promote the industrial progress and social development, care for employees and participate in public welfare undertakings. We will promote the win-win cooperation with our stakeholders and keep fulfilling our CSR in order to contribute to sustainable development.

Yu Xubo



## About Us

1. Company Profile
2. Our Business
3. Corporate Governance
4. Honors & Awards

### 1 COMPANY PROFILE

The Company ranked No.83 on the Fortune China 500 list in 2016, topping the food and beverage industry.

China Agri-Industries Holdings Limited ("China Agri" or "the Company" ; Stock code: 606) was incorporated in Hong Kong in November 2006 and officially listed on the Main Board of the Stock Exchange of Hong Kong Limited in March 2007. By keeping pace with China's economic growth, the Company has grown healthily, devoting itself to become an internationalized grain, oil and food processing company in the entire industrial chain by improving its strategic footprint, expanding its production capacity reasonably, and promoting its scale benefits.

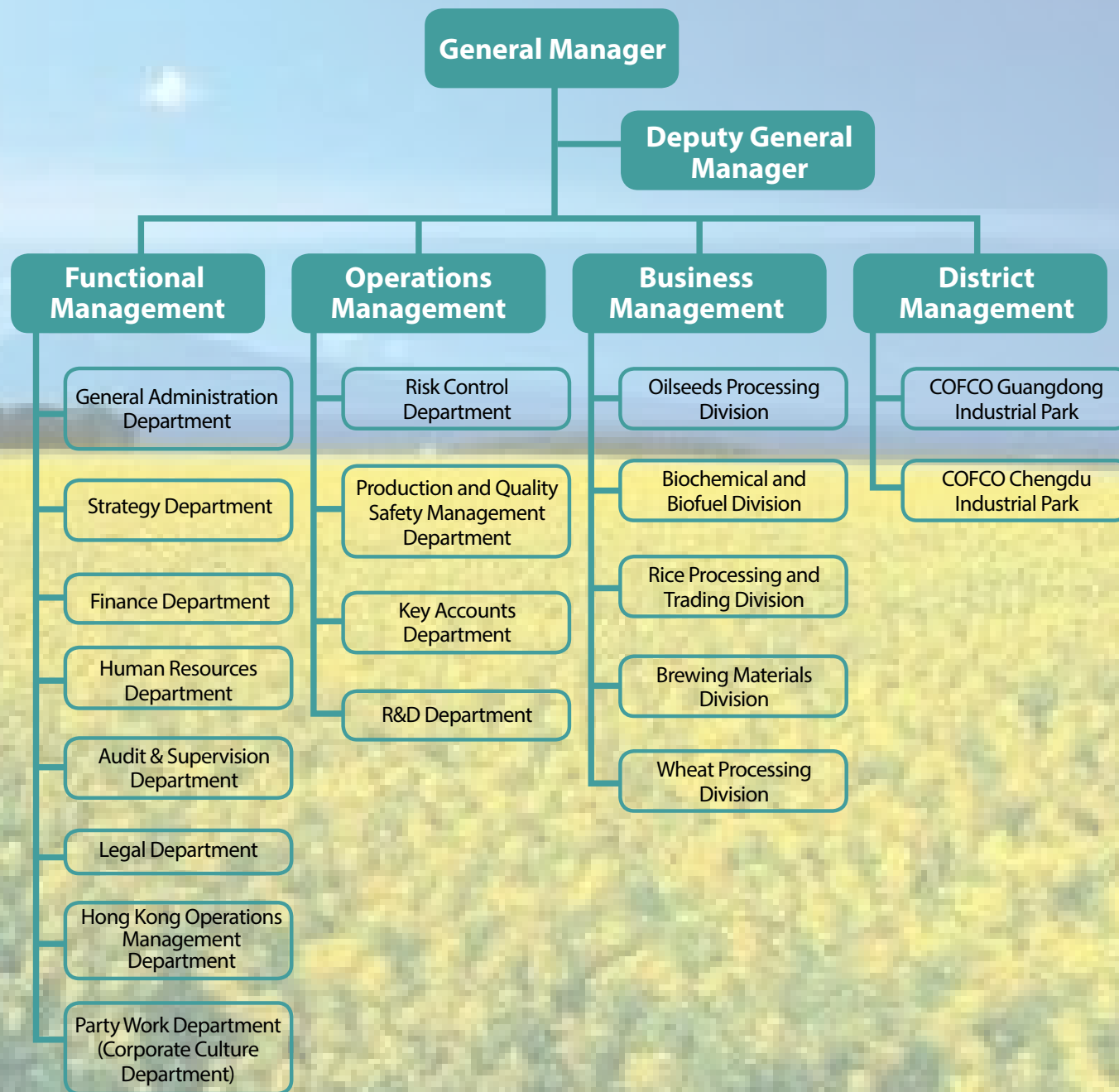
As a leading agricultural products and food processing company, China Agri is engaged in the processing and sale of oilseeds, biochemical and biofuel products, rice, wheat products and brewing materials. We provide our customers with safe, nutritious and healthy foods, food ingredients, feed ingredients, and bio-energy. Our products include edible oils, fuel ethanol, starch, sweeteners, rice, flour, noodles and bread, malt and feedstuffs. The Company's operation and production facilities and operating assets are located in mainland China, with sales and distribution networks across the country and extending to the international markets.

Our business scale, stable operational performance, industry leadership, as well as outstanding management in sustainable development are recognized by investors. The Company is also selected as one of the constituents of several indexes, such as the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Composite Industry Indexes, the Hang Seng Composite Size Indexes, the Hang Seng Consumer Goods & Services Index, the Hang Seng Corporate Sustainability Benchmark Index, and the MSCI Emerging Markets Small Cap Index.



Capacity Distribution

## Company Structure



## 2 Our Business



### Oilseeds Processing Business

China Agri is one of the largest vegetable oil and oilseed meal producers in China. We are primarily engaged in the sales of soybean oil, palm oil, rapeseed oil, and oilseed meal. Our renowned brands include “Fuzhanggui” (福掌柜), “Sihai” (四海), “Xiyinying” (喜盈盈), and “Guhua” (谷花). Up till 31 December 2016, we have established 19 oilseeds and oil manufacturing factories in Jiangsu, Shandong, Guangxi, Tianjin, Hubei, Guangdong, Liaoning, Jiangxi, Anhui, Chongqing and Xinjiang, with an annual crushing capacity of 11.73 million metric tons and refining capacity of 4.51 million metric tons, achieving a leading position in the domestic market.



### Biochemical and Biofuel Business

China Agri is a leading biochemical enterprise. We produce starch, sweeteners, MSG, and related products using quality corns originating from northeast China as raw materials. Boasting extensive experience in the industry, we provide customers with quality food ingredients and food additive solution services. We are one of China's largest starch and fructose manufacturing enterprises. China Agri is the pioneer of China's biofuel industry and the largest provider of liquid biofuels, ranking No.1 in the domestic ethanol fuel market. We established the National Energy Research Center of Liquid Biofuels, taking a leading position in China's deep processing industry.



### Rice Processing and Trading Business

China Agri is one of the largest rice manufacturers in the entire industry chain of China, primarily engaged in the R&D, plantation, procurement, processing and sales of rice. The Company is also the implementer of the nation's macro-control policy of grain and main channel of rice import and export. We have ranked No. 1 in China's rice commodity sector by market shares for seven consecutive years. Boasting extensive experience in the international rice trading market, we have established a good enterprise image and stable consumer network to actively promote Chinese rice products to rice-eating countries across the world.



### Wheat Processing Business

China Agri is one of the largest wheat processing and trading enterprises. The Company is also one of the main implementers of the nation's grain safety policy and macro-control policy of grain. China Agri is one of the largest wheat processors in China, with extensive experience in the industry. We engage in the production and sales of special-purpose flour, general-purpose flour, noodles, and bread. We are the leading supplier of special-purpose flour, with the industry's leading wheat processing capacity, ranking 4th in noodle processing capacity. We are the core supplier of top restaurants and supermarket chains, such as Starbucks and Costa. We were also the exclusive bread supplier of the opening and closing ceremony of the Beijing Olympic Games.



### Brewing Materials Business

China Agri is a leading producer of malt and leading supplier of brewing materials in China. We are an important partner of Budweiser, Tsingtao Brewery, CR Snow, Yanjing Beer, and other renowned Chinese and foreign beer brands. Our products are exported to Russia, Korea, Vietnam, Mongolia, Myanmar, Hong Kong, Taiwan, and other countries and regions. We have become a widely known brewing material supplier at home country and abroad.



### 3 Corporate Governance

China Agri is committed to maintaining sound corporate governance by strictly following business ethics, continuously improving our effective accountability mechanism, and implementing transparent operational structure.

The Company attaches great importance to the transparency of business operations and has developed effective measures to protect our shareholders' rights. In compliance with the listing rules of the Stock Exchange of Hong Kong Limited, the Company has established a sound, timely and transparent information disclosure system to ensure the promptness and accuracy of the relevant information being published to the capital market and the public. The Board of Directors is responsible for the leadership and supervision of the Company, and overseeing China Agri's business, strategic development decisions and performances. The Board consists of nine members, including three executive directors, three non-executive directors and three independent non-executive directors. In order to strengthen the Company's information disclosure and internal control, the Board has established the Audit Committee, Remuneration Committee and Nomination Committee, the majority of those members are independent non-executive directors. An Executive Committee is also in place. All committees perform duties according to the delegation determined by the Board of Directors. The composition of its Board of Directors has been changed since January 2017. Currently, Yu Xubo serves as the Chairman of the Board of Directors and Dong Wei is the Deputy Managing Director of the Company.

## 4 HONORS & AWARDS

### In February 2016

COFCO Malt (Dalian) Co., Ltd. won the "Liaoning Famous Brand Products" award.

### In March 2016

"Fortune" (福临门), "Five Lakes" (五湖), "Hongfeng" (红枫), "Donghaimingzhu" (东海明珠), and other rice brands sold by COFCO International (Beijing) Co., Ltd. under the Rice Processing and Trading Division ranked No.1 by comprehensive shares in the rice market in 2015. The ranking was jointly issued by the China General Chamber of Commerce and the China Nation Commercial Information Center.

### In March 2016

"Fortune" (福临门) of COFCO International (Beijing) Co., Ltd. ranked No. 1 by comprehensive market shares of its kind for seven consecutive years.

### In August 2016

Shenyang Xiangxue Flour Limited Liability Company of the Wheat Processing Division was named one of the "Demonstrative Manufacturing Enterprises of the National Assured Grain and Oil Demonstration Project". COFCO TTC (Beijing) Foods Co., Ltd. won the "Quality Moon Cake Award of the 2016 Chinese Moon Cake Culture Festival" granted by the China Association of Bakery & Confectionery Industry.

### In October 2016

"Xiangxue" (香雪) bread products of the Wheat Processing and Trading Division was named one of the "Consumers' Favorite Food Brands 2016".

### In November 2016

"Fortune Simiao Rice" (福临门丝苗米) of the Rice Processing and Trading Division was awarded the "Gold Award of the Rice Category" at the 14th China International Grain and Oil Products and Equipment Technology Exhibition.

### In November 2016

COFCO Malt (Jiangyin) Co., Ltd. won the "Sustained Promotion" award granted by the 14th China Enterprise Management Summit.

### In November 2016

"Xiangxue Shangpin Dumpling Flour" (香雪尚品饺子粉) of the Wheat Processing Division won the "Gold Award" presented by the China Grain Association.

### In November 2016

the COFCO Chengdu Industrial Park was named one of the "Key Leading Enterprises of Agricultural Industrialization in Sichuan Province" by the Rural Work Leading Group of the CPC Sichuan Provincial Committee.

### In November 2016

the COFCO Chengdu Industrial Park won the Second Prize of the Scientific and Technological Progress of the Sichuan Food Industry Science and Technology Award 2016 presented by the Sichuan Institute of Food Science and Technology.



