



優然牧業

YOURAN DAIRY

China Youran Dairy Group Limited

中國優然牧業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9858



ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT **2021**

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About this Report

Reporting Scope:

Data and facts involved herein cover China Youran Dairy Group Limited and its branches and subsidiaries. For the convenience of expression, they are abbreviated to "Youran Dairy", "Youran", "the Company", "the Group", "we", "us" or "our" in this report.

Reporting Cycle:

This is an annual report. The reporting period is from January 1, 2021 to December 31, 2021 (the "Reporting Period"). To make this report more comparable and forward looking, some of its contents may be beyond the Reporting Period.

Basis of Preparation:

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the "ESG Guide") under Appendix 27 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "Listing Rules"), and with reference to the *GRI Sustainability Reporting Standards* issued by the Global Sustainability Standards Board (GSSB).

Data Explanation:

Unless otherwise stated, the scope of statistics herein covers China Youran Dairy Group Limited and its branches and subsidiaries.

All monetary amounts stated in this report are in Renminbi unless otherwise stated.

Form of Publication:

This report is published in electronic form. The electronic version can be downloaded on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company (www.yourandairy.com). You may review the report by clicking "Environmental, Social and Governance Report 2021" in "Financial Reports" under "Information Disclosure" of the "Investor Relations" section of the Company's website.

Contact Information:

Address: No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, People's Republic of China (the "PRC")

Telephone: +86 0471-3353607

E-mail: YouranIR@yourandairy.com

Chairman's Message

The 2021 fiscal year is a milestone year for Youran Dairy. On June 18, 2021, we listed our shares on the Main Board of the Stock Exchange, realizing the integration of capital and industrial chain resources. We made full use of our advantages in market, talents, technology and brand to continuously improve our management of sustainable development while promoting the joint development of all business segments. We proactively responded to national strategic policies in the arrangement and planning of various work on sustainable development and practiced our social responsibility to present a good image of responsibility.

Improving the responsibility management system to develop in a comprehensive, clean and sustainable way. Youran Dairy has set up a sustainable development management system covering "decision making, management and execution" to plan and carry out the sustainable development work in a smooth and orderly manner, and achieve standardized management in the areas of environment, society and governance. At the same time, we continued to uphold the concept of clean operation and strengthen anti-corruption compliance to guarantee the Company's long-term development.

Actively responding to climate change to build green and circular dairy farms. Faced with the global challenge brought by climate change, Youran Dairy vigorously responded to the national strategic goal of "Carbon Peak and Carbon Neutralization". Youran Dairy took the initiative to carry out its strategic layout in carbon neutralization by exploring innovative emission reduction processes, implementing energy-saving and emission reduction management and building circular farms through "integrated farming and resource recovery" to contribute to the development of a green and low-carbon society.

Unswervingly insisting on the people-oriented principle to create a beautiful enterprise together. Youran Dairy adheres to the concept of common development with employees. It insists on equal and compliant employment, attaches importance to the protection of employees' rights and interests, pays attention to employees' physical and mental health, helps employees grow and develop, strengthens communication with employees, and strives to create a harmonious and positive corporate culture.

Attaching importance to benefits of all dairy cows to practice the mission of producing high quality products. Youran Dairy firmly believes that welfare-oriented farming is an important condition for safe and high-quality products, and always pays great attention to protecting animal welfare. We have established a high-quality and comfortable growing environment for cattle, coupled with advanced breeding concepts and techniques, and strengthened disease prevention measures for the safety of cattle. We care for the healthy and vigorous growth of each cow, and promote the production of high-quality milk.

Strictly regulating quality control to create a trustworthy brand. Youran Dairy has been pursuing the mission of "creating the source power of healthy human life by quality products". We relied on our strong product quality management system to carry out comprehensive quality control over raw milk, feed and breeding from the source to the end, and constantly promoted the research and development of innovative technologies in the industry to provide high-quality and safe products for the market. Meanwhile, we continued to improve the quality of customer service with customer experience as the guide to build a sincere, caring and sound corporate image.

Joining hands with partners for win-win cooperation to promote inclusive and harmonious development. Youran Dairy focuses on establishing sustainable supply chain. We have established a sound supplier management system to advocate green procurement and effectively control environment and social risks in the supply chain. We have also actively strengthened industry exchanges to promote mutual benefit and win-win development. In addition, we remain true to our original inspiration in the development and operation, and enthusiastically participate in charitable activities to promote a more prosperous community and make contributions to the harmonious development of the society.

About Youran Dairy

Company Profile

Founded in 1984, Youran Dairy is the largest integrated provider of products and services in the upstream dairy industry in China with an all-round business extending from breeding, feed to raw milk production. With nearly 40 years of experience in the dairy industry and in-depth research and development, Youran Dairy has gained insights into market demands and development trends, which enable it to develop and offer diversified products and services catering to evolving customer demands.

- We own 73 self-operated dairy farms, covering the Golden Raw Milk Belt in China (a geographic area spanning from 40 to 50 degrees north latitude, which is an ideal latitude zone for dairy farming and quality raw milk production), in 16 provinces, municipalities directly under the central government and autonomous regions across China. Over 410,000 imported fine breeding Holsteins and Jerseys are being bred in these dairy farms and the production volume of raw milk are approximately 1,990,000 tonnes;
- We own 13 feed mills with businesses reaching 26 provinces, municipalities and autonomous regions, serving nearly 1,500,000 ruminant animals in China;
- We have built forage grass plantation bases centered on Ar Horqin Banner, the China's "Grass Capital", for producing premium forage grass, and further developed 12 grass plantation bases across the country. The supporting forage grass plantation bases of dairy farms adopting the model of integrated planting and farming cover an area of nearly 200,000 mu;
- Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd. ("SKX"), one of our subsidiaries, is a leading dairy breeding enterprise in China and it works as the safety guardian of the breeding industry in China. SKX owns the leading in-house genetic improvement technology in the industry and the world's leading sex-sorted frozen bovine semen production technology. Furthermore, we have built three key breeding bases in Wisconsin, the United States, and Horinger and Qingshuihe, China to expand our business footprint at home and abroad;
- We have built Jumuc.com, China's leading sharing platform for the dairy industry chain, which fully promotes the ecological development of industry.

About Youran Dairy

- 73** self-operated dairy farms
 Covering 16 provinces, municipalities and autonomous regions with more than 410,000 dairy cows
- 13** feed mills
 Covering 26 provinces, municipalities and autonomous regions, and serving around 1,500,000 ruminants
- 12** forage grass plantation bases
 Having built forage grass plantation bases centered on Ar Horqin Banner, the China's "Grass Capital", for producing premium forage grass with nearly 200,000 mu of land area for integrated planting and farming
- 3** key breeding bases
 The United States: Wisconsin
 China: Horinger and Qingshuihe
- 1** dairy industry chain platform
 Industry chain financial center, warehousing and logistics center, cloud sharing center and global procurement center



Economic Performance

Indicators	Unit	Data for 2021
Operating Income	RMB'000	15,346,167
Total assets	RMB'000	31,961,639
Net profit	RMB'000	2,021,216
Annualized return on equity	%	13.6

About Youran Dairy

Corporate Culture

Vision



Lead China's Animal Husbandry to March Forward to the Most Trustworthy World-class Animal Husbandry Group

Mission



It is committed to creating the source power of human healthy life by its high-quality products

Core Values

- Excellence:** Constantly exceed and break through, striving to do better;
- Undertaking:** Attentively do its duty, provide the priority for the big picture, and ensure that the mission will be achieved;
- Innovation:** Continue to innovate and has the courage to try, constantly creating values;
- Win-win:** Be willing to share and actively cooperate, achieving the win-win results for all parties;
- Respect:** Embrace pluralism and consider from others' positions, building the mutual trust relationship.

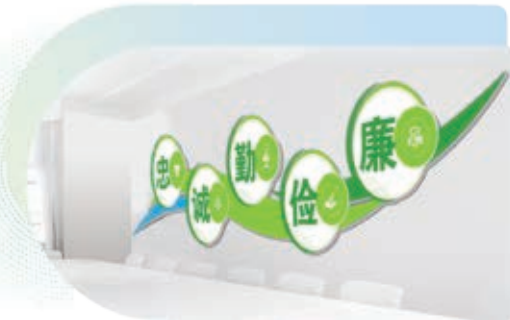


Spirits

With the consistent spirits of being active, dedicated and efficient, Youran's employees have the unique spiritual quality, forging outstanding internal motivation and core competitiveness which can develop sustainably.

Moral Codes

- Loyalty:** Be loyal, selfless and dedicated;
- Sincerity:** Treat people sincerely and be honest and trustworthy;
- Diligence:** Work hard and diligently;
 - Thrifty:** Increase revenue, reduce expenditure and eliminate waste;
- Integrity:** Be on the straight and self-disciplined.



Credo



About Youran Dairy

Awards and Honors

In 2021, Youran Dairy continued to rely on its advantages in professional products, proactively assume its social responsibility and mission and build its brand influence, winning various awards and honors:



Inner Mongolia Youran Dairy Co., Ltd.
Agricultural and Rural Informatization
Demonstration Base (Production Type)
Ministry of Agriculture and Rural Affairs
of the People's Republic of China



Inner Mongolia Youran Dairy Co., Ltd.
Enlisted in "The Marvel and Splendor of Dairy China
– The Outstanding Company Directory During Realizing
the 13th Five-Year Plan"
Dairy Association of China



The team of Dr. Li Xihe from SKX Research Institute,
the team of the University of Hong Kong
and the team of Inner Mongolia University
Establishment of bovine expanded potential stem cells
Proceedings of the National Academy of Sciences
of the United States of America (PNAS)



Inner Mongolia Youran Dairy Co., Ltd.
Intellectual Property Management System Certification
Zhongzhi (Beijing) Certification Co., Ltd.

About Youran Dairy



Inner Mongolia Youran Dairy Co., Ltd.
 No.9 among the Top 100 Private Enterprises in Inner Mongolia
 Inner Mongolia Federation of Industry and Commerce &
 Inner Mongolia Development and Reform Commission



Inner Mongolia Youran Dairy Co., Ltd.
 Key Leading Enterprise in the Industrialization of
 Agricultural and Animal Husbandry Sector
 in Inner Mongolia Autonomous Region
 People's Government of Inner Mongolia Autonomous Region



China Youran Dairy Group Limited
 The 11th Golden Bauhinia Awards of China Securities
 – The Most Valuable Listed Company for Investment
 Hong Kong Ta Kung Wen Wei Media Group Limited



China Youran Dairy Group Limited
 The 6th Golden Hong Kong Stocks Awards Ceremony
 – The Most Valuable Company in Consumer and Service Sector
 Shenzhen Zhitong Caijing Information Technology Services Co., Ltd.

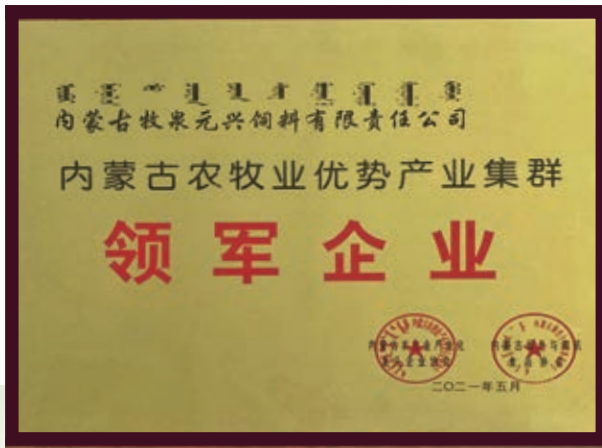
About Youran Dairy



China Youran Dairy Group Limited
2021 China Financial Market Award – “The Most Potential Listed Company” & “The Best Brand Value Award”
China Financial Market, a famous financial magazine



China Youran Dairy Group Limited
2021 Award for Social Responsibility of Listed Companies
at the 11th Philanthropy Festival
syobserve.com
www.gongyidaily.com



Inner Mongolia Muquan Yuanxing Feed Co., Ltd.
Leading Enterprise in Competitive Agricultural and
Animal Husbandry Industry Clusters in Inner Mongolia
Inner Mongolia Association of Agricultural Leading Enterprises
Inner Mongolia Green and Organic Food Association



Inner Mongolia Yihe Lvjin Agriculture Development Co., Ltd.
Key Leading Enterprise in the Industrialization of Agricultural and
Animal Husbandry Sector in Chifeng City in 2021
Chifeng Municipal People's Government

About Youran Dairy

Corporate Milestones





1. Implementing Sustainable Development Governance

Implementing Sustainable Development Governance

1. Implementing Sustainable Development Governance

1.1 ESG management

- **Board Statement**

The board of directors of the Company (the “Board”) strictly complies with the Code of Corporate Governance for Listed Companies 《上市公司治理準則》 and the Environmental, Social and Governance Reporting Guide and other requirements to proactively establish an effective environmental, social and governance (“ESG”) system, management process and information disclosure measures, which ensured our sustainable development work carrying out in an orderly manner.

The Board is responsible for supervising and reaching decisions about ESG-related matters, evaluating risks and opportunities under sustainable development by taking our operation and demands of the stakeholders into consideration, identifying the focus of our sustainable development effort and regularly reviewing our ESG policy, policymaking, and accomplishment of goals and our ESG performance to properly fulfil our sustainable development obligations. The Board is also in charge of reviewing disclosures in the ESG report of the Company. This ESG Report was reviewed by the Board before publication.

- **ESG Governance Structure**

The Group attaches great importance to sustainable development and has established a comprehensive bottom-up governance system covering “decision making, management and execution” to continuously standardize its sustainable development management.

Decision-making

The Board is responsible for the decision-making and oversight of ESG-related matters, as well as providing full-scope guarantee of our sustainable development governance.

- The Board is responsible for supervising and identifying environmental, climatic, and social risks and opportunities, formulating and adopting the Company’s ESG policies, strategies and goals, reviewing our performance against environmental, social and governance goals and adjusting ESG strategies correspondingly.

Management

The Company has established an ESG Committee comprising multiple departments involving business units, quality management, engineering management, supply support, financial management, human resources, audit, corporate affairs and technology, to make an overall arrangement on the ESG-specific management work.

- To assist the Board with the implementation of ESG policies, goals and strategies, evaluate the materiality of environmental, climatic and social risks and adjust business plan based on the impact of climate change;
- To organize relevant departments to collect ESG statistics, report information and carry out other ESG-related information disclosure work;
- To continuously oversee the implementation of measures for addressing ESG-related risk and fulfilling ESG obligations, and to conduct investigations into deviation and communicate with relevant functional department by the committee to order prompt rectification;
- To report to the Board about ESG performance and the effectiveness of various ESG policies semi-annually on Board meetings and provide appropriate recommendations.

Execution

Dedicated staff under ESG-related departments are responsible for implementing ESG policies and conducting specific work in accordance with management strategies of the Board and requirements of the ESG Committee.

Implementing Sustainable Development Governance

- **ESG Reporting Principles**

The preparation of this report adheres to the principle of materiality, quantification, balance and consistency.





- » **Materiality:** The materiality of ESG matters was determined by the Board, and communications with stakeholders, the process of identifying substantive issues and substantive issues matrix were disclosed in this report.
- » **Quantification:** The statistical standards, methodologies, assumptions and/or calculation tools of quantitative key performance indicators, as well as source of conversion factors were detailed in the "Definitions" section in this report.
- » **Balance:** This report provides an unbiased presentation of the Company's performance during the Reporting Period by preventing choices, omission and forms that may cloud the users' decision or judgement of this report.
- » **Consistency:** Unless otherwise specified, the statistical methods and standards of data disclosed in this report are consistent.

- **Communications with Stakeholders**





The Company attaches great importance to mutual communication with stakeholders, pays continuous attention to their expectations and demands through a variety of channels, and responds quickly to their suggestions. In addition to lawful and compliant operation, the Company also fulfils its social responsibilities and creates values for stakeholders.