## Social Responsibility Management

1. Social Responsibility Philosophy
2. Social Responsibility System
3. Material Topic Identification
4. Social Responsibility Communication

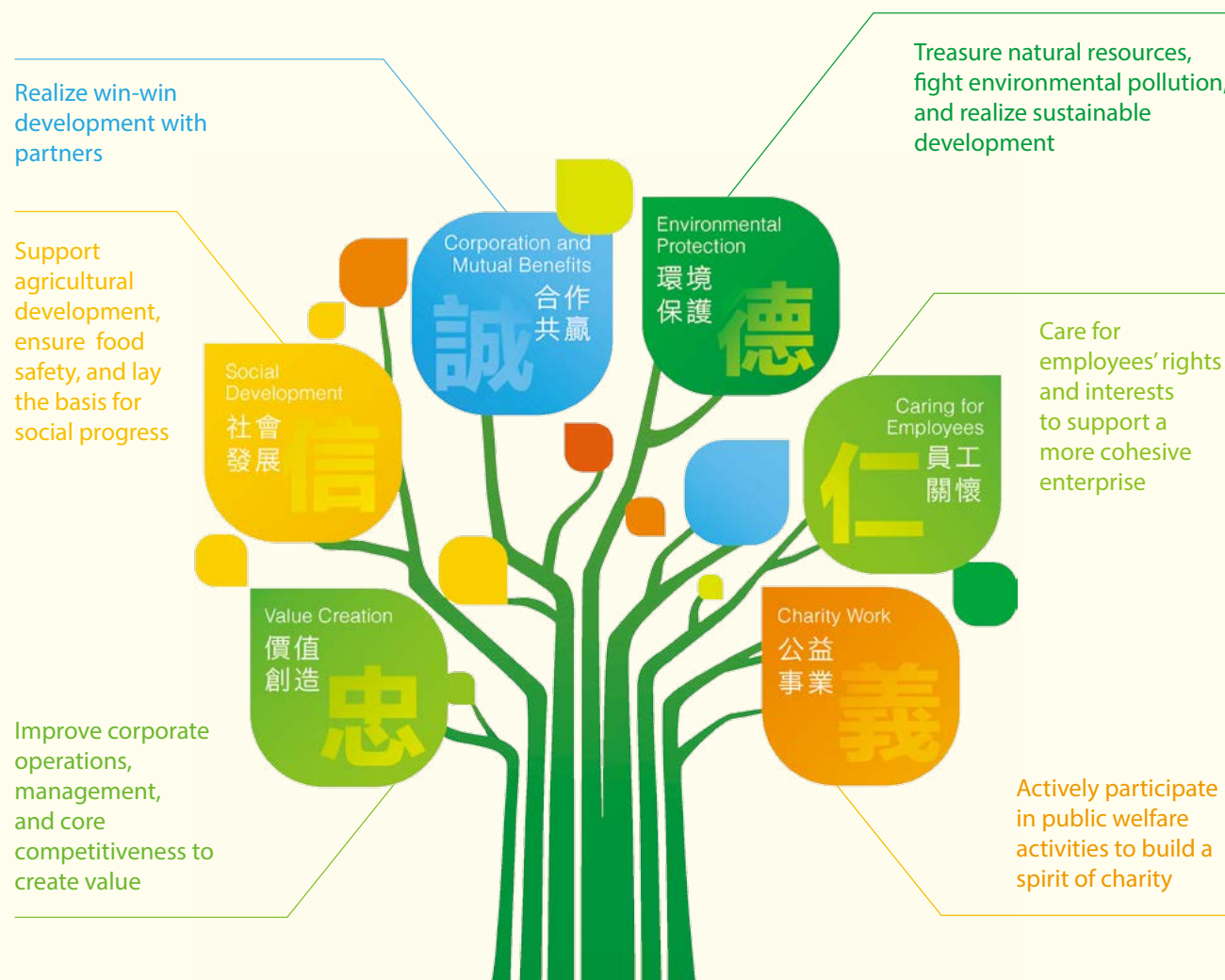
### 1 SOCIAL RESPONSIBILITY PHILOSOPHY

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The sustainable development philosophy of COFCO Corporation, China Agri's parent company, is "Nature Shapes Us". In upholding this philosophy, China Agri fulfills its responsibilities to employees, consumers, the environment and communities, while creating benefits for its shareholders and investors, as well as fulfilling our responsibilities as a good corporate citizen. We incorporate social responsibility into our corporate strategies and culture. We also pay great attention to humanitarian values and contributions to environmental protection, consumer rights and social welfare in the course of our business operations. We believe that by doing so, we build our corporate reputation, as well as winning the confidence, trust and satisfaction of investors, consumers, and employees.

## 2 SOCIAL RESPONSIBILITY SYSTEM

In 2016, China Agri continued to stick to the concept of the "RESPONSIBILITY TREE". Six key words – faithfulness, integrity, sincerity, virtue, benevolence, and morality, represent six CSR sectors and their corresponding stakeholders. This system is the guiding framework for long-term reference and implementation of our social responsibility practices, which will be summarized, assessed, and improved regularly.



### 3 MATERIAL TOPIC IDENTIFICATION

In order to enhance the engagement of its stakeholders and make the report better targeted and received, China Agri identified the materiality of the relevant topics and developed its matrix regarding the material topics in line with the analysis model on topic materiality in the Environment, Social and Governance Reporting Guide, as well as based on its development strategies and social responsibility system. The Company also referred to stakeholders' opinions.

#### 1. Identifying

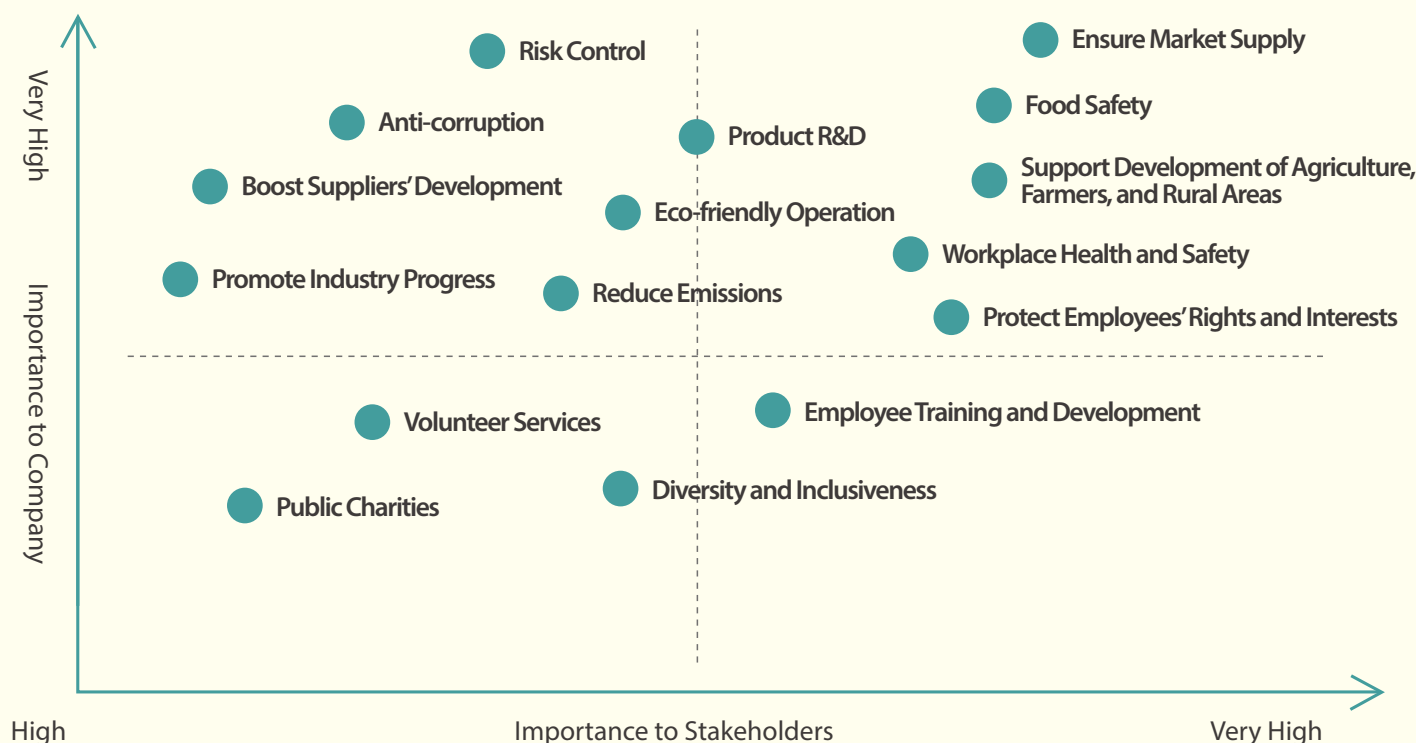
In accordance with internal and external documents, China Agri divided the topics into six categories and identified 16 topics for disclosure, which are of significance for the development of the Company, after collecting media reports, communicating with consumers, and referring to the advice of third-party consulting firms.

#### 2. Assessing

China Agri, together with third-party consulting firms, set up interviews for the Company's functional departments and business units, prepared questionnaires, as well as accepted all departments' comments and suggestions and talked with them. Afterwards, it submitted the discussion results to the management for guidance regarding assessment and examination.

#### 3. Screening

We sorted out the 16 topics in line with the significance levels for the Company and the stakeholders (as shown in the following chart). We will present the Company's responsibility fulfilment in the 16 topics as precisely and completely as possible.



## 4 SOCIAL RESPONSIBILITY COMMUNICATION

China Agri takes the philosophy of COFCO Group – “Nature Shapes Us” – as its internal values. The Company has achieved win-win results between social responsibility fulfilment and operation sustainability through innovation in business modes and management culture, as well as market-oriented measures.

We have established a Sustainable Development Committee consisting of the management team and department heads in order to conduct overall planning, policy guidance, and management of our CSR work. Professional employees responsible for social responsibility work actively participate in external training conducted by the State-owned Assets Supervision and Administration Commission (SASAC), the Stock Exchange of Hong Kong Limited, and other consulting agencies. We also promote our CSR concept within the Company.

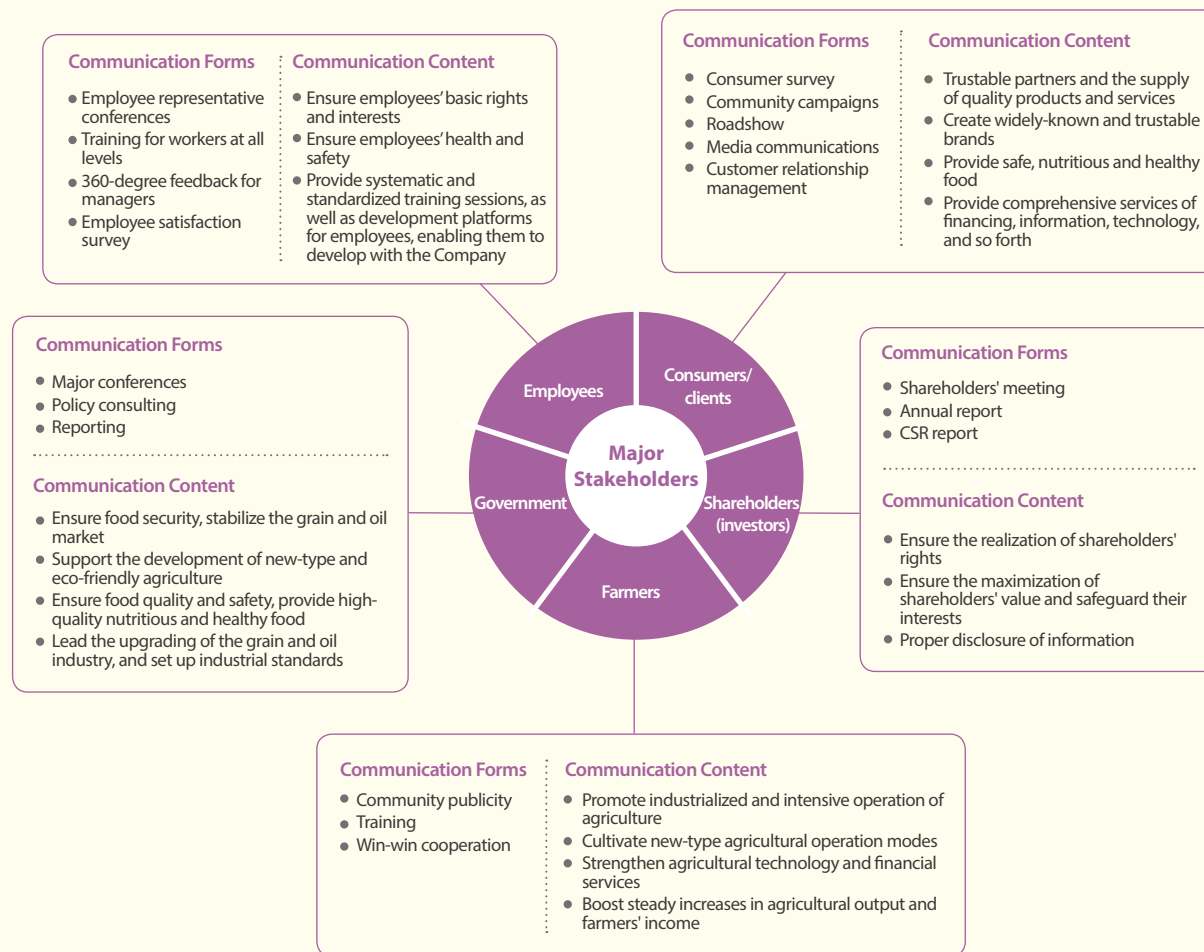
China Agri's stakeholders mainly include the government, shareholders, farmers, consumers/clients, employees, suppliers, and so forth. Through a long-term communication mechanism with them, the Company is able to learn of their primary needs, as well as adjust its CSR fulfilment strategies and initiatives in a timely manner to meet their expectations.