 Stakeholders	 Expectations and demands	 Communication mode	 Our responses
Shareholders/inventors	<ul style="list-style-type: none"> • Stable operation with reasonable and sustainable investment returns • Timely disclosure of operation and material matters 	<ul style="list-style-type: none"> • General meetings • Announcements, circulars, annual reports, interim reports, etc. published on the websites of the Stock Exchange and the Company • Investor roadshows and earnings conferences • On-site research • Online communication 	<ul style="list-style-type: none"> • Continuous improvement of operation abilities • Timely release of operation and material matters • Proactively communicating with investors through various channels and strengthen investor management
Government/regulators	<ul style="list-style-type: none"> • Lawful and compliant operation • Abiding by the Listing Rules and other relevant requirements 	<ul style="list-style-type: none"> • Policy consultation • Site inspection • Meetings with government authorities • Information disclosure • Contact through agencies 	<ul style="list-style-type: none"> • Be strictly in accordance with regulatory policies and requirements • Disclosing operation and material matters in time • Compliant operation

Implementing Sustainable Development Governance

 Stakeholders	 Expectations and demands	 Communication mode	 Our responses
Consumers/customers	<ul style="list-style-type: none"> • High quality, safe and nutritious products • Proper and compliant marketing • Good service experience • Privacy information security 	<ul style="list-style-type: none"> • Telephone, email and other communication channels • Company's official website • Customer satisfaction survey 	<ul style="list-style-type: none"> • Quality assurance • Marketing according to the law • Customer satisfaction analysis • Protecting the rights of consumers and customers
Employees	<ul style="list-style-type: none"> • Equal and compliant employment • Rights protection • Growth and development • Occupational health and safety • Caring and communication 	<ul style="list-style-type: none"> • Diversified internal communication channels, such as telephone and email • Employees' congress • Democratic communications • Labour contract 	<ul style="list-style-type: none"> • Compliant recruitment and improvement of employment system • Protection measures of occupational health • Optimizing career development path • Enhancing remuneration and benefit packages • Conducting various activities for employees • Democratic communications • Employee trainings
Suppliers	<ul style="list-style-type: none"> • Fair and open procurement • Contract fulfilment with integrity • Stable business relationship • Supply chain building 	<ul style="list-style-type: none"> • Supplier evaluation • On-site inspection • Industry exchange 	<ul style="list-style-type: none"> • Sticking to fair and open procurement • Improving the full life cycle management of supply chain • Paying attention to supply chain environmental and social risks • Strengthening supply chain communication and interaction • Selecting low-carbon, environment-friendly and energy-saving products

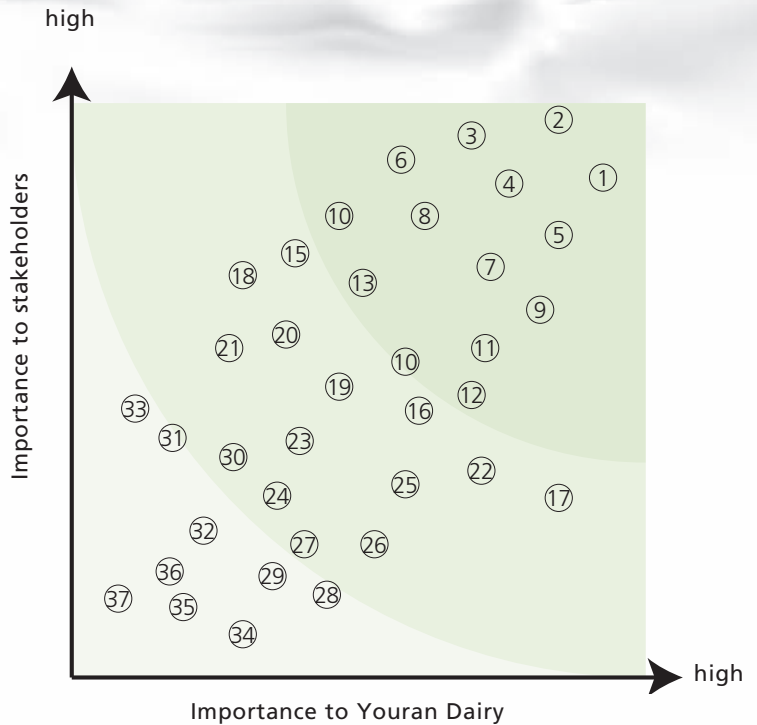
Implementing Sustainable Development Governance

 Stakeholders	 Expectations and demands	 Communication mode	 Our responses
Environment	<ul style="list-style-type: none"> • Adhering to low carbon operation • Responding to climate change • Application of energy-saving equipment and technologies • Ecology and biodiversity conservation 	<ul style="list-style-type: none"> • Environment inspection • Disclosure of environmental information 	<ul style="list-style-type: none"> • Setting guidance for carbon neutrality and actively responding to climate change • Energy saving and emission reduction, optimization and transformation • Setting environmental goals • Strengthening ecological protection • Building recycling dairy farms • Welfare of cows
Communities	<ul style="list-style-type: none"> • Carrying out charity activities • Contributing to local development • Supporting rural areas development 	<ul style="list-style-type: none"> • Knowing community needs • Formulating plans for community services 	<ul style="list-style-type: none"> • Conducting public service activities • Facilitating local employment • Supporting the improvement of life quality in poor rural areas
Media	<ul style="list-style-type: none"> • Actively engaging with media • Strengthening media publicity 	<ul style="list-style-type: none"> • Participating in sustainable development activities • Official communication channels of the Company 	<ul style="list-style-type: none"> • Accumulating materials for sustainable development • Actively participating in public events on sustainable development

Implementing Sustainable Development Governance

- Identifying Materiality Issues

To identify the focus of ESG and information disclosure, the Company issued questionnaires to stakeholders to identify and evaluate material issues in 2021. A total of 127 valid questionnaires were collected. Taking into consideration the questionnaire results and the Company’s actual operation situation, the Company designated 37 material issues as key ESG issues after identifying, evaluating, and sorting issues, thereby forming a material issue matrix as the basis of the management and disclosure of ESG information from the importance of the issues to both stakeholders and the Company.



Notes:

- | | |
|---|--|
| ① Environmental compliance | ⑳ Screening and evaluating lawfully operating suppliers |
| ② Feed quality management | ㉑ Equal and compliant employment |
| ③ Raw milk quality management | ㉒ Employee development and training |
| ④ Recycling dairy farm building | ㉓ Employee communication management |
| ⑤ Idea of responsibility | ㉔ Supply chain environmental and social risk management |
| ⑥ Health and safety management of cows | ㉕ Charity |
| ⑦ Employees’ rights protection | ㉖ Production informatization |
| ⑧ Preventing forced labour and child labour | ㉗ Carrying out environmental protection activities |
| ⑨ Setting environmental goals | ㉘ Response to climate change |
| ⑩ Anti-corruption reporting | ㉙ Quality management of customer services |
| ⑪ Environmental protection and natural resources conservation | ㉚ Facilitating local employment |
| ⑫ Occupational safety and health | ㉛ Employee care activities |
| ⑬ Anti-corruption supervision and management | ㉜ Stakeholders’ involvement in responsibility management |
| ⑭ Intellectual property protection | ㉝ Warehousing and transportation management |
| ⑮ Fair and open procurement | ㉞ Poverty alleviation and disaster relief |
| ⑯ Production technology innovation | ㉟ Responsibility governance structure |
| ⑰ Participation in the responsibility management by the Board | ㊱ Proper marketing |
| ⑱ Anti-corruption training | ㊲ Procurement of energy-saving and environment-friendly products |
| ㉠ Energy saving and emission reduction | |

Implementing Sustainable Development Governance

1.2 Promotion of a culture of integrity

The Company has been strictly abiding by the Criminal Law of the PRC 《中華人民共和國刑法》, the Company Law of the PRC 《中華人民共和國公司法》, the Bidding Law of the PRC 《中華人民共和國招標投標法》, Interim Provisions on Prohibition of Commercial Bribery 《關於禁止商業賄賂行為的暫行規定》 and other national laws and regulations on anti-corruption, bribery and extortion, fraud and money laundering, and has set a number of internal rules such as the Punishment Measures for Fraudulent Behaviors 《舞弊行為懲處辦法》, Measures for the Administration of Anti-Fraud Work 《反舞弊工作管理辦法》, Youran Dairy's Code of Business Conduct 《優然商業行為準則》, Youran Dairy's Bottom Line System 《優然高壓線》, Youran Dairy's Relevant Regulations on Cultivating a Culture of Honest and Upright 《優然牧業推動落實廉潔新風的相關規定》, Employee Reward and Punishment Mechanism 《員工獎懲制度》, and Interest Relationship Management Measures 《利益關係管理辦法》, to continuously improve its anti-corruption system construction. During the Reporting Period, the Company was not involved in any bribery or corruption litigation.