In 2016, China Agri communicated with its stakeholders both online and in-person. In-person communications were carried out through training sessions and exhibitions. Online communications were implemented via new media, such as WeChat and Weibo, by the Company and its business units, which were utilized to spread its business philosophy and achieve positive interaction and communication results.

In June 2016, China Agri and its parent company COFCO Group released an article, titled “There Are ‘10,000 People’ in the World Making a Piece of Bread for You”, in response to the China Food Safety Publicity Week 2016, which achieved excellent publicity effect. In September, the season of harvest, China Agri and COFCO published another article, titled “All Efforts Made from Fields to Dining Tables, Are for Your Health”, to give an introduction on the characteristics

of the place for growing wheat to customers and popularize the knowledge on preservation the source among them, which was highly praised.

### Mechanism for Communications with Stakeholders



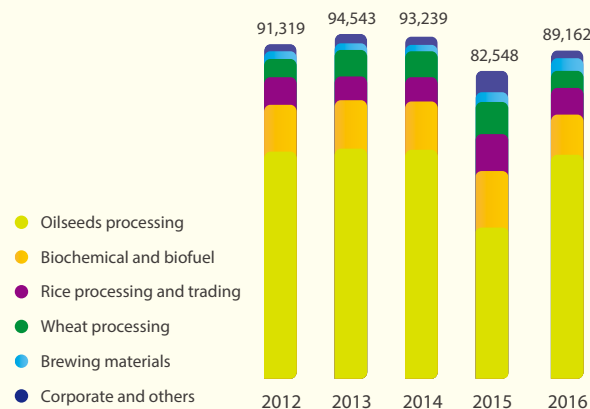
# Social Responsibility Practices

## Value Creation

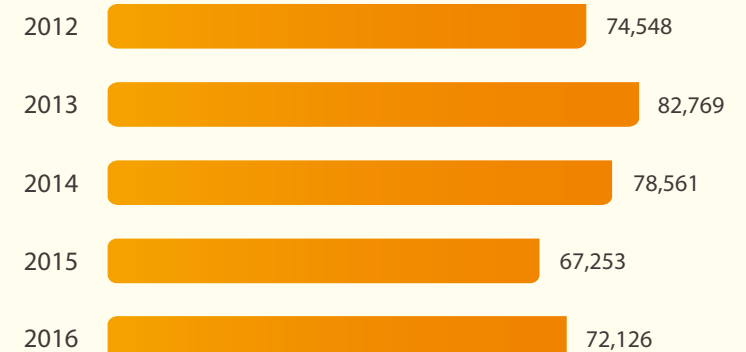
1. Strengthen Operational Management
2. Enhance Risk Management and Internal Controls
3. Promote product R&D

In 2016, China Agri, aiming at “quality improvement and efficiency enhancement”, moved further closer to its goal of becoming an internationalized grain, oil and food processing company by constantly strengthening its operational management and risk control capabilities, and reinforcing product R&D while paying attention to new business, existing business and management improvement.

Revenue (HK\$ million)



Total Assets (HK\$ million)



# 1 STRENGTHEN OPERATIONAL MANAGEMENT

In 2016, the Company actively improved its management mechanism by continuing to focus on benchmark management and exerting great efforts in quality improvement and efficiency enhancement to cope with increasingly fierce market competition and the development of the global economy. These continuously improved its operations and brought its overall performance to a new level.

The Company improved its management mechanism to enhance corporate vitality. The Company streamlined its structure and functional departments,

strengthened the guiding and management abilities of its strategy, finance and human resources departments, enhanced the cross-divisional services of its audit, legal and corporate culture departments, brought its R&D and key client departments closer to its business, making them more pragmatic. The Company further made clear the performance assessment principle of “fulfilling assessment targets brings rewarding result”, reduced the number of assessment indexes, and made assessment more scientific and reasonable.

The Company exerted great efforts in quality improvement and efficiency enhancement through multiple measures.

set a three-year goal for subsidiaries and include it in assessment. The Company set a three-year goal for its subsidiaries and quantified the loss reduction target in terms of the amount and the number of loss-reporting subsidiaries in annual performance assessment for 2016.

classified by types for program tracking and fulfilling. The Company applied relevant management methods to track the program and help them to fulfill to the turnaround goal



discuss and formulate a work program for each subsidiary. The Company provided to every loss-reporting subsidiary a clear program that set a three-year loss reduction goal and specific measures.

supervise program implementation with regular reporting.

## Case Study No. 1

The Oilseeds Processing Division Continues to Strengthen Benchmark Management by Introducing Benchmark Rankings

In 2016, the Oilseeds Processing Division continued to strengthen benchmark management under the theme of “Seeking Internal Benchmarks to Promote Collective Improvement”. A basic database for oilseeds production KPI and logistic KPI was introduced and improved. All factories were compared with their year-on-year data, being benchmark data, and ranked each month. Through comparison analysis of indicators and parameters, they could explore their potential abilities and considered implementation of technological transformations, such as using steam condensate and heat exchangers for energy conservation, thereby improving the scores of all indexes for crushing and refining. The Division is expected to save 140,000 tons of steam, or more than 10,000 tons of standard coal equivalent throughout the year. This further supports the safety and steadiness of the Division's production and operation environment, as well as reduces emissions, therefore continuously promoting its factories' fulfillment of their CSR regarding environmental protection, low-carbon development and energy conservation.

### Case Study No. 2

The Oilseeds  
Processing Division  
Improves Logistic  
Management in an All-  
round Way

A training session on the oil warehousing and measuring management, presented by professors from Henan University of Technology and senior engineers from Mettler Toledo (China), was held for relevant technical staff in a bid to further strengthen oil factories' warehousing and measuring management, improve warehousing and measuring management staff's academic knowledge, and proactively avoid operating loss risks in the logistic process.

The Division continuously enhanced its logistic management, as well as minimized production and operation costs through these measures, therefore achieving the goal of sustainable and sound development and yielding remarkable social benefits.



### Case Study No. 3

The Brewing  
Materials Division  
Launches Research  
on Benchmark  
Management

The Brewing Materials Division implemented the strategy of production integration and low-cost expansion in line with COFCO Group's proposal that attention should be paid to both foreign and domestic market, as well as their respective resources regarding malt business. The Division realized cost reduction and efficiency improvement by focusing on R&D and innovation to improve product power, taking excellent suggestions and launching special research programs.

From the perspectives of storage capacity and efficiency improvement, COFCO Malt (Jiangyin) Co., Ltd. launched two benchmark management programs to lower steam consumption for malt production and increase the utilization ratio of storage capacity in line with the top ten improvement projects for 2016. It successfully worked out the key way to lower steam consumption and reduced steam consumption for malt production by 3.6% per unit through implementation of more than ten on-site improvement measures. In addition, it successfully increased the utilization ratio of storage capacity to 82.1% via a series of optimization measures, including the optimization of in-and-out procedures.

Both the benchmark management programs have achieved their expected targets so far. They have not only realized technology breakthroughs to lower production costs, but also enhanced the Division's market competitiveness.

## 2 ENHANCE RISK MANAGEMENT AND INTERNAL CONTROL

In 2016, China Agri further enhanced risk management to effectively cope with potential risks and strive to build a sound and comprehensive risk management system. The Company took hedging that accurately managed strategies market risk, thereby avoiding losses caused by sharp fluctuations in the oilseeds market; implemented the established strategies that effectively managed foreign exchange risk and averting risks caused by currency devaluation; and improved its information system to screen out low credit clients and opted for insurance to prevent credit risk.

### 1 / Complete and Improved Comprehensive Risk Management System

#### (1) Continue to Build a Sound Market Risk Management and Control System

◎ Establish and improve the risk management mechanism to promote compliance management

China Agri has formulated the Regulations on Risk Management in the Commodity Market of China Agri, which covers such control mechanisms as the exposure limit management mechanism and loss limit management mechanism, as well as such systems and procedures as annual authorization, hierarchical early-warning, and risk control measures.

◎ Establish a major market risk screening and reporting mechanism

Based on internal quantitative standards, China Agri's Risk Control Department established reporting and briefing processes regarding major risks for the Company. The department monitored risks on a daily basis, with major risks reported within one working day.

◎ Establish systematic risk management information databases and a reporting mechanism

China Agri's Risk Control Department further built up its statistics, analysis, and monitor databases based on various risk control indicators and established its daily report mechanism for risk control data, with reports sent to the management in the form of mobile news and emails every day, ensuring the accuracy and timeliness of risk control information, as well as the smooth transfer of the information.

◎ Introduce an organizational structure balanced by the front, middle and back platforms to control risks

China Agri built an organizational structure balanced by the front, middle and back platforms in its market risk control system to control risks. The structure consists of the front business divisions, middle risk control department and back finance department. The front business divisions are in charge of market tracking; the middle risk control departments are responsible for risk control; and the back finance department take charge of capital allocation, financial accounting and supervision. The middle risk control departments maintain independence, not being affected by the front business divisions, which ensures the independence of

risk management regarding organization structuring, personnel appointment and dismissal, and reporting paths.

◎ Strengthen the publicity of the risk control concept to foster sound risk management culture

China Agri publicized the risk control concept to foster sound risk management culture and organized business units to provide training on risk control knowledge, therefore ensuring and supporting all of the Company's business with professional services, as well as supporting and promoting business value creation in an all-round way.

#### (2) Improve China Agri's Credit Risk Control System

◎ Enhance construction of information system

In order to effectively fulfill the credit risk management and control function, China Agri's Risk Control Department established a credit risk monitoring and early-warning database and a monthly reporting system, enabling the Company to effectively prevent credit risks. In 2016, the department further improved the database and the reporting system, giving prominence to key points to make the data structure clearer and monitoring better targeted. At present, the improved database and the reporting system all work well, which will be further updated in the future.

◎ Improve credit management and control mechanism

The Company improved and strengthened its credit risk information system, laying a solid basic foundation for the effective monitoring of risks, as well as perfected a number of risk management and control mechanisms to deliver strong operational support for the effective prevention, monitoring and early-warning of relevant credit risks.

The Company prompted all business units to improve their credit risk management systems by compiling and releasing their own credit risk management policies or regulations to make credit risk management evidence-based. The Company also set standards, enhanced efforts in screening high-risk and blacklisted customers and suppliers, implemented the Company's new regulations on blacklisted customer management, as well as reviewed the blacklisted customers and suppliers with overdue payment. In addition, the Company set up a quantitative index system for monitoring exposure of the credit scale, i.e. the KRI, in order to effectively monitor the credit exposure of customers and suppliers. As for exposure that exceeded the limit, the Company warned timely and analyzed the reason to apply relevant countermeasures to prevent risks; and also arranged an organization wide credit insurance with unified organization and management and identified the first batch of clients for insurance coverage under the insurance contracts to lower the net exposure of credit risks. In addition, the integration of credit insurance tool into our credit management helped cautiously modify the credit policies for

different clients in line with insurance companies' coverage to strengthen credit management, making the management system more reasonable. Furthermore, we established a key client monitoring mechanism for overseeing trans-departmental credit grant, and regularly monitoring clients with relatively large credit and trans-departmental credit to actively prevent risk centralization; and set up a hierarchical early-warning mechanism to track and monitor credit risks at different levels. The Company also established a four-tier early-warning mechanism that gives early-warnings on risky clients and suppliers, as well as asks business units to take relevant countermeasures; and implemented a review, monitoring and reporting mechanism for major risks, the procedures of relevant operations have been well documented.

## 2 / Strengthened Internal Control System

In 2016, China Agri positively fulfilled the regulatory requirements of the Stock Exchange of Hong Kong Limited and continued improving its internal control system. The Board of Directors maintained the effectiveness of its risk management and internal control system, which have been under examination

regularly. Under the supervision of the leadership team, the management team created and maintained its honest and trusted corporate culture, established and improved its risk management and internal control system, fully implemented its comprehensively risk management concept, promoted effective risk assessment and control and readiness to deal with various risks. The Company sought the best practices and pushed rectification of problems through the self-assessment on internal controls, benchmark management, early-warning mechanism and Audit and Supervision Department's independent assessment. All contribute to making continuous improvements to upgrade its comprehensive competitiveness.