The Company pays high attention to the management of anti-corruption and promotion of honesty by continuously improving its anti-fraud ecosystem to ensure all the staff "don't dare to, are unable to and have no desire to commit acts of corruption", and develop a clean and upright working environment. The Company has a designated department to manage risk assessment, investigate into complaints and improve mechanisms, thereby guaranteeing our lawful operation free of corruption. In the meantime, we maintain various whistle-blowing channels such as email and telephone. We have designated personnel to handle whistle-blowing related work, from accepting complaints, forming investigation team in respect of complaints, actively carrying out investigation to reporting to management timely. As for internal and external violations and anti-corruption actions, we adopt a zero-tolerance attitude and seek accountability in accordance with regulations and administration rules and hand over to judicial authorities in case of criminal offense.

Furthermore, we pay attention to the development of a clean culture, actively organize anti-corruption trainings and campaigns, and effectively strengthen the cultivation of anti-corruption and honesty ideas. During the Reporting Period, the Company held 62 anti-corruption and anti-fraud trainings and related activities for directors and employees.

- » The Company organized the study and training of Punishment Measures for Fraudulent Behaviors 《舞弊行為懲處辦法》 and other anti-corruption management regulations for directors and all employees to build an ideological line of defense for adhering to moral bottom line.
- » The Company carried out monthly anti-fraud campaign through live classes, and trainings on fraud theory, fraud cases and the construction of the Company's anti-fraud mechanism were provided to 140 senior management personnel from various business units, which improved the compliance awareness of all employees and ensured the Company's healthy development.
- » The Company conducted a major anti-fraud theme campaign of "respecting rules and staying true to the original mission". The directors and management of the Company attended the campaign and put forward work requirements for training and publicity of anti-fraud and compliance culture, compliance risk management and control, and handling of fraudulent behaviors. A total of 1,838 management personnel of team leader or above titles participated in the event and signed the anti-fraud commitment letter to enhance the internal anti-corruption awareness.



Major anti-fraud theme campaign of "respecting rules and staying true to the original mission"



Anti-fraud campaign

2. Being Committed to Ecological Environmental Protection



Being Committed to Ecological Environmental Protection

2. Being Committed to Ecological Environmental Protection

The Company always adheres to the concept of green and environmental protection and low-carbon development and is devoted to the sustainable production model with environmental friendliness, ecological balance and cyclic utilization. We strictly abide by the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》, the Environmental Impact Assessment Law of the PRC 《中華人民共和國環境影響評價法》, the Law of the PRC on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢棄物污染環境防治法》, the Animal Epidemic Disease Prevention Law of the PRC 《中華人民共和國動物防疫法》, the Rules for the Implementation of the Metrology Law of the PRC 《中華人民共和國計量法實施細則》, the Law of the PRC on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, the Regulations on Urban Discharge and Waste Water Treatment 《城鎮排水與污水處理條例》, the Regulations on the Prevention and Control of Large-scale Livestock and Poultry Breeding Pollution 《畜禽規模養殖污染防治條例》, the Interim Measures for the Completion Inspections of Environment Protection Facilities of Construction Projects 《建設項目竣工環境保護驗收暫行辦法》, the Measures for Treatment of Dead Animals due to Disease and for Unknown Reasons of the PRC (for Trial Implementation) 《病死及死因不明動物處置辦法(試行)》, the Technical Specifications for Harmless Treatment of Dead Animals due to Disease and Sick Animals 《病死及病害動物無害化處理技術規範》, the Technical Specifications for Collection, Storage and Transportation of Hazardous Wastes 《危險廢物收集、貯存、運輸技術規範》, the Technical Specifications for Centralized Disposal of Medical Wastes (for Trial Implementation) 《醫療廢物集中處置技術規範(試行)》, the Action Plan for Utilization of Livestock and Poultry Excrement Resources 《畜禽糞污資源化利用行動方案》, the Technical Specifications for Harmless Treatment of Livestock and Poultry Feces 《畜禽糞便無害化處理技術規範》, the Technical Specifications for Land Application Rates of Livestock and Poultry Feces 《畜禽糞便還田技術規範》 and other laws, regulations and policies to regulate the environmental governance of the Company. During the Reporting Period, there was no litigation against or corresponding penalty imposed on the Company due to the violation of environmental regulations.

2.1 Responding to climate change

With the increasing global climate and environmental risks, climate change has become a severe challenge for all human beings and also a significant strategic opportunity. As a company with a strong sense of responsibility, Youran Dairy actively responds to the requirements of national strategies, bravely undertakes responsibilities on mitigating climate change, explores and analyses risks of climate change, identifies the possible impact of climate change on the normal operation of the Company and formulates strategies, measures and actions to respond to climate change.

- **Analysis on impact of climate change**

We actively identify and monitor the climate-related risks and opportunities over the short, medium and long term, and enhance analysis on the impact of climate change to ensure reasonable and full response to risks and opportunities on climate change.

Term	Risks	Potential impacts
Short term	<ul style="list-style-type: none"> » Extreme weather conditions such as extreme cold or heat » Environmental regulatory compliance risks 	<ul style="list-style-type: none"> » Decreased production volume and reduced revenues, disruptions to supply chain » Environmental regulatory compliance risks
Medium term	<ul style="list-style-type: none"> » Environmental regulatory compliance risks » Risks relating to shortage of natural resources (such as dairy farm lands, lands for our ancillary feed planting bases and water resources) 	<ul style="list-style-type: none"> » Higher operating costs due to increased costs for pollutant discharge, fines and penalties as a result of non-compliance and higher operating costs incurred in connection with investment in new equipment » Impacting expansion of dairy farming operations and feed business
Long term	<ul style="list-style-type: none"> » Worldwide initiatives for reducing carbon emissions 	<ul style="list-style-type: none"> » Higher operating costs or tax burdens due to increased costs of raw materials

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- Climate change measures

- Guidance of strategic measures on carbon neutrality

We have set the target on reducing greenhouse gases (“GHG”) emissions to 85 tonnes per million revenue in 2025. To ensure successful realization of the target and in line with the national policies on carbon peak and carbon neutrality, we have formulated the guidance of strategic measures on carbon neutrality, proposed a four-step strategy and established the Strategic Committee on Carbon Neutrality. Leveraging the carbon peak and carbon neutrality policy on “value-driven, technology-led, high-efficient utilization and green development”, we have formulated various core measures on emission reduction to facilitate green and sustainable development.

Four-step strategy		Core measures on emission reduction
Stage 1: Transition for transformation	<ul style="list-style-type: none"> ➤ Establish a carbon assessment methodology on husbandry and achieve zero-carbon emission at one dairy farm; 	<ul style="list-style-type: none"> ➤ Pilot introduction and promoting the application of new energy: promoting power generation with clean energy through the installment of photovoltaic devices and generating power through all biogas to achieve the self-use of green power;
Stage 2: Conversion of energy structure	<ul style="list-style-type: none"> ➤ Use green power at 50% of dairy farms and achieve the introduction and sale of low-carbon feeds and carbon sink in the forage industry; 	<ul style="list-style-type: none"> ➤ Promoting the transformation of the energy structure: vigorously introducing new technologies and new equipment to achieve power electrification;
Stage 3: Development with near-zero carbon emission	<ul style="list-style-type: none"> ➤ Use green power at 100% of dairy farms and plants nationwide and reduce emissions by 50% in the ruminant segment; 	<ul style="list-style-type: none"> ➤ Strengthening management on energy saving and emissions reduction: enhancing the technical transformation of the energy utilization efficiency to further improve the energy efficiency;
Stage 4: Decisive victory in overall carbon neutrality	<ul style="list-style-type: none"> ➤ Achieve carbon neutrality at all dairy farms and plants. 	<ul style="list-style-type: none"> ➤ Speeding up in the technical research on the low-carbon treatment of cow manure: optimizing the treatment model of cow manure and reducing carbon emissions in the treatment process; ➤ Achieving the efficient utilization of cow manure through the integration of plantation and feed: improving the utilization rate in the recycling of cow manure and turning cow manure into resources to achieve carbon emissions reduction through the integration of plantation and feed; ➤ Technical research and reserve on carbon emission reduction in the rumination process: conducting researches on the development of low-carbon feeds, amino acid balance and additives for restraining methane from the rumen of cows to reduce carbon emissions in the rumination process; ➤ Establishment of core herds with low carbon, high yielding and longevity: establishing core breeding cattle for “super cows” and cultivating sires for “super cows”; ➤ Carbon sink in agriculture and forestry: conducting research and promoting the application of technology on no-tillage carbon sequestration and carbon sequestration in forage plantation to achieve carbon sink.

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➤ Formulation of environmental targets

While steadily promoting the implementation of the carbon neutrality strategy and core measures on carbon emissions reduction to guarantee the gradual achievement of GHG targets, the Company also gradually set out targets on energy consumption, use of water resources and management of wastes and waste gas and focused on the improvement of various environmental management measures to create an environment-friendly production and office environment and fully achieve green operation and development.

Energy consumption targets

We are expected to achieve the target of reducing comprehensive energy consumption to 5.72 tonnes of standard coals per million revenue and power usage to 25.0 thousand kWh per million revenue by 2025 through the following planning measures.

- Controlling the selection of lamp types from the source in the design of new dairy farms and feed mills; conducting the replacement with LED energy-saving lamps on old dairy farms and feed mills.
- Installing motors with grade-3 energy efficiency for all facilities and machines on new dairy farms and feed mills; conducting the replacement with motors with grade-3 energy efficiency on old dairy farms and feed mills.
- Adopting SCB11-13 energy-saving equipment on new dairy farms and feed mills; conducting the replacement of transformers on old dairy farms and feed mills.
- Adopting scrapers (with power) in cleaning up cow manure to replace vehicles and machinery (with fossil fuel) in cleaning up cow manure in barns for milking cows on new dairy farms (except those in extreme cold areas) to reduce the consumption of fossil fuel for vehicles.
- Promoting power electrification of vehicles on new dairy farms (in southern areas and northern areas with appropriate temperature) and promoting the use of rechargeable vehicles on new dairy farms; gradually eliminating old business vehicles and replacing them with vehicles under national standards on existing dairy farms.
- Reasonably planning power distribution layout from the design of projects on new dairy farms and feed mills, controlling the designed length of low-voltage power transmission routes, reducing the use of voltage drop and improving the use efficiency of electric equipment.
- Taking into account the distance between milk processing plants and feed processing plants and ancillary silage resources in surrounding areas in selecting sites for new dairy farms and reducing the consumption of fossil fuel in the transportation of fresh milk, feeds and silages.
- Comprehensively upgrading and transforming fans on dairy farms into the model with temperature-based control plus remote control and effectively controlling the operation time of fans.
- Installing the air-cooling process in the refrigerating system of milking halls at dairy farms in northern areas to reduce power consumption.

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Water consumption targets

We are expected to achieve the target that the water consumption reduces to 900 tonnes per million revenue by 2025 through the following planning measures.

- » Planning the installment of PLC intelligent water supply systems for all new dairy farms.
- » Fully promoting precise spraying facilities on new dairy farms to reduce the waste of water.
- » Installing water meters on all new feed mills based on different areas.
- » Installing steam condensate recycling devices in all new feed mills.
- » Continuously promoting the use of recycled water and practicing the recycling of water resources.

Targets on hazardous wastes

- » Continuously maintaining the safe treatment of sick and dead cows, medical wastes, liquid waste from laboratories and other hazardous wastes in compliance with regulations.

Targets on non-hazardous wastes

- » We are expected to achieve the target of reducing sulfur dioxide emissions to 0.0040 tonne of standard coals per million revenue and the NOx emissions to 0.0023 tonne per million revenue by 2025 and further reducing the generation of coal cinders and wastes through the replacement of coal-fired boilers with air source heat pumps and other measures.

Targets on waste gas

- **Response to extreme weather conditions**

As a result of the frequent occurrence of extreme weather conditions in various regions globally and the significant losses caused, it has become a common trend of all industries to effectively respond to extreme weather conditions. Youran Dairy actively identifies the possible impacts of extreme weather conditions on the production and operation processes, improves and establishes plans on responding to various extreme weather conditions to properly safeguard cows and production safety of employees:

In terms of dairy farm management, we take into account temperature control from the layout, height and roof plates of barns in the planning and construction of dairy farms and formulate ancillary guarantee measures on the stress of cows:

- » For extreme cold weather, we strengthen warmth-keeping through the installment of mobile roller shutters to keep an appropriate temperature, heating water tanks and installing ancillary heating systems in milking halls and add energy feeds in the premixes for dairy cows to enhance the cold stress capability of dairy cows;
- » For extreme hot weather, we install ancillary infrared precision spraying facilities and set centralized sprinkling area to help cooling dairy cows. We also installed fans and other cooling equipment to help cooling barns in a timely and efficient manner;
- » For the problems in the transportation of forage grass under snowy weather, we have emergency forage grass inventories at all grassroots units to ensure safe inventories for operation in winter. We also reserve various suppliers in different areas to deal with the restricted transportation under snowy weather.

In terms of the health and safety of employees, the Company also formulated relevant emergency proposals, such as emergency proposals on the prevention of typhoon and flood disasters. Under the leadership of the management, the Company established the group on preventing typhoons and floods and set up rescue teams, support teams and coordination teams and specified emergency processes under different stages to improve the Company's awareness on the prevention of special disaster weather and the overall capability on resisting special disaster weather.

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2.2 Reducing pollution and emissions

To ensure the efficient management and emission of various pollutants, the Company formulated the Administrative Measures for Environmental Protection of Youran Dairy 《優然牧業環境保護管理辦法》, the Responsibility System for Environmental Protection 《環境保護責任制》, the Rules for the Implementation of Sewage Treatment 《污水處理實施細則》, the Rules for the Implementation of the Prevention and Control of Atmospheric Pollution 《大氣污染防治實施細則》, the Rules for the Implementation of the Disposal of Solid Wastes 《固體廢物處置實施細則》, the Rules for the Implementation of Environmental Protection on Dairy Farms 《牧場環保實施細則》, the Specifications for the Management of Environmental Protection Files 《環保檔案管理規範》, the Questionnaire on Identification and Appraisal of Environmental Factors of Youran Dairy 《優然牧業環境因素識別與評價調查表》 and other rules to regulate the management and strive to reduce environmental pollution.

- **GHG management**

The GHG emission of the Company is mainly from direct emissions from the intestinal gas of cows, rumination, cow manure and the use of energy as well as indirect emissions from the use of purchased electricity, municipal heat supply and purchased steam. In 2021, under the guidance of the carbon neutrality strategy, the Company steadily promoted the expansion of relevant measures on reducing carbon emissions and focused on energy carbon emission reduction, biological carbon emission reduction and no-tillage carbon sequestration technology to effectively control GHG emissions.

Energy carbon emission reduction

» The Company actively optimizes the use of electricity, fuel oil, steam, biogas and other energy, continuously strengthens control and practically promotes the transformation of energy structure, the energy-saving transformation and the application of energy-saving equipment to reduce GHG emissions. For relevant detailed measures, please refer to “2.3 Optimizing resource utilization – Energy management” in this report.

Biological carbon emission reduction

Technical research and reserve on carbon emission reduction in the rumination process

» Through the research and development of technologies on rumen bypass protection, energy and nitrogen balance of cows, functional proteome and other key regulatory technologies on the healthy breeding of cows, the Company improved the conversion rate of feeds for cows, reduced GHG emissions from the rumination process of cows and continuously improved the average milk yield per milkable cow. The average milk yield per milkable cow (excluding Jerseys) increased from 10.5 tonnes for the year ended December 31, 2020 to 10.9 tonnes in the Reporting Period, representing an increase rate of 3.8%. While meeting consumers’ demand for milk, it also reduced carbon emissions in the breeding process of cows.

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» The Company, the Institute of Animal Sciences of Chinese Academy of Agricultural Sciences and the Animal Husbandry Workstation of Ningxia Hui Autonomous Region jointly declared a key R&D program in Ningxia in 2021, namely the Establishment of the Carbon Emission Monitoring and Alarming Platform and the Demonstration Application of the Low-carbon Feeding Model with Emission Reduction in Cows Breeding, which was officially launched in April 2022. The project plans to study the carbon emission law under the typical breeding model through the determination of nutrient composition of common feed ingredients for dairy cows and carbon emission model, build an intelligent monitoring and early warning platform for carbon emission from dairy cows that is integrated with information on diet formula of dairy cows, herd structure and breeding model, and research and develop nutrition regulation technology and efficient utilization technology of manure to reduce carbon emissions, and integrate low-carbon recycling breeding technology. A low-carbon, emission-reduction and efficient breeding model will be established for demonstration application based on the feedback from intelligent monitoring and early warning platform for carbon emission from dairy cows. The project will reduce carbon emissions by more than 5% for the whole dairy farming industrial chain of Youran Dairy, contributes to the realization of the national "dual carbon" goal, and become the pioneer of the "net zero" action of Food and Agriculture Organization ("FAO") dairy industry.