## 3 / Strengthened Anti-corruption Work

In 2016, China Agri continued to stringently strengthen disciplinary reviews, conduct integrity education, enhance special supervision of important positions, and improve managers' integrity and self-discipline awareness to prevent corruption, based on relevant company policies such as "China Agri Discipline Inspection and Supervision Regime" and "Procedures of Petition and Complaints of China Agri".

### Case Study No. 1

Strengthening Integrity Training to Improve Managers' Integrity and Self-discipline Awareness

In 2016, China Agri continued to enhance integrity education and training for managers by making it compulsory for newly appointed managers. The Company held integrity talks with newly appointed managers of our factories, and organized them to study the "Provisions on the Honest and Clean Conduct of the Leadership Members of State-owned Enterprises" and COFCO's 14 Rules for Managers to Maintain Professional Integrity to enhance their awareness about incorruptible employment, in order to make sure that all employees fully understand regulations including anti-corruption, anti-bribery, conflict of interest and policies on bestowal and data confidentiality.

### Case Study No. 2

Organizing Managers to Participate in Incorruptible Employment Knowledge Tests

As required by parent company COFCO Corporation, China Agri earnestly carried out incorruptible employment knowledge tests, with 12 employees holding the positions of general manager assistants or above at functional departments and tier 2 operational units participated in the tests. According to the Interim Measures on Tests of Incorruptible Employment Knowledge for China Agri Managers compiled last year, the test results would be taken as an important reference for promotion and appointments. In addition, the tests would cover junior level.

### Case Study No.3

Organizing Business Units to Sign Letter of Commitment on Integrity

Based on relevant job requirements, China Agri annually organizes business units to sign the Letter of Commitment on Integrity in Grain Purchase and Storage to intensify the supervision of key posts such as raw material purchase and storage, ensuring that all managers and employees in such positions sign the Letter of Commitment.

### 3 PROMOTE PRODUCT R&D

In 2016, China Agri carried out multiple R&D projects in accordance with the R&D Project Review Measures of China Agri (Trial). Such a move solidified the Company's foundation in the R&D field, promoted inter-industry communications and improved the R&D management system characterized by in-depth integration among all business units and also between business units and the COFCO Nutrition and Health Research Institute.

#### Case Study No. 1

China Agri and the Academy of Science and Technology of State Administration of Grain Carry out Technology Development Related to Rice Pest Control

Currently, the common carbon dioxide gas packaging method can only solve pest pollution in sealed packing of 5 kg, but cannot prevent pests in other rice packing. It is imperative to fill the gap of pest control technology in rice storage at finished product warehouses and rice distribution.

China Agri's Rice Processing and Trading Division, in partnership with the COFCO Nutrition and Health Research Institute and the Academy of Science and Technology of State Administration of Grain, has developed new technologies targeting the above-mentioned rice pest prevention and control issues. Researchers made field surveys at some key plants whose pest damage occurred frequently, and conducted investigations and experimental analyses on raw rice warehouses, machinery equipment, finished product warehouses, terminal outlets like supermarkets and shops. They developed concrete pest control methods and preliminarily tested pest control technologies. The development of the project will help overcome technological problems regarding pest control for storing rice in finished product warehouses and rice packing of different sizes including 25 kg, effectively reduce and kill pests in finished product warehouses and packaged rice, as well as lower economic losses caused by pest infection and damage.

#### Case Study No. 2

The Oilseeds Processing Division Launches More than Ten R&D Projects to Improve China Agri's Core Competitiveness

In 2016, the Oilseeds Processing Division made innovation centered on oilseeds processing and oil products, creating a "six-in-one" scientific problem-tackling mode. It cooperated with colleges and universities, as well as scientific research institutions to launch more than ten research programs to promote product R&D to the domestically leading and internationally advanced level, which enhanced China Agri's core competitiveness.

There are currently only a few qualified domestic suppliers in China's emulsifiable powder oil market, which features high gross margins but extremely strict quality safety requirements. Their competitors relying on their detection and control technology set standards and technical barriers for milk powder companies' products. With increasing concerns on the quality of infant formula products in China, dairy manufacturers have raised their product control standards in 2016. Targeting new market situations and requirements, joint research into the R&D and Application of Key Technology on Quality Safety Control of Edible Fat and Oil was implemented cooperatively. According to the characteristics of raw materials, the Division analyzed the restrictive relations in different risk monitoring projects under different processing conditions, tried to innovate in such aspects as the selection, dewaxing, and decoloring technology parameter adjustments as well as the optimum control of deodorizing temperature, and completed raw oil processing adjustments and batch production. With active research, the Division developed testing methods for polycyclic aromatic hydrocarbon, 3-MCPD, zeranol and glycidol, with self-checking and batch inspection abilities achieved.

The Division's products now meet the EU's relevant standard requirements, making China Agri the second domestic company able to supply qualified products and a leader regarding products, technology and examination abilities in China, with annual sales and gross margins growing steadily.

The Oilseeds Processing Division participated in the "Proper Processing and Comprehensive Utilization Technology of Bulk Oilseeds and R&D and Demonstration of Intelligent Equipment" (project number: 2016YFD0401400), a major special project of the key R&D program "Technology and Equipment of Modern Food Processing, as well as Grain Purchase, Storage and Transportation" during China's 13th Five-Year Plan period. The Division also engaged in the research of two sub-subjects, i.e. the "R&D and Demonstration of the Green Manufacturing of High Function Value-added Oil and Protein Products" and the "R&D and Demonstration of Key Technologies on Precise Quality Control of Proper Oilseeds and Oil Processing". The implementation of the projects will definitely play a positive role in boosting China's oilseeds processing and comprehensive utilization technologies, improving the intelligentization level of oilseeds processing equipment, and promoting the oilseeds industry's transformation and upgrading.



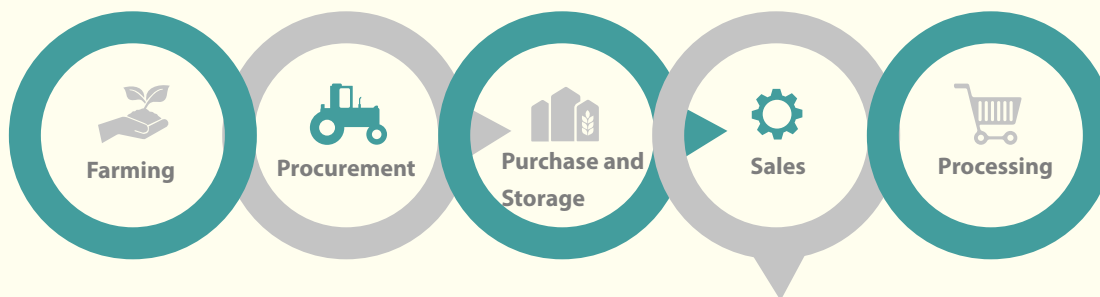
## Social Development

1. Ensure Market Supply
2. Ensure Food Safety
3. Boost the Development  
of Agriculture, Farmers, and  
Rural Areas
4. Extend Influence in the Industry

A company is the source of fulfilling social responsibility and creating benefit and also the key to the rapid development of social economy. In 2016, China Agri, which has committed to promoting industrial development and social progress to better serve the society, ensured market supply and food safety, boosted the development of agriculture, farmers and countryside, and propelled industrial progress while continuing to achieve self-development.

### 1 ENSURE MARKET SUPPLY

In 2016, China Agri continued to ensure a smooth supply from the source of the industrial chain by market-oriented means and product quality safety. The Company enhanced the coordination of supply and marketing, and improved procurement, processing, logistics, and sales systems to ensure its grain supply.



## 2 ENSURE FOOD SAFETY

Food safety is tied with every person's health and life safety. In 2016, as agribusiness company, China Agri steadily promoted its food safety management system that covers the whole value chain, and strengthened a whole food production process tracing to ensure food safety.

The Wheat Processing Division has begun trial-runs of contract farming since 2007, and it has established contract farming bases in places including Jiangsu, Shandong, Henan and Inner Mongolia, with a combined area of 600,000 mu (Mu is a standard unit of area for farmland in China. 1 mu = 0.6666 hectares or 0.1647 acres) so far. The implementation of contract farming is able to help controlling grain quality from the source and ensure product quality and food safety, as well as marks China Agri's fulfilment of China's preferential policies for farmers as a central enterprise.

The Oilseeds Processing Division continued to make advancement in the construction of its raw materials procurement system that aims to cover the whole world, and perfected its good cooperative relationships with suppliers, such as Noble, ADM, Cargill, Bunge, and Louis Dreyfus. In 2016, the Division purchased more than 10 million tons of soybeans, rapeseeds, soybean oil and palm oil from many places globally.

The Division has established 13 oilseeds factories along the Yangtze River Basin, which is a main rapeseed production area, Shandong Province, which is a main peanut production area, and the Xinjiang Uyghur Autonomous Region, which is abundant in oilseeds resources, an increase of four plants compared with the previous year. In 2016, the Division purchased about 100,000 tons of domestic raw materials, including rapeseeds and peanuts. The processing volume of soybean crushing and soybean oil refining has been growing year by year, effectively ensuring market supply of high-quality and affordable grain and oil products to the society, and making social contribution to the national economy and people's livelihood.

### Case Study No. 1

The Wheat Processing Division Carries out Contract Farming to Ensure Grain Supply

### Case Study No. 2

The Oilseeds Processing Division Continues to Improve Its Global Raw Materials Procurement System

### Case Study No. 1

Production and Quality Safety Management Department Does Well in Management and Control to Ensure Food Safety

In 2016, the Production and Quality Safety Management Department further strengthened risk management and control at the source and in the terminal through on-site examination on suppliers and warehousing dealers, and consolidated the main responsibility for plant quality safety via inspection with drones to effectively manage and control production risks. The Department continued to entrust the COFCO Nutrition and Health Research Institute to make quarterly random checks on key raw and supplemental materials, inventories and products available in the market to nip risks in the bud.

Every month, the headquarters timely collected and issued relevant documents in line with the new Food Safety Law and various food quality safety laws and regulations released by the government to guide plants to make follow-up assessment and ensure legitimacy and compliance. The Company also actively participated in the quality safety standard revision works organized by the National Health and Family Planning Commission, the China Food and Drug Administration, the China Administration of Grain, and other government departments to propel the progress of the industry.

Paying high attention to the construction of a quality safety management system that covers the whole value chain, China Agri's Oilseeds Processing Division established a risk communication, assessing and handling mechanism, and created comprehensive risk control plans through comprehensive analysis on hidden risks and process management quality risk control. The Division conducted quality management throughout product lifecycles, uniformly made plans and promoted the implementation of these plans to realize the unified pattern of quality management and control and full-process monitoring.

The Division propelled the informatization development of its traceability system and created the quality safety information transmission procedure that covers the whole industry chain "from fields to dining tables". It developed a product quality safety risk control system based on technology innovation that covers the whole industry chain and features accurate and clear information, making both of full-process quality safety risks controllable and risks throughout product quality lifecycles controllable so as to ensure food safety.

### 3 BOOST THE DEVELOPMENT OF AGRICULTURE, FARMERS, AND RURAL AREAS

China Agri has been committed to increasing agricultural efficiency and farmers' income, as well as boosting the development of rural areas in multiple and innovative ways, given the shortage of agricultural resources and rural labor forces, ecological environment deterioration, as well as other increasingly serious problems in recent years. The Company endeavors to achieve the target of "Making Agriculture a Promising Industry".

The Brewing Materials Division teamed up with a brewery group to promote the development of regional order-based agriculture, in order to promote local raw barley planting and improve the quality of malting barley. In 2016, the Division and Anheuser-Busch InBev signed a barley planting contract with local farmers. Agricultural experts from the brewery group had been invited to communicate with local farmers and provide guidance for barley planting in the field for many times. The contract they signed covered an acreage of tens of thousands of mu (Mu is a standard unit of area for farmland in China. 1 mu = 0.6666 hectares or 0.1647 acres), which aimed to increase farmers' income. The Division stabilized farmers' confidence and strengthened their experience in barley planting, as well as increased their income by popularizing order-based planting.

#### Case Study No. 2

The Oilseeds Processing Division Establishes Quality Safety Management System to Fully Ensure Food Safety



#### Case Study No. 1

The Brewing Materials Division Boosts Development of Order-based Agriculture



In 2016, the Wheat Processing Division vigorously promoted its direct purchase business to reduce intermediate links of procurement. Its average direct purchase prices were higher than national minimal purchase prices throughout the year. The Division shared its benefits with farmers and increased farmers' income to promote their enthusiasm for grain growing.

## 4 EXTEND INFLUENCE IN THE INDUSTRY

In 2016, while achieving its own development, China Agri enhanced its communication with the industry and promoted interaction with consumers in multiple ways, in order to boost the joint development of the industry and innovative win-win relations.

During 19-20 June 2016, the China Starch Industry Association held its 8th Members Conference in Shanghai. The Biochemical and Biofuel Division was reappointed as the President Unit of the 8th Board of the Association. Tong Yi, General Manager Assistant of China Agri and General Manager of the Division, was elected as President of the Association.

During 10-11 November 2016, the 2nd Session of the 6th Board of the China Vegetable Oil Industry Association and the 1st International Seminar on the Sunflower Oil Market were held in Beijing. The participating board members jointly elected COFCO Group's industry senior general manager Gu Lifeng, who was Deputy Managing Director of China Agri at that time, as President of the Association and current Deputy Managing Director of China Agri Dong Wei as Vice President of the Association.

### Case Study No. 2

The Wheat Processing Division Promotes Direct Purchase Business, Boosting the Development of Agriculture, Farmers, and Rural Areas



### Case Study No. 1

Executives of China Agri Hold Important Positions of Relevant Industry Associations



## Case Study No. 2

Revise the National Standard of Safflower Seed Oils and Evaluate the Achievements of COFCO Tayuan's Safflower Seed Oils

During 8-9 October 2016, COFCO (changji) Oils & Grains Industry Co.Ltd. held a meeting to revise the national standard of safflower seed oils and evaluate the achievements of COFCO Tayuan's safflower seed oils. The meeting was hosted by the Oilseeds and Oils Branch of the National Technical Committee on the Standardization of Grains and Oils and co-supported by COFCO Fortune Food Sales & Distribution Co., Ltd. and COFCO Tayuan Safflower (Xinjiang) Co., Ltd.

The Seminar on the Revision of National Standards of Safflower Seed Oils concluded with the revised the national standards of safflower seeds and safflower seed oils, as well as a draft of the first national standard for safflower seed meals. COFCO Tayuan Safflower (Xinjiang) Co., Ltd. with over 30 years of experience in the safflower seed oil industry made suggestions on the quality index, hygienic index, grade division and other indexes during the Seminar, which were acknowledged by experts.

Led by Wang Ruiyuan, Chief Expert of the Chinese Cereals and Oil Association and President of the Oil Branch of the Association, experts from Henan University of Technology, Jiangnan University and the Oil Branch evaluated the achievements of related projects of COFCO Tayuan Safflower (Xinjiang) Co., Ltd. The expert group reached a consensus on the integrated processing technology of COFCO Tayuan's safflower seed oils that it has reached the international advanced level, urging efforts to promote the application of the technology.



## Case Study No. 3

The Rice Processing and Trading Division Continues to Promote and Implement Chinese Paddy Rice Culture

On 20 May 2016, the Rice Processing and Trading Division and the Ningxia Bureau of Grain held the "2016 COFCO Fortune Paddy Rice Cultivating Culture Festival" with the theme of "tracking the origin of Chinese paddy rice; enjoying delicious rice" at COFCO Rice (Ningxia) Limited. The event was attended by more than 400 people, including municipal leaders of Shizuishan, international trade customer and sales representatives, Olympic champions, cultural celebrities, students and media. During the festival, famous history teacher Ji Lianhai was invited to make a speech on rice. Olympic champion Teng Haibin also attended the event and organized a rice transplanting activity. The event reached 180 million people.

On 23 September 2016, the Rice Processing and Trading Division and the Heilongjiang Bureau of Grain held the "2016 COFCO Fortune Paddy Rice Culture



Festival" with the theme of "tracking the origin of Chinese paddy rice; enjoying delicious rice" at COFCO Rice (Suihua) Limited. The event was attended by more than 300 people, including municipal government leaders of Suihua, international trade customer and sales representatives, gastronomists, students and media. New products of the rice company were presented during the event, including "Xuehuapiaoxiang" (雪花飘香), "Hanxiang Rice" (寒香米) and "Mamadefanxiang" (媽媽的飯香), which have been promoted across the country. The Division enhanced its communication with the participating dealers and their confidence through a tasting activity. As an important part of the 2016 Heilongjiang Golden Autumn Grain Trade Fair, the event featured a stage that was set up in a rice paddy field innovatively during the Festival. The President of the China Cuisine Association and famous chefs were invited to cook rice on the spot. The event reached 210 million people, setting a new record for brand activity influence of the Division.

By holding the Paddy Rice Cultivating Culture Festival and Paddy Rice Culture Festival continuously, the Division explored the distinctive paddy rice culture of each producing region and carried out a series of studies on paddy rice culture comprehensively. The Division integrated media resources to continue to publicize Fortune's "Qualified Producing Areas" brand connotation, increase brand awareness and promote brand publicity, making the two rice culture activities become models of the industry nationwide.



**Case Study  
No. 4**

Launch Event of  
COFCO South Korean  
Rice Held

On 7 April 2016, a celebration commemorating the first sale of South Korean rice in China was held in Beijing, which was hosted by the South Korean Ministry of Agriculture, Food and Rural Affairs and Korea Agro-Fisheries & Food Trade Corp. and co-organized by COFCO Group. This marked that the product would be sold gradually in China's first-tier cities. Taking the opportunity, the Division adjusted its brand hierarchy, as well as enhanced the public awareness and reputation of the COFCO brand, laying a solid foundation for product sales at terminal outlets.



## Case Study No. 5

The Wheat Processing Division Holds a Variety of Activities to Communicate with Consumers and Expand Industry Influence

The Wheat Processing Division attended the first session of the Raw Grains and Products Committee, participating in drafting the national standards on noodles. COFCO Flour (Qinhuangdao) Pang Thai Co., Ltd. established the "Qinhuangdao Base of Guangdong Sino-America Technical Training School" with Guangdong Sino-America Technical Training School, which is dubbed the "Huangpu Military Academy of the Chinese baked food industry". This is the first external cooperation project of the company. Xiamen Haijia Flour Co., Ltd. partnered with the baking academy of Xiamen University of Technology and Jiangnan University, cultivating the new-generation skilled talent in the industry so as to promote the development of related industries.

On 20 October 2016, the 1st International Industrial Capacity Cooperation Forum & 8th China Overseas Investment Fair was held at the Beijing Exhibition Center. Wang Yang, a member of the Political Bureau of the CPC Central Committee and Vice Premier of the State Council, and Yuri Trutnev, Deputy Prime Minister of Russia and Presidential Envoy to the Far Eastern Federal District, attended the opening ceremony and delivered speeches. The Wheat Processing Division showcased its "Xiangxue" (香雪) brand at the Fair, showing the strength and image of COFCO as a big international grain supplier. Flours, noodles and breads of "Xiangxue" (香雪) were unanimously recognized by the participating consumers.

The China International Trade Fair for the Grain and Oil Products, Equipment and Technology is the largest comprehensive exhibition with a long history, and as a large number of exhibitors and a complete range of products in the Chinese grain industry at present. From 4 to 6 November 2016, the 14th China International Trade Fair for the Grain and Oil Products, Equipment and Technology jointly organized by the China National Association of Grain Sector and Nanchang's municipal government was held at the Nanchang International Exhibition Center in Nanchang, Jiangxi province. The Wheat Processing Division was invited to the exhibition and presented flours and noodles of "Xiangxue" (香雪) to the participating exhibitors, dealers and consumers. "Xiangxue Shangpin Dumpling Flour" (香雪尚品饺子粉) stood out from other brand products and was well-recognized. Furthermore, the product was granted the Gold Award by the China National Association of Grain Sector.





## Cooperation and Mutual Benefit

1. Improve the Value of Key Accounts
2. Promote Supplier Development
3. Strengthen Communication with Dealers

China Agri has always striven to achieve win-win outcomes with key accounts, suppliers, distributors and other supply chain partners. Being both client and consumer-oriented, we make continuous efforts to enhance our overall core competitiveness. Furthermore, we actively maintain and expand strategic partnerships with key accounts, offering them high-quality, reliable, long-term, and all-round services. We have established long-term communication and mutual support relationships with our partners to continuously improve our product quality and service level by improving the value of key accounts, promoting the development of suppliers, and strengthening communication with distributors.

# 1 IMPROVE THE VALUE OF KEY ACCOUNTS

China Agri has always insisted on observing, obtaining, and serving clients from the perspective of the entire industry chain, and building a customer-oriented business system. The Key Accounts Department takes long-term responsibility for communicating with and offering mutual support for key accounts partners. In 2016, the department led a number of subsidiaries of the Company to attend important industrial exhibitions and held the first round of customer communication activities.



## Case Study No. 1

Attend 2016 FIC and Reach Cooperation Intents with Clients

On 23 March, the Food Ingredients China 2016 (FIC 2016) opened at the National Exhibition and Convention Center (Shanghai). The Key Accounts Department organized a total of five factories of China Agri and COFCO Corporation, China Agri's parent company, to attend the exhibition and demonstrate the entire range of food ingredient products of COFCO.

During the exhibition, relevant business units enabled professional visitors and customers to learn about food ingredient products of COFCO and further explored customers' demand in the food and beverage industry through product shows, on-site presentations, customer experience, and so forth. Moreover, the five participating units met over 500 customers from more than ten countries, mainly promoting products such as citric acid, starch, sweeteners, MSG, special-purpose oil, natural food ingredients, and imported potato ingredients series. The overall advantage and collaborative marketing ability of COFCO's product portfolio attracted customers' interests and attention. Dozens of new customers expressed cooperation intentions with COFCO during the exhibition.

## Case Study No. 2

Attend Bakery China and Communicate with customers

On 11 May, the Bakery China 2016 was held at the Shanghai New International Expo Center (SNIEC). Business units of China Agri and COFCO's Meat Products Department jointly took part in the exhibition for the first time to display and popularize raw and supplemental baking materials of COFCO and its overall R&D strength. Together, the Five participating units met over 2,000 customers at home country and abroad during the exhibition, expressed cooperation intentions with more than 100 new customers. Purchasing and R&D teams of Dali Foods Group, Panpan Foods, Sanquan, Syneer, Toly Bread, Orion, Holiland and other key accounts, as well as customers of relevant units were invited to visit the booth of COFCO.



## 2 PROMOTE SUPPLIER DEVELOPMENT

The modern food safety environment is becoming increasingly complex and the food supply chain is evolving towards a food supply network. Uncertainties and complexities in industrial chain sources increase difficulties in food safety management and control. China Agri made strategic supplier development plans and comprehensively evaluated eight aspects of a supplier, including the basic qualification of suppliers, in an effort to enhance supplier management and build up a normalized and competitive procurement system and supplier management mode. The Company established a safe, reliable, stable and win-win supply and demand cooperation relationship with suppliers to improve the overall level of supply chains and boost the business rationalization.

### 1 / Improve strategic supplier cultivation and communication mechanism

The Company conducted integrated assessments of all suppliers by utilizing multiple indicators, including industry status, credibility, reputation and cooperation record. The Company selected about 15 optimal suppliers that boast high industry status, outstanding credibility and reputation, and do not have any poor cooperation records. And then, the Company chose seven or eight alternative strategic suppliers from the aforesaid optimal suppliers by means of such as, mutual visits, field inspections and business negotiations for discussing multiple strategic cooperation modes. Finally, we conducted short-term cooperation with these suppliers and added them onto our list of ordinary qualified suppliers, a pool for picking up preferred strategic suppliers after analyzing and assessing the cooperation records with them.

### 2 / Develop strategic supplier cooperation mode

The Company conducted various and multi-dimensional strategic cooperation with strategic suppliers to adapt to the rules of market changes, actively explore and expand ways of cooperation. The Company carried out joint procurement activities for domestic and overseas markets, made collectivized purchases in many regions and multi-period “package” purchases based on strategic cooperation agreements and framework agreements. We might sign “package agreements contracts” with long-term strategic suppliers or give preference to them. We timely tracked and evaluated the cooperation situation, timely adjusted cooperation modes, improved the strategic supplier communication mechanism, etc.

The Company built up a strategic mutual-visit system. Sales personnel are responsible for retaining, visiting and evaluating suppliers to enhance communication and cooperation, as well as learning about the latest market information and product development trends. They called and visited suppliers according to different conditions for daily affairs, special missions and important matters, respectively. They also organized large business meetings for overall strategic, directional and large-scale cooperation.