Establishment of core herds of "super dairy cows" with low carbon, high yielding and longevity

» The Company completed the selective breeding plan on cows with low carbon, high yielding and longevity (2022-2026), started the selection of premium cows through gene blocking, breeding suspension and elimination to optimize the herd structure on farms across the country and increase the proportion of cows with high conversion rate and low consumption rate, thus reducing GHG emissions from the metabolism of dairy cows.

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- Technical research and reserve on the low-carbon treatment of cow manure
- » With the comprehensive index on feed efficiency and the productive life as the basis in the selection of frozen semen for bulls, the Company conducted selective breeding of dairy cows. Combined with the improvement in disease prevention and feeding management, it effectively improved the conversion rate of cow feeds and the life of dairy cows and reduced GHG emissions.
 - » In 2021, the Company and the Chinese Academy of Agricultural Sciences completed the declaring of the Calculation and Evaluation on Carbon Emission in the Dairy Industry and the Research and Demonstration of the Decision-making System on Reducing Carbon Emissions, planned to establish the Carbon Evaluation Methodology and Data Model in the Cow Breeding Industry and the carbon emission database of breeding enterprises in Inner Mongolia in two years and carried out researches and technical reserve on carbon emission reduction measures on the treatment of cow manure in dairy cows breeding.
- Efficient utilization of cow manure through the integration of plantation and feed
- » The Company and Nanjing Institute of Soil Science jointly carried out the comparison experiment on nitrogen emission from land application of cow manure and fertilization with fertilizers at the dairy farm in Zhangwu. Compared with regular fertilizers, the fertilization with solid/liquid manure significantly reduced nitrogen volatilization in soil. The fertilization of liquid organic fertilizers in three times with urease inhibitors can achieve the lowest nitrogen volatilization, reducing by 65.7% compared with the treatment with fertilizers.

Research on and application of no-tillage carbon sequestration technology

- » The Company actively promoted no-tillage carbon sequestration technology in the forage grasses base in Chifeng to reduce the use of fuel oil and carbon emission from the tilling process. It has achieved full no-tillage operation in oat sowing in spring and the no-tillage area reached 17,966 mu in 2021. It plans to further improve ancillary technology on no-tillage in oat sowing in spring to develop the resource-saving agriculture with stable and high yields.
- » In the planting area of summer corns, the Company actively carried out no-tillage sowing in hard soil with wheat stubbles. The no-tillage area reached 28,249 mu in 2021. The Company will actively improve ancillary technology on no-tillage in the plantation base for summer corns in the future to further promote no-tillage technology.

Case Study Transformation of Green Dairy Farms and Plants

In 2021, based on the actual conditions of all dairy farms and following the development philosophy of advocating ecological breeding at all entities, we continuously promoted the implementation of the building of green farms/plants of all entities. During the Reporting Period, we have completed the plantation of various plants such as trees, lawns and flowers on dairy farms/plants and reached the target with a greening rate of 80%, improving the production and living environment and facilitating the low-carbon life.



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- **Waste gas management**

The waste gas of the Company includes sulfur dioxide, nitrogen oxide and soot, which are mainly from the coal-fired boilers as well as other emission channels such as the burning of natural gas and biomass. To reduce air pollution from the use of coal, we have initiated the replacement of coal-fired boilers with biomass-fired boilers or air source heat pumps in boilers for heat supply on dairy farms from 2017 to control pollution from the source, gradually achieve production with clean energy and effectively reduce the generation of waste gas.

- **Waste water management**

The Company strictly regulates the treatment of waste water and discharges no waste water to the external natural environment. All of the waste water generated from cows breeding is used in farmland fertilization after innocuous treatment. The liquid supernatant of the little domestic waste water generated from the feed business after innocuous treatment is discharged into municipal pipelines for standard treatment.

- **Wastes management**

The wastes of the Company mainly include sick and dead cows, medical wastes, liquid waste from laboratories, waste machine oil, waste batteries and other hazardous wastes as well as manure residues, coal cinders, domestic waste and other non-hazardous wastes on dairy farms. We conduct reasonable treatment of various wastes in compliance with regulations and standardize the collection, storage and disposal of wastes to prevent environmental pollution and achieve the reduction, recycling and non-hazardous treatment of wastes.

Hazardous wastes

» For sick and dead cows, we conduct non-hazardous treatment in compliance with regulations to prevent damages to the environment and malicious use;

» For medical wastes, liquid waste from laboratories and other hazardous wastes, we collect them for temporary storage and regularly handle them to qualified third-party institutions for treatment.

Non-hazardous wastes

» We strictly comply with waste classification management policies and actively advocate classified release and recycling of wastes;

» We publicize and practice frugality, save food and actively respond to the "Clean Your Plate" campaign;

» We collect and recycle all coal cinders from the burning of coals and cow manures at dairy farms and use them in roads construction and bedding in plant areas to achieve full and high-efficient utilization.

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Our key performance on emissions in 2021 is as follows:

Indicators	Unit	2021
Total GHG Emissions ¹	tCO ₂ e	1,565,015.10
Including, direct GHG Emissions under Scope 1 ¹	tCO ₂ e	1,290,989.96
Indirect GHG Emissions under Scope 2 ¹	tCO ₂ e	274,025.14
GHG Emissions per million revenue ²	tCO ₂ e/RMB million	101.98
NOx emissions in exhaust gas ³	kg	24,389.94
SO ₂ emissions in exhaust gas ³	kg	33,264.33
Soot emissions in exhaust gas ³	kg	659.60
Production of hazardous wastes	tonne	7,756.76
Production of hazardous wastes per million revenue	tonne/RMB million	0.51
Production of non-hazardous wastes ⁴	tonne	1,150,188.33
Production of non-hazardous wastes per million revenue	tonne/RMB million	74.95

¹ The calculation of GHG emission refers to the 2012 GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) issued by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD), the Fifth Assessment Report issued by the Intergovernmental Panel on Climate Change (IPCC) and the Guidelines for the Compilation of Provincial GHG Inventories (for Trial Implementation). The grid emission factors used in the calculation under Scope 2 refer to the national average grid emission factors in the 2022 Guidelines on Corporate Greenhouse Gas Emissions Accounting and Reporting (Revised Edition) released by the Ministry of Ecology and Environment of the PRC; the conversion factors of purchased heat for heating refer to the System of Energy and Water Statistical Statements (November 2021) released by the National Bureau of Statistics and supplemented and printed by the Beijing Municipal Bureau Statistics.

² The increase in the GHG emissions per million revenue in 2021 is mainly due to the expanded overall production scale as a result of newly-acquired dairy farms and more cows in 2021 on the one hand; and the further optimization of the GHG calculation methodology with GHG emissions from cow manures included in 2021 on the one hand.

³ The calculation coefficients on waste gas emissions refer to the Handbook on Emission Coefficients of Industrial Pollution Sources of the First National Census of Pollution Sources.

⁴ The calculation methodology on domestic wastes in non-hazardous wastes refers to the Handbook on Emission Coefficients of Urban Living Sources of the First National Census of Pollution Sources published by the State Council.

2.3 Optimizing resource utilization

The Company attaches great importance to the saving and high-efficient utilization of energy and resources. To regulate the high-efficient utilization of energy and resources, the Group formulated the Evaluation Plan on Energy Consumption Targets 《能耗目標考評方案》, the Administrative Measures for Environmental Protection Targets 《環境保護目標管理辦法》 and other systems and documents, installed reasonable energy measurement instruments and meters based on national requirements and established the three-level energy measurement and energy management system on dairy farms and plants.

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- **Energy management**

The energy used in the production and operation of the Company includes gasoline, diesel, natural gas, biogas, coals, biomass, steam, municipal heat supply and electricity. In 2021, we fully implemented the concept on energy saving and consumption reduction in production and routine office on dairy farms and improved the utilization efficiency of energy.

Production management on dairy farms

Conducting energy-saving transformation

- » Air coolers with ice water are installed in the refrigerating system on available dairy farms in northern areas. When the outdoor temperature is below -5°C , the external cold air and the original water chillers work coordinately. The system control program can prioritize the operation of the natural cooling model and use natural cold sources based on the temperature of the external environment. In low-temperature days in winter, it can achieve refrigerating without the operation of compressors to reduce energy consumption of the system.
- » Some dairy farms have conducted the transformation of ejectors and improved the front-end ejection with single plates to the back-end ejection with double plates. It can save the driving distance of vehicles and reduce the consumption of fuel oil.
- » Some dairy farms have adopted the self-propelled TMR equipment in feeding cows, which can independently complete the withdrawal, stir and scattering of feeds and effectively reduce the emissions of fuel oil.
- » Some dairy farms have adopted fixed stir stations in the processing of routine feeds. Compared with trailing TMR equipment, fixed stir stations are driven by electricity and can effectively improve the work efficiency and the use efficiency of energy.
- » Some dairy farms in southern areas have transformed air-cooling condensers into evaporative-cooling ones with water and air as cooling media, which takes away the heat from the condensation process of gas refrigerants with the evaporation of certain cooling water, improving the working efficiency of compressors and effectively reducing energy consumption.
- » Optimizing and improving equipment and systems to reduce energy consumption. For example, it upgraded the manual control system into the fully automatic control system and added variable frequency control in the feed mixing system.

Energy-saving inspections and experiments

- » Some dairy farms have conducted experiments on the control of automatic suspension of hoisters under no-load operation and will gradually promote the application after successful pilots.
- » Some dairy farms have collected the hot wind from cooling of compressors for heating in workshops in winter and will gradually promote the application after successful pilots.

Use of clean energy

- » Reducing carbon emissions through the recycling of manures on dairy farms and using biogas as energy for power generation and low-temperature drying of biogas residues to achieve the effective recycling of resources. For details, please refer to "2.4 Practicing ecological protection-Building recycling dairy farms" in this report.
- » Adopting solar and winder power devices on a pilot basis for road lamps in plant areas and reducing energy consumption through the use of clean energy.
- » Purchasing preheated steam from power plants to replace our own boilers for heating and pelletizing and improving the energy structure through the use of steam.

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Process improvement and promotion

- » Adopting the automatic flowing model in the design of manure treatment and reducing the pumping link to reduce energy consumption.
- » Replacing transportation through cross conveyors with the sloping automatic flowing and falling model through increasing the equipment height to reduce electricity consumption.
- » Expanding the buffer capacity of the materials storage tray and reducing the frequency of no-load operation of equipment to reduce power losses.

Green office management

- » Formulating indoor lighting standards and systems on switching on and off lights in different areas and conducting manual control on lighting in outdoor channels and floodlighting; conducting manual control on indoor lighting based on systems.
- » Strengthening the publicity of electricity-saving awareness, posting electricity-saving signs in offices and staff dormitories and advocating and turning off office equipment and switching them into power-saving models in time.
- » Carrying out the transformation of illumination lamps and replacing them with more energy-saving LED lights on certain dairy farms and office areas.
- » Strictly controlling the mileage of business vehicles and limiting the monthly mileage to no more than 9,000km for each vehicle. Meanwhile, achieving real-time tracking and intelligent dispatch of vehicles through the introduction of the GPS vehicle management and control platform and promoting the sharing of vehicles to reduce the repeated use of vehicles and the use of gasoline.

- **Water resources management**

The Company attaches great importance to water resources management, and there is no problem in getting water. Meanwhile, it continues to promote water-saving technical transformation in production and operation and changes the models of water use in production to improve the recycling rate of water:

- » Attaining source control by using infrared precision spraying, replacing water-cooled heat exchangers for milk cooling with air-cooled ones to reduce the usage of fresh water.
- » Formulating standards on cleaning milk tubes in milking halls, standardizing the requirements on water use in cleaning milk tubes and other requirements, conducting the transformation of the land flushing system in the waiting areas of milking halls and adopting the washing water in milking halls or reclaimed water after preliminary treatment in cleaning the ground of the waiting areas to save water resources.
- » Determining the power usage, voltage classes, feed water and control methods for water tanks in the configuration standards on water troughs for cows to regulate the drinking water for cows and reduce water waste.
- » Recycling steam condensate and recycling them through softening water tanks on dairy farms with boilers and using them in irrigating green plants in summer and heating in winter on dairy farms without boilers.
- » Installing infrared sensing devices on original rotary milking machine, washing milking clusters and installing booster fan sprayers to improve the washing power and effectively reduce the waste of water resources.
- » Conducting the transformation of water-saving equipment and replacing ordinary taps into induction taps to enhance the awareness on saving water.

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Case Study Application of Precision Spraying System

The original spraying system sets the spraying time based on weather conditions. However, the spraying system initiates the program in accordance with the predefined procedure at the determined time in actual use, no matter whether there are cows eating. Employees are required to frequently close and initiate the spraying system in milking hours, which increases the labor intensity of employees, results in serious waste of water resources as the spraying system cannot be initiated and closed on time and increases pressures on sewage treatment in subsequent stages on dairy farms. As a result, the Company achieves the initiation and closing of the spraying system based on normal procedures when cows are eating through the installment of the precision spraying system. The spraying system suspends operation automatically when cows stop eating and leave the spraying area. It can save spraying water under the premise of achieving the cooling purpose in barns. It saves water by approximately 45% compared with ordinary spraying.

Case Study Recycling and Reuse of Steam Condensate

The Company fills tap water into molasses tubes when conducting liquid addition. It heats the tap water with steam during liquid addition when the temperature of tap water is 8°C~18°C. The tap water can be used after being heated to above 40°C. As the use of water tap is conducive to scale incrustation, it will block molasses tubes and heat exchangers after accumulation of scale and make it difficult in cleaning. Subsequently, the Company will collect the steam condensate from steam tubes for heating the molasses supply system (as the use of steam condensate with a hardness of 0~0.03mmol/L is unlikely to cause scale incrustation in tubes and heat exchangers and can reduce the cleaning time). For steam condensate with a temperature of above 40°C, it is not required to heat with steam and only heat preservation is required. The Company used 90 tonnes of tap water each month before the improvement and only consumes 25 tonnes of tap water each month after the improvement, saving the use of tap water by 65 tonnes each month.

Case Study Recycling of Clean in Place ("CIP") Washing Water

All CIP washing water is directly discharged into oxidation ponds and re-injected for washing in the next shift. Meanwhile, the waiting areas of existing milking halls are full of manure and are directly washed with clean water on most dairy farms. Combined with other conditions, the water use in milking halls is a major difficulty in the back end of dairy farms. As a result, we classified CIP washing water for use. Firstly, we recycle the water in the first four CIP washing and install the sewage recycling system to recycle washing water for cleaning manure in the waiting areas of milking halls. Meanwhile, we collect the liquid supernatant for repeated utilization and eradicate the use of clean water. Secondly, for the last cleaning with clean water in CIP washing, we install clean water collection tanks and collect all washing water in the last cleaning for the first cleaning in the next CIP washing, achieving the recycling result.

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Our key performance on the use of resources in 2021 is as follows:

Indicators	Unit	2021
Coal consumption	tonne	4,406.22
Natural gas consumption	cubic meter	252,367.82
Biomass consumption	tonne	10,748.61
Gasoline consumption	liter	10,797.90
Diesel consumption	ten thousand liters	2,443.64
Biogas consumption	ten thousand cubic meters	507.55
Purchased electricity consumption ⁵	ten thousand kWh	45,370.88
Consumption of municipal heat supply	million kJ	10,335.46
Purchased steam consumption	tonne	22,427.55
Total comprehensive energy consumption	tonne of standard coal	103,366.42
Comprehensive energy consumption per million revenue ⁶	tonne of standard coal/million	6.74
Packing material consumption	tonne	1,120.55
Packing material consumption per million revenue	tonne/million	0.07
Total water consumption	ten thousand tonnes	2,433.54
Water consumption per million revenue	tonne/million	1,585.77

5 The biogas of the Company is from the recycling of manures fermentation on dairy farms and is self-produced biogas.

6 The standard coal equivalent of energy refers to the General Principles for Calculation of Total Energy Consumption (GB/T 2589-2020).

2.4 Practicing ecological protection

- **Building recycling dairy farms**

Youran Dairy is committed to building environment-friendly and sustainable dairy farms. It actively explores and studies the best approaches for the circular economy and promotes the development of dairy farms with science and technology to reduce the impact of its business activities on the environment and natural resources through practical actions.

We adhere to the concept of source reduction, process control and end utilization in manure treatment. Leveraging on the breeding model of world-leading large dairy farms, we introduced high-efficient solids and slurries separation equipment from GEA in Germany, Baur in Austria and Cream in Israel and introduced Goktech, Hebao Technology and other automatic scrapers manufacturers and achieved electrified cleaning of cow manure. It also introduced Hangzhou Energy, Beijing Yingherui, Beijing Zhongke Bolian and other well-known domestic manufacturers on power generation with biogas and intelligent and integrated aerobic fermentation and achieved the non-hazardous recycling of manures. Meanwhile, under the guidance of the principles of non-hazardous treatment, emissions reduction and recycling, we are actively devoted to researches on technologies on manure treatment on dairy farms. Through the continuous independent research and development, we explored an environmental protection technology on “integrated farming and resources utilization” applicable to the development of the industry in China.