#### Case Study No. 1

The Oilseeds  
Processing  
Division Tightens  
Up Supplier  
Management

The Division actively promoted the transformation from after-purchase-management involving raw materials inspection and testing to supplier-management that emphasizes on scientific management and long-term cultivation of strategic suppliers. The Division strictly controlled the selection, daily management and exit process of suppliers, as well as chose suppliers with production advantages, including capital, personnel, technology, information, operation management, market share and so forth. The Division also developed long-term collaboration with suppliers which often superior quality, cost, delivery, and service (QCDS) performance. The Division conducted various and multi-dimensional strategic cooperation with strategic suppliers to adapt to the rules of market changes, actively explore and expand ways of cooperation. The Division carried out joint procurement activities for domestic and overseas markets, made collectivized purchases in many regions and multi-period “package” purchases based on strategic cooperation agreements and framework agreements.

### 3 STRENGTHEN COMMUNICATION WITH DEALERS

Leveraging market-oriented distribution methods, online and non-e-commerce distribution platforms, China Agri delivers healthy and delicious food to dining tables of thousands of households. The Company has always paid high attention to terminal links of the industrial chain, enhanced communication with distributors, integrated online and offline resources, as well as kept improving the sales network with multi consumption dimensions, including products, prices and services.

The Company enhanced its communication with non-e-commerce distributors. On 13 April 2016, Yang Hong, Vice President of China Agri, led a team from the Beijing sales branch of the Rice Processing and Trading Division to meet with Li Yanchuan, Chairman of Beijing Chaoshifa Chain Store Co., Ltd., and Wang Zengqing, President of Beijing Chaoshifa Chain Store Co., Ltd. Both parties reviewed the achievements in their cooperation in 2015, analyzed the operating situation and goals in 2016, as well as discussed opportunities and demand facing them in the future. Yang Hong awarded the “Best Strategic Partner of the Year 2015” medal to Chaoshifa thanking its support for the Rice Processing and Trading Division over the past two years after the signing of a strategic cooperation agreement, providing a platform in the Beijing market for the Division, to top the sales ranking of rice products in the supermarket.

The Company enhanced its communication with online distributions. On 5 May 2016, the Rice Processing and Trading Division and COFCO Group’s only food e-commerce platform Womai.com signed a strategic cooperation agreement.

The Division can comprehensively analyze, precisely target consumer groups and grasp customer demand to specifically promote “Daohuaxiang” (稻花香) and rice products imported from Thailand and South Korea based on shared resources. The Division also conducted more accurate and deeper interaction with consumers based on data provided by Womai.com. Both parties will deepen their cooperation regarding new product launches, product customization, data sharing, and so on, jointly delivering superior shopping experiences to consumers. On 26 July 2016, Yang Hong, Vice President of China Agri, attended the launch ceremony of the “Suning 818 Shopping Festival” in Nanjing as a special guest. After the ceremony, Yang Hong held talks with Tian Rui, Vice President of Suning and the heads of different departments of Chaoshi.suning.com concerning their cooperation in e-commerce channels and supermarkets, as well as future cooperation opportunities, with agreements on further strategic cooperation reached. On 31 August 2016, Yang Hong took part in the “2016 Chaoshi.jd.com Tendency · Win Action” launch ceremony as a special guest and held in-depth talks with Feng Yi, President of Consumer Products Division, JD.com, on how to boost the deployment and development of FMCGs including rice and flour, as well as achieve win-win cooperation amid the rapid development of the e-commerce industry. China Agri’s imported rice with original packaging and high-end flour processed with imported wheat won praise from the senior management of JD.com.





## Environmental Protection

1. Fulfilling Energy Conservation and Emissions Reduction
2. Advocating Recycling
3. Clean Energy
4. Water Resources Management

With the global resource shortage and environmental deterioration intensifying over the past years, the influence of climate change on agriculture and the living environment for humans has become increasingly obvious. Cutting pollutant emissions and achieving the sustainable development of the environment has been a key topic of corporate social responsibility.

China Agri has actively responded to the national call by attaching great importance to environmental responsibilities of corporates, abiding by green operating criterions, increasing its investment in environmental protection, promoting energy conservation and emissions reduction, as well as positively exploring the development roadmap of low input, low consumption, low emissions and high yield. The Company has been effectively dealing with global climate change and strengthening the public's awareness of environmental protection through saving resources, advocating the recycling concept, vigorously producing and promoting clean energy, enhancing the management of water resources, and more.

In 2016, China Agri significantly reduced its comprehensive energy consumption and pollutant emissions through several measures of energy-saving technology improvement. Based on the drop in comprehensive energy consumption over the previous two years, the Company continued to reduce the consumption by 296,256 tons of standard coal equivalent in 2016. The Company has accumulatively reduced comprehensive energy consumption by more than 400,000 tons of standard coal equivalent since 2014. The Company cut its SO<sub>2</sub> emissions by 2,714 tons from the previous year, which added its total reduction of SO<sub>2</sub> emissions over the past three years to 4,863 tons. The Company also cut its ammonia nitrogen and COD emissions by 71 tons and 1,424 tons from the previous year, respectively, which added its total reduction of ammonia nitrogen and COD emissions over the past three years to 525 tons and 2,378 tons, respectively.

## Data on Environmental Protection and Energy Consumption

	Oilseeds Processing Business	Biochemical and Biofuel Business	Rice Processing and Trading Business	Brewing Materials Business	Wheat Processing Business
Total Water Consumption(Unit: ton)	3,514,531 ↑ (3,492,801)	25,555,732 ↓ (30,218,287)	—	4,212,837 ↑ (3,418,792)	—
Waste Water Output(Unit: ton)	2,963,580 ↑ (2,380,080)	22,070,035.35 ↓ (23,604,697)	—	3,303,317 ↑ (2,953,554)	—
Waste Water Discharge(Unit: ton)	2,963,580 ↑ (1,375,125)	21,140,319.85 ↓ (22,319,263)	—	3,303,317 ↑ (2,953,554)	—
COD (Unit: ton)	50.58 ↑ (48)	2,372.51 ↓ (3,259)	—	330.06 ↑ (237.8)	—
Ammonia Nitrogen(Unit: ton)	4.66 ↓ (6.7)	140.13 ↓ (206.82)	—	25.47 ↑ (13)	—
SO <sub>2</sub> (Unit: ton)	565.65 ↓ (646)	3,325.08 ↓ (5,569)	—	220.81 ↓ (230)	—
Oxynitride(Unit: ton)	531 ↓ (576)	4,746.16 ↓ (6,086)	—	167 ↑ (100)	—
CO <sub>2</sub> Discharge(Unit: ton)	187,923 ↓ (232,389)	3,887,255.73 ↑ (2,789,560)	248.3 ↓ (20,234)	—	—
Emissions Intensity of CO <sub>2</sub> (Unit: ton/RMB10,000)	0.041 ↓ (0.06)	4.49 ↑ (3.19)	0.001 ↓ (0.04)	—	—
Comprehensive Energy Consumption (Unit: ton of standard coal equivalent)	365,545 ↓ (332,068)	1,528,885.87 ↓ (1,591,942)	9,101 ↑ (7,707)	80,461 ↑ (73,224)	28,977 ↓ (29,386)
Comprehensive Energy Consumption Intensity(Unit: ton of standard coal equivalent /RMB 10,000)	0.08 ↓ (0.09)	1.77 ↓ (1.8)	0.02-(0.02)	0.37 ↑ (0.36)	0.05-(0.05)
Coal(Unit: ton)	135,834 ↓ (157,307)	1,644,325.54 ↑ (995,515)	—	38,522 ↑ (38,349)	—
Electricity(Unit: 10,000 kWh)	48,388 ↑ (48,170)	35,932.95 ↓ (83,048)	3,066 ↓ (6,137)	9,546 ↑ (8,720)	17,482 ↓ (18,741)
Natural Gas(Unit: 10,000 cubic meters)	800 ↑ (619)	349.36 ↑ (172)	—	—	—
Steam(unit: MkJ)	2,359,355.46 ↓ (3,091,478) (Unit: ton)	1,488,046.84 ↑ (14,394,551)	—	708,427 ↑ (708,427)	—
Methane Yield(Unit: 10,000 cubic meters)	—	28,104,469.97	—	—	—
Methane Utilization (Unit: 10,000 cubic meters)	—	27,731,094.76	—	—	—

Description: Environmental statistics vary from division to division according to different production conditions. For instance, the consumption of energy and resources is comparatively less and has little influence on the environment during the production and processing of rice, and therefore data is only available for five indicators including CO<sub>2</sub> discharge, intensity of CO<sub>2</sub> emissions, comprehensive energy consumption, intensity of comprehensive energy consumption and electricity. As methane is poisonous gas, China Agri strictly follows the national laws and regulations and ensures no atmospheric emissions by consuming residual methane artificially when methane output is higher than its utilization during production.

# 1 FULFILLING ENERGY CONSERVATION AND EMISSIONS REDUCTION

In 2016, China Agri vigorously advocated the application of new technologies and craftsmanship for energy conservation and emissions reduction during the process of expanding and rebuilding its capability, and adjusting its industrial structure.

## Case Study No. 1

Plants under the Oilseeds Processing Division Take Measures to Save Energy and Cut Emissions

The Division improved its environmental emergency treatment capability by rebuilding its boilers for ultra-low exhaust emissions, as well as effectively cutting pollutant discharge and sludge output. The Division upgraded and reconstructed waste gas, sewage treatment and other environmental protection equipment, as well as updated more than 30 energy conservation and emissions reduction technologies. These cut down over 200 tons of sulfur dioxide and nitric oxide and over 20 tons of dust, which helped to save 90,000 tons of water, reduce more than 1,000 tons of sludge, as well as decrease tens of hundreds of sewage discharge. Therefore, the Division has successfully achieved its goal of energy conservation and emissions reduction by constantly and thoroughly implementing manufacturing enterprises' tasks for energy and water saving.

All plants under the Division shut down their large coal-fired boilers with an annual capacity of 500,000 steam tons to improve the comprehensive energy efficiency of coal-fired boilers and advance projects regarding centralized heating technical improvement. This helps to cut more than 40,000 tons of raw coal consumption, greatly reduce greenhouse gas emissions and decrease carbon dioxide emissions by over 60,000 tons annually.

## Case Study No. 2

The Rice Processing and Trading Division Adopts Measures for Energy Saving and Emissions Reduction

The Division has cultivated workers' conservation awareness through training sessions, improvement of motor efficiency, energy-saving publicity weeks, transformation of the lighting system with energy-saving lamps, and application for the suspension of transformers centered on energy saving and consumption reduction. They mobilized grass-roots employees to put forward proposals for process improvement and energy consumption reduction through benchmark management, as well as promoted the best practices regarding energy conservation and emissions reduction within the Division to achieve the goal of saving energy and reducing consumption.

## Case Study No. 3

The Brewing Materials Division Cuts Pollutant Discharge Through Upgrading and Transformation

In 2016, COFCO Malt (Dalian) Co., Ltd. (under the Brewing Materials Division) upgraded and rebuilt its existing five units of boiler dust removers and desulphurization equipment. This is expected to reduce annual dust and SO<sub>2</sub> emissions by 167,316 kg and 1,003,896 kg, respectively.

## 2 ADVOCATING RECYCLING

China Agri has been actively exploring recycling to transform waste into assets in manufacturing, recycle these resources and develop circular economy to improve the utilization efficiency of its resources and energy, as well as follow a low carbon development path of low-energy consumption, low emissions, and low pollution.

The Division has built large plants at industrial parks by taking the concept of circular economy into full consideration over the past years. Sludge generated during the wastewater treatment process, waste packaging bags from raw and auxiliary materials, used bleaching clay, household garbage, and other wastes from factories can be recycled as by-products and used as raw materials for downstream products or sold to downstream companies as raw materials. This can help realize the comprehensive utilization and circular flow of resources among plants within the Division and other enterprises. The Division has attached great importance to the classification of wastes and commissioned qualified organizations to deal with hazardous wastes. Its domestic garbage is usually treated by sanitation departments. The Division has also strictly examined the environmental protection qualifications of the departments that are commissioned to comply with environmental protection regulations.

All plants under the Division have adopted rice husks as renewable energy for heating and drying. They consumed about 40,000 tons of rice husks in 2016, which helped to save 17,000 tons of coal and reduce 69,000 kg of sulfur dioxide emissions.

### Case Study No. 1

Plants under the Oilseeds Processing Division Promote Reuse and Recycling of Production Waste

### Case Study No. 2

Plants under the Rice Processing and Trading Division Recycle Rice Husks as Renewable Energy

## 3 CLEAN ENERGY

Energy shortage and global climate change have attracted great attention from countries all over the world. People are seeking a development path that is economically feasible and sustainable in terms of resources to solve the problems of energy and environment simultaneously. In 2016, China Agri continued to promote the extensive application of fuel ethanol and actively studied the application of other clean energy sources to ease energy pressure.