Manure treatment model based on energy ecosystem

“Solids and slurries separation + aerobic fermentation + land application of liquid fertilizers” model:

It is applicable to severe cold areas. It firstly collects manures for solids and slurries separation. Solid manures after separation will serve as bedding materials after high-temperature aerobic fermentation. The aerobic fermentation effectively reduces the generation of methane gas and liquid fertilizers flow into multi-layered oxidation ponds for non-hazardous treatment.

“Biogas fermentation + solids and slurries separation + bedding of biogas residue + land application of fluid of methane” model:

It is applicable to non-severe cold areas. Manures enter the anaerobic methane fermentation system after collection. The methane generated from fermentation is used for power generation and boilers, converting methane into energy for self-use.

Being Committed to Ecological Environmental Protection

All manure residues generated under the two models are used as bedding materials to replace silver sand for bedding in barns. It reduces damages to the ecological environment as a result of excavation for silver sand and the land application of manures on farmland desertification. Liquid fertilizers are used for land application after non-hazardous treatment and can replace pesticides and reduce pesticide residues based on the land carrying capacity and demands of silage crops. It can practically achieve the integration of plantation and feed and the development of circular economy on the basis of pollution treatment. Meanwhile, to respond to the calls of the state and based on different demands for the feeding and disposal of livestock and poultry in different regions, we also developed earthworm feeding, production of organic fertilizers and other various treatment models to promote the diversified development of manure treatment.

In addition, after nearly ten years of study and summarization and based on different locations and climate characteristics of dairy farms across the country, Youran Dairy firstly formulated standards on the fermentation model of three major manures and bedding materials and applied for two local standards in the Inner Mongolia Autonomous Region, namely the Technical Specifications for Manure Treatment Projects in Scaled Cow Feeding and the Quality Specifications for Bedding Materials from Manure Fermentation. It has applied for national patents for relevant fermentation models, namely "A Compound Fermentation Bactericide for Manure Fermentation and its Production Method" and "A Method for the Production of Environmental-friendly Bedding Materials with Cow Manures", achieving the sustainable and circular economic model with environmental friendliness and ecological balance and leading the healthy development of the industry.



Awards for New Technological Study under the Comprehensive Utilization Model of Manure at Dairy Farms



Patents on Manure Treatment

Being Committed to Ecological Environmental Protection

Case Study Intelligent and Integrated Manure Non-hazardous Treatment Project

The Company introduced an intelligent and integrated aerobic fermentation system across different industries for a dairy farm in Zhangwu, Liaoning for the non-hazardous treatment of manures at the dairy farm. The system adopts a totally-enclosed high-temperature aerobic fermentation model and the non-hazardous treatment of manures is a high-temperature aerobic fermentation process with nearly zero carbon emissions from fermentation. The exhaust gas from the fermentation process is fully collected for high-altitude emission to keep the surrounding environment clean. The system can achieve 24-hour stable operation for the whole year with the fully automated fermentation process and the discharged materials directly meet the conditions on the use of bedding materials. Compared with the traditional fermentation, the high-temperature fermentation is shortened from 7-14 days to 4 days. The automatic turning by robots and interval blast aeration ensured the quality of bedding materials fermentation, significantly improved the production efficiency of bedding materials, reduced environmental risks and achieved nearly zero carbon emission in the fermentation process. It provides approximately 20,000 tonnes of quality manure bedding materials for the dairy farm, reduces approximately RMB6 million/year on the purchase of bedding materials with river sand or saw powders and reduces the environmental pollution as a result of improper manure treatment and the damages to the natural ecology and environment as a result of the exploitation of river sand.



Being Committed to Ecological Environmental Protection

Case Study Power Generation Project with Biogas

The dairy farm with 10,000 cows in Pingyin County, Jinan City invested nearly RMB50 million in the installation of a continuous stirred tank reactor (CSTR) system. It mainly conducts the non-hazardous treatment of manures with the medium-temperature fermentation technology of anaerobic fermentation tanks and can achieve 24-hour medium-temperature (35-38°C) fermentation throughout the year. All of the three wastes from the fermentation (namely biogas, biogas residues and biogas fluid) can be recycled. The advantage of the system is that it can achieve the non-hazardous treatment and recycling of manures and collect and recycle all methane from the traditional static compost to reduce carbon emissions. The dairy farm can generate biogas of approximately 7.30 million cubic meters each year with an annual power generation of approximately 2.92 million kWh. The biogas power generation system and certain barns achieved the self-use of green electricity and can reduce carbon emissions by approximately 38,000 tonnes of carbon dioxide equivalent.



Being Committed to Ecological Environmental Protection

- **Protection of ecological environment**

We attach great importance to the protection of the ecology and the living environment in the areas surrounding the place where we operate, actively respond to the calls for enhancing ecological conservation and vigorously practice ecological and environmental protection.

- » For land use, we enter into land use documents under the Approval/Filing Document on Land Used for Agricultural Facilities, the Land Transfer Agreement and other specifications based on the requirements of laws and regulations as well as local policies to strictly use land resources in compliance with regulations. We also carry out the approval of reports on environmental impacts, the approval on acceptance of the completion of environmental protection projects and other work and implement the protection of land resources.
- » For the protection of conservation areas, we formulated the Standards on Site Selection, specifying that the site for the construction of dairy farms shall not be located in water resource conservation zones, natural conservation zones, scenic areas and other sensitive areas on environmental protection to fully protect the ecological environment.
- » Considering the living environment of residents, we clearly specified in the Standards on Site Selection that dairy farms shall keep a distance of no less than 800 meters from villages (if villages are located in the downwind direction of dairy farms, the distance from villages shall be no less than 1,000 meters; and if the villages are located in the upwind direction of dairy farms, the distance from villages shall be no less than 800 meters); keep a distance of over 1,000 meters from ordinary sources of drinking water, railways and other main lines of transport; keep a distance of no less than 500 meters from national highways, provincial roads and main roads; keep a distance of no less than 100 meters from ordinary roads (township and county roads); and keep a distance of no less than 5,000 meters from cultural, education and scientific research institutes and other areas with population concentration and they shall be located in the downwind direction of perpetual dominating wind direction of residential areas and public buildings.



3. Achieving Synergistic Development under the People-Oriented Concept

Achieving Synergistic Development under the People-Oriented Concept

3. Achieving Synergistic Development under the People-Oriented Concept

3.1 Diverse and harmonious team

Youran Dairy always adheres to the people-oriented concept and is committed to building the most competitive talent team in the industry. We strictly comply with the Labour Law of the PRC 《中華人民共和國勞動法》, the Labour Contract Law of the PRC 《中華人民共和國勞動合同法》 and other national laws and regulations, formulate sound internal management systems and procedures, and actively safeguard the rights and interests of employees in employment and recruitment, remuneration and welfare, working hours and holidays.

- **Equal and compliant employment**

We strictly standardize the management of recruitment and dismissal and carry out personnel employment in compliance with laws. We enter into, modify, renew, and terminate labour contracts with employees in accordance with laws, and resolutely oppose employment discriminations on gender, age, health, race and other factors to create an equal, diverse, united and harmonious working environment for employees.

- **Protection of employees' rights and interests**

Youran Dairy attaches great importance to the protection of employees' rights and interests. We have formulated the Management System on Employee Performance 《員工績效管理制度》, the Administrative Measures for Promotion of Professional Positions 《專業職務晉升管理辦法》 and other internal systems to standardize the management process on employee remuneration and promotion. In addition, we actively protect the employees' rights and interests on working hours and holidays to practically create an outstanding working environment for employees.

Remuneration and welfare >> Based on the "4P" payroll concept and the characteristics of different fields and positions, the Company has established three remuneration systems, namely, the broadband remuneration system for non-marketing businesses, the achievement-based remuneration system for sales business and the piecework remuneration system for production. Meanwhile, it has established remuneration-linked allowances for professional positions to give full play to the compensation role of remuneration.

Promotion management >> On the basis of the traditional promotion management, the Company expands development paths for professional position promotion for employees, encourages employees to specialize and further study in professional fields, creates equal promotion conditions and opportunities, clarifies the career development path of employees and stimulates the development potential of the Company's talents