### Case Study No. 1

The Oilseeds Processing Division Positively Studies and Utilizes Clean Energy

The Oilseeds Processing Division checked policies regarding coal-fired boiler emissions and inspected the utilization of clean energy in its factory areas covering 11 provinces and cities across the country. The Division analyzed the potential for clean energy utilization and promoted the application of clean energy and other new technologies in its factories under the new situation of distributed photovoltaic technology application.

## 4 WATER RESOURCES MANAGEMENT

With the growth of the world's population and the promotion of industrialization in recent years, the shortage of water resources has become a serious topic all over the world. In 2016, China Agri continued to take multiple measures to strengthen the management of water resources in order to save water.

In 2016, the Oilseeds Processing Division thoroughly carried out the cost analysis of sewage treatment, made key water-saving plans, broke down the water conservation goal rationally and further conducted water consumption benchmarking to help its plants improve their examination and evaluation mechanisms and strengthen water management. The Division also upgraded over 20 technologies for three water-consuming systems involving cooling water, heating water and product water to increase the efficiency of recycled water utilization, realize the target of saving 10,000 tons of water, cut down new water consumption and sewage discharge.

### Case Study No. 1

The Oilseeds Processing Division Conducts Water Consumption Benchmarking to Realize Water-saving Goal

In October 2016, COFCO Malt (Dalian) Co., Ltd. upgraded and transformed its sewage treatment systems to the domestic advanced level in terms of the discharge reduction target, operational control and equipment configuration. The project is expected to cut down COD by 56 tons annually and actively fulfill the Division's environmental responsibility of protecting clean water and land for people.

### Case Study No. 2

Plants under the Brewing Materials Division Make Upgrading and Reconstruction to Realize Water Conservation Goal





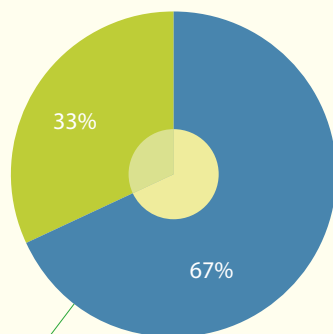
## Care for Employees

1. Safeguard the Rights and Interests of Employees
2. Attach Importance to Employee Development and Value Realization
3. Workplace Safety and Health
4. Care for Employees

Employees are the most precious resource and wealth for an enterprise's development, which are also an important basis for the development of the enterprise. China Agri always concerns about realizing every employee's value and is committed itself to creating transparent corporate culture, so that every employee can achieve their personal development.

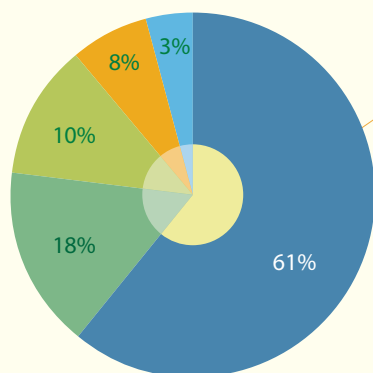
Adhering to the management philosophy of "People First", China Agri sticks to its corporate culture of "Employees First". We always adhere to establishing a law-based, harmonious and efficient employment system, maintaining the rights and interests of our workers. We attach great importance to our employees' growth and value realization, providing them with multiple development platforms. We pay attention to occupational safety and health management as well as conduct multiple activities to care about employees' life.

As of 31 December 2016, the total number of employees at China Agri was 27,413.



Gender Proportion of Employees China Agri

- Male: 18477 (Person)
- Female: 8936 (Person)



Employees' Age Distribution in China Agri

- Aged < 35: 16620 (Person)
- Aged 36-40: 4822 (Person)
- Aged 41-45: 3115 (Person)
- Aged 46-50: 2133 (Person)
- Aged > 51: 723 (Person)

# 1 SAFEGUARD THE RIGHTS AND INTERESTS OF EMPLOYEES

China Agri aims to establish a legal, harmonious, efficient and stable employment system. The Company respects and protects the rights and interests of its employees, strictly abiding by China's Labor Law, Labor Contract Law, and other laws and regulations, as well as preventing child labors. We treat every employee equally to make sure offer of employment, wages and promotions are not discriminated against for their ethnic group, race, nationality, gender, religion, age, sexual preference, political faction and marital status. The Company makes salary payments, overtime payments and other benefits according to China's Labor Law and implements a comprehensive calculation work time system. The Company strives to improve its employee management systems on an ongoing basis and has established sound supervisory systems to protect labor rights, which is mainly shown in the following aspects:

1. The Company signs labor contracts with employees in accordance with national and local laws and regulations, and fulfills its duties according to law and contract. In the process of signing, renewing, and terminating labor contracts, we follow legal procedures, prevent the policy on forced labor and protect the legitimate rights and interests of our employees.

2. In accordance with national and local laws and regulations, we pay social insurance for our employees. We provide them with a good variety of benefits, including supplementary medical insurance, corporate pensions, traffic allowance, and lunch subsidies. We also arrange regular physical checkups, have a medical insurance system for major diseases, and disseminate information on physical and mental health maintenance.

3. The Company formulates rules and regulations of the enterprise in a practical manner. We carry out regular compliance assessments of human resources management at our subsidiaries, using both internal and external audits, in order to ensure that our employee relations system is in compliance with state laws and regulations and the interests of all employees are protected.

4. We encourage employees to enjoy their legal rights of taking leave. In addition to statutory annual leave, employees enjoy paid leave every year, whose entitlement is based on the number of years employed.

We attach great importance to the employee representative conference system. We have established a trade union to help safeguard employee rights. The employee representative conference convenes at least once a year to give our workers an opportunity to learn about corporate developments and major issues concerning their interests, as well as providing a communication channel for them to express their views. The Party Committee of China Agri and its trade union hold the symposium each year for employee representatives. During the meeting, we solicit

opinions and suggestions for corporate development and answer any questions employees may have.

We conduct an employee satisfaction survey with anonymous questionnaires annually. We review opinions and suggestions from employees, analyze problems identified, and put forward measures for improvement in the following year.

China Agri has built a complete remuneration management system to ensure competitive salary benefits for employees. We abide by government regulations of “Five Social Insurance and One Housing Fund” and provide our employees with appropriate social security and welfare packages. We also provide them with a good variety of benefits, including supplementary medical insurance (covering dependent children), personal accident insurance, corporate pensions, lunch subsidies, and paid annual leave. We also arrange regular physical checkups and disseminate information on physical and mental health maintenance.

In 2016, China Agri focused on “Improving Quality and Efficiency, Optimizing Layouts, and Increasing the Company’s Benefits” under the guidance of the 13th-Five-Year Plan. We established the principle of “Tightening Assessment and Rigid Budget”, taking business scales, development stages and industrial features of all business divisions into consideration. We continued to regard the net profit attributable to holding company as the core index and “completing the annual budget” as a basic assessment requirement, as well as set a goal of “beating the annual budget”. In the meantime, we made different incentive plans for our business divisions based on the concept of “Increasing ROE – High Returns and High Incentives”. We strove to reduce the impact of market fluctuations on our business performance and simulate the management team and individuals to innovate in management ideas, expand operation modes and enhance product competitiveness for realizing their goals to create sustained and steady returns. In addition to paying attention to return indexes, we created operational indexes in line with the strategic planning for the year and sustainability requirements to focus on business that will bring long-term growth. We paid equal attention to development and foundation, as well as performance and potential. Business assessment played a critical role in achieving our annual goal and long-term sustainable development.

## 2 ATTACH IMPORTANCE TO EMPLOYEE DEVELOPMENT AND VALUE REALIZATION

### 1 / Employee Career Development

China Agri provides employees with diversified development mechanisms and continues to explore the way of establishing the mechanism for the development of professional talent, while enriching and perfecting the building of the employee career development system based on the two-track system of management and professionals. According to the requirements of the Group, we worked out the

Guidance for the Employee Career Development of China Agri, set up channels of employee career development, and defined employee promotion policies and their job qualifications, so as to provide them with the “ladder” of growth. Moreover, we continued to promote the production management trainees program, identifying workers who showed potential for interning in different parts of the Company. We expanded key management team by identifying professional middle management personnel with rich theoretical and practical experience who could benefit from on-the-job training, centralized training, reading, online learning, and action learning over a two-year training period.

China Agri also attaches great importance to strengthening grass-roots staff career development. In the past year, our subsidiaries held many professional skill contests, achieving remarkable results. In addition, we selected excellent employees to join in the training team of COFCO Group, who won the first prize in the National Vocational Skill Competition hosted by the State Administration of Grain.

### 2 / Employee Competency Improvement

China Agri has always regarded employees’ professional skill development as the most valuable strategic investment. We develop a unique employee training and professional skill improvement system and create learning opportunities to ensure that employees are able to upgrade their skills and knowledge on an ongoing basis. We have improved the competencies of the management team, as well as their leadership and professional skills, at all levels. We have paid special attention to the development of young and key employees.

In 2016, China Agri mainly conducted a series of training activities in areas including leadership development, production management, R&D, safety and environmental protection, risk control, discipline inspection, auditing, and finance. Basic production skills were also a focus, and training programs helped to build an inclusive learning atmosphere and culture. We increased both the number and quality of skill training programs at the factory level.

#### Case Study No. 1

China Agri’s Committee of the Communist Youth League of China (CYLC) opened a youth innovation and benefit-making leadership training class, under the theme of the “Youth Lights up Life, Innovation Rebuilds Glory” from 25 to 28 October 2016. Nearly 80 CYLC committee secretaries and key young technical employees from the Company’s business divisions and subordinate factories participated in the training. The training

youth innovation and benefit-making leadership training class, under the theme of the “Youth Lights up Life, Innovation Rebuilds Glory”

courses involved COFCO Group and China Agri's 13th Five-Year Plan, faithfulness culture, CYLC-building work under the new situation, corporate security, operational excellence and other key work of the Company. China Electronics Technology Group Corporation, COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd., COFCO Malt (Jiangyin) Co., Ltd. and other companies shared their experience in terms of innovation and benefit-making in the training class. Group inclusion, quality development and working methods of innovation and benefit-making were also the contents of the training class. During the training, all participants visited COFCO Trading Ltd.'s consolidated storage in Beijing, learning and getting an in-depth understanding of the company's achievements and experience in 5S-TPM benchmarking management. The training was designed to allow young grass-roots employees to make breakthroughs in their existing mental models and the traditional mode of thinking and improve their own quality, so as to help them work towards innovation and benefit-making in their posts.



#### Case Study No. 2

The Wheat Processing Division conducted the 2016 Skill Competition for employees from three core technical posts involving "flour-making workers", "noodle-making workers" and "grain and oil inspectors" for the first time. A total of 383 employees took part in the preliminary contest, among which 61 of them entered the semi-final, producing 18 winners.

The Brewing Materials Division Cuts Pollutant Discharge Through Upgrading and Transformation



During 12-13 October 2016, the Oilseeds Processing Division carried out the 2016 Labor Skill Competition. Aiming at "promoting training through competitions and replacing practicing with training", as well as setting business and technology experts as an example, the competition was designed to stimulate employees to consciously learn technologies, work hard to practice skills, find out disparities, exchange experience and achieve improvements jointly, in order to enhance the Company's market competitiveness. A total of 63 employees from 15 factories of the Division joined in the competition.

#### Case Study No. 3

promoting training through competitions and replacing practicing with training



### 3 WORKPLACE SAFETY AND HEALTH

In 2016, China Agri continued to deepen its efforts in workplace safety and safety construction regarding special safe production programs as a crucial means to prevent major accidents. The Company continued to abide by the quality and safety responsibility system revised in 2015, making clear the responsibility on production safety at all levels. In 2016, the Company formulated the Regulations on Investigating and Managing Hidden Production Safety Accidents of China Agri and other regulations, as well as continued to implement 88 production and quality safety management regulations of our parent company, COFCO Corporation.

#### Case Study No. 1

In 2016, the Wheat Processing Division announced that COFCO (Zhengzhou) Oils & Grains Industries Co., Ltd. was another company piloting occupational health construction, in addition to COFCO Flour Industry (Qinhuangdao) Pangthai Co., Ltd. These two companies carried out occupational health benchmarking in line with COFCO Group's "Rules on the Content and Inspection Measures for the Pilot Construction of Infrastructure for Occupational Health" and their actual conditions, during which 55 of 60 self-inspected items in occupational health infrastructure construction were qualified, with the qualification rate reaching 91%. Moreover, these two companies re-identified and sorted out occupational hazard factors in all posts, setting "dust" as the second occupational hazard factor for packaging operators in addition to "noise". Meanwhile, they revised the standards for giving out protective equipment against occupational hazards and expanded the scope of giving. They also improved the comfort of protective equipment wearing to increase the utilization ratio of the protective equipment, effectively preventing employees from occupational hazards.



### 4 CARE FOR EMPLOYEES

China Agri enriches the leisure life of its employees through various cultural and sports activities. We also provide those in financial difficulty with assistance to help ease their pressure and show concern for their live, embracing the atmosphere of warmth and care of our enterprise. The Company enhances the cohesion and loyalty of its team members and offers them a sense of belonging based on a coherent and positive corporate culture with the motto, "Work with Passion and Live a Happy Life".

#### 1 / Activities Supporting Physical and Mental Health of Employees

Cultural activities are a stage for employees to show their talents, which are also an important form to cultivate their tastes. In 2016, China Agri continued to carry out cultural and sport activities against the backdrop of traditional festivals to enrich employees' leisure life through employee clubs.

China Agri continued to organize sport activities through the basketball, football, and swimming clubs established in 2015, which played a positive role in enhancing the communication among employees, enriching their leisure life, and improving their physical quality and cultural attainment. In October 2016, China Agri's football club, on behalf of COFCO Group, joined in the "Youthful Chaowai Cup" football match and won the second place.

On 6 May 2016, over 30 young employees of the Company visited the "Road to Revival" exhibition at the National Museum of China as part of the Company's youth activity under the theme of "Carrying Forward the Spirit of the May Fourth Movement and Undertaking the Youth's Responsibility". Through the activity, young employees had an in-depth understanding of the struggles of the Chinese people amid humiliation and hardship since the Opium Wars as well as their exploration to national rejuvenation, further learning about the struggle of the Chinese people. COFCO Yellow seas Oils & Grains Industries (Shandong) Co., Ltd. also held a blood donation activity for young employees. Jilin COFCO Bio-chemical Packaging Co., Ltd. organized a youth walk activity. COFCO Rice (Jilin) Limited carried out a fun basketball match and other activities.

#### Case Study No. 2

Continue to Build  
Culture and Sport  
Clubs for Employees

#### Case Study No. 3

Conduct "Carrying  
Forward Spirit  
of May Fourth  
Movement and  
Undertaking Youth's  
Responsibility"  
Activity

### Case Study No. 3

Conduct Traditional  
Mid-Autumn  
Festival Food  
Making Activity

On 14 September 2016, the labor union of China Agri invited professional teachers to guide employees to make snow skin mooncakes. More than 30 employees from all functional departments of the Company's headquarters and its business divisions took part in the activity. The activity won praise from employees, which enhanced their sense of belonging and identity through delicious food tasting and traditional culture experiencing.

### Case Study No. 4

The Oilseeds  
Processing Division  
Hold "Bubble Run"  
Activity

On 13 August 2016, the Oilseeds Processing Division held a five-kilometer "bubble run" activity, allowing the participants to experience the most joyful five-kilometer run on the earth. Everyone played happily like kids during the activity. The activity not only enriched employees' life, but also improved team cohesiveness, enabling the participants to truly experience the happiness of a "joyful life" from running and have fun in sport.



Case Study  
No. 1

Executives Visit  
Grass-roots Units

Executives of China Agri visited grass-roots units in early 2016 when the Spring Festival approached. Yue Guojun, former Managing Director of China Agri, Gu Lifeng, former Deputy General Manager and General Manager of the Oilseeds Processing Division, Chang Muping, Vice President of the Company, and Tian Tao, former Vice President of the Company and General Manager of the Wheat Processing Division, respectively visited employees in financial difficulty and front-line employees of COFCO Bio-Energy (Zhaodong) Co., Ltd., COFCO Rice (Suihua) Limited, and Shenyang Xiangxue Flour Limited Liability Company, conducting a warm exchange with them as well as sending Spring Festival wishes and gifts to them.



Case Study  
No. 2

The Oilseeds  
Processing  
Division Sets up  
the Zhangjiagang  
Sunshine Charity  
Mutual-aid  
Association

Initiated by party secretary and general manager of COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd., the company set up the Zhangjiagang Donghai Sunshine Charity Mutual-aid Association in 2015, which was the first corporate public welfare association in the city. The association aims to help employees and their families suffering from serious diseases, accidental injuries, and financial difficulties. In 2016, the association recruited 788 new members, which added up the total number of members to 1,759. It donated RMB31,000 to seven employees in 2016.

Case Study  
No. 3

Books Group Tickets  
for Employees  
during Spring  
Festival Travel  
Season

A majority of employees of COFCO Xinsha Oils & Grains Industries (Dongguan) Co., Ltd. are from other cities and provinces. Affected by geographical factors, it is difficult for them to buy train tickets to return home during the Spring Festival holiday. In order to solve this problem, the company consulted with Guangzhou Railway (Group) Corporation to sign a ticket purchase agreement, under which it bought train tickets through group purchasing for employees and their families, which won praise from all employees.



#### Case Study No. 4

The Rice Processing  
and Trading Division  
Makes Donations  
to Subsidiaries'  
Employees Hit by  
Disaster

On 23 June 2016, Funing County of Jiangsu Province was hit by a tornado, which also produced heavy rainstorm and hail. Houses, factories, classrooms collapsed; power supply, road and other infrastructure were damaged. COFCO Rice (Yancheng) Limited (under the Rice Processing and Trading Division) is located in the worst-hit area. Some employees' families suffered varying degrees of physical injuries and property losses due to the tornado and its plant was also damaged by the disaster to some extent. On 24 June, the Division launched an initiative to make donations to employees of the company who were affected by the disaster. In the following week, colleagues of each department of China Agri's headquarters and all subsidiaries actively responded to the initiative to show their love.



## Charitable Work

- 1 . Community Building
- 2 . Caring for the Development of Teenagers
- 3 . Vulnerable Groups

Communities like soil on which a company relies for existence and development, and the healthy development of the society cannot be realized without every “corporate citizen” getting involved. China Agri always pays attention to the combination of its economic benefits and social benefits. We also give back to the society through public activities in education, poverty alleviation and other sectors, making use of its own advantages.

In 2016, China Agri made external donations by strictly complying with the External Donation Management Measures implemented by parent company COFCO Group. The Company donated over RMB790,000 for disaster assistance, poverty alleviation, the physically challenged, and impoverished students, representing an increase of 29.7% from a year earlier.

# 1 COMMUNITY BUILDING

## Case Study No. 1

The Company's Hong Kong Operation Management Department Donates Rice Products to Elderly People before Dragon Boat Festival

In order to better fulfill our corporate social responsibility and enhance our corporate image, the Hong Kong Operation Management Department of China Agri has held the Rice Donation Activity for four consecutive years to help elderly people in need. On 4 June 2016, China Agri's office in Hong Kong organized employees to send "Jinying Rice" (金盈大米) to the elderly people at the Tung Tau Tsuen Estate of San Po Kong District before the Dragon Boat Festival. The Company has given back to the society and helped vulnerable groups through practical actions, which has achieved good results among communities of Hong Kong.



## Case Study No. 2

COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. Organizes Volunteer Activities

In 2016, volunteers from the Party Committee and Youth League Committee of COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. visited communities and schools, carrying out 17 volunteer activities, including caring for juveniles, the Blue Sky Program, community reading, cleaning mountain environment, clearing up small ads in communities, organizing love-hearted activities on campus and lighting up micro wishes.

## 2 CARING FOR DEVELOPMENT OF TEENAGERS

### Case Study No. 1

Organizes Public Welfare Activity under Theme of "Caring for Small Migrant Birds"

On 19 August 2016, COFCO Xinsha Oils & Grains Industries (Dongguan) Co., Ltd. held the "One company, One family" public welfare activity under the theme of "Caring for Small Migrant Birds" for left-behind children of its migrant employees in summer holidays. The activity won praises from employees and their family members, as well as strong support from the local working committee of enterprises and the party working committee of communities. Local government officials also attended the activity and spoke highly of it.

Since 2015, the company has organized activities showing care for children of migrant workers in succession with an aim to enhance their relationship.



### Case Study No. 2

Division Holds Social Activities Regarding Quality Education of Primary and Middle School Students



In 2016, Xiamen Haijia Flour Mills Co., Ltd. under the Wheat Processing Division held the quality education social activity and flour food scientific and experience activity for local primary and middle school students. These activities not only represented the image of the company but also publicized the flour food culture. In 2016, more than 1,000 people in Xiamen visited the company's factory.

### 3 VULNERABLE GROUPS

#### Case Study No. 1

China Agri  
Conducts  
“Donating Clothes  
to Poverty-stricken  
Areas of Xinjiang”  
Activity

China Agri held the “Sending Love with Old Clothes – Donating Clothes to the Poverty-stricken Areas of Xinjiang” activity from 21 to 27 September 2016, in order to pay more attention to and care for vulnerable groups and perform our corporate social responsibility. The activity received strong support from each functional department and business unit, as well as warm response and active participation of employees. More than 110 employees donated more than 730 clothes and school supplies. These donations were transported to Aketuohai Township of Uqturpan County, Xinjiang to help people in impoverished regions.



### Case Study No. 2

Participates in  
“Donation Activity  
Paying Attention  
to Children with  
Autism” organized  
by COFCO Nissin  
(Dalian) Co., Ltd

Jointly hosted by the Dalian Aina Autistic Services Center and the Dalian IN5, the “Walking into Children of the Stars” large-scale public welfare activity aims to raise the public’s awareness of autism, call on all walks of life to give more opportunities to children with autism and show care for them to encourage them and their families to integrate into the society as soon as possible.

Before the International Children’s Day 2016, COFCO Nissin (Dalian) Co., Ltd. participated in the “Walking into Children of the Stars” donation activity. This activity enhanced the public’s understanding of autism and called on the whole society to show more love and care for children with autism. It also enabled children with autism to feel the love and warmth of the society rather than loneliness.

Executives and employees of the company showed their love for and donated money to children with autism. A total of 189 employees donated over RMB 14,000 in only one and a half day. On 1 June 2016, the company attended a publicity and donation activity held by the Dalian Aina Autistic Services Center at the Dalian Tiger Beach (Laohutan) Ocean Park, which won recognition from all circles of the society and was reported by Dalian TV.

### Case Study No. 3

Makes Donation to  
the Zhangjiagang  
Charity Foundation

In 2016, COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. donated RMB 500,000 to the Zhangjiagang Charity Foundation to help underprivileged families in the Zhonggang community of Jingang town, reward underprivileged students of Jingang Central Primary School and Zhongxing Primary School, organize activities to care for juveniles in the Jinrun community, make donations to anti-poverty projects of the Donghai Sunshine Charity Mutual-aid Association, and sponsor voluntary activities “Embracing Green and Cleaning Mountain Environment Voluntarily” and “Community Reading Promotion” organized by the Jingang Volunteers Association.

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# Readers' Feedback

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Dear reader ,

Thank you for reading this report. For improving our work related to corporate social responsibility and promote our ability to fulfill our social responsibilities, we sincerely hope that you can evaluate this report. We would appreciate your valuable opinions and suggestions for further improvement of this report.

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**You MAY choose any of the following means to provide your feedback:**

Fax: +852 2833 0319  
Post: 31st Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong  
Email: [ir@cofco.com](mailto:ir@cofco.com)

**Please provide your feedback below:**

- |  |                              |                                  |                             |
|--|------------------------------|----------------------------------|-----------------------------|
| 1. Have you obtained information you need from the Report? .....                               | Yes <input type="checkbox"/> | General <input type="checkbox"/> | No <input type="checkbox"/> |
| 2. Do you think the Report covers the economic responsibilities China Agri bears? .....        | Yes <input type="checkbox"/> | General <input type="checkbox"/> | No <input type="checkbox"/> |
| 3. Do you think the Report reflects the environmental responsibilities China Agri bears? ..... | Yes <input type="checkbox"/> | General <input type="checkbox"/> | No <input type="checkbox"/> |
| 4. Do you think the Report reflects the social responsibilities China Agri bears? .....        | Yes <input type="checkbox"/> | General <input type="checkbox"/> | No <input type="checkbox"/> |
| 5. Do you think the Report discloses adequate quantitative data? .....                         | Yes <input type="checkbox"/> | General <input type="checkbox"/> | No <input type="checkbox"/> |
| 6. Do you think the layout of the Report helps you comprehend the Report? .....                | Yes <input type="checkbox"/> | General <input type="checkbox"/> | No <input type="checkbox"/> |
| 7. Please specify here any opinions and recommendations for the 2016 CSR Report:               |                              |                                  |                             |

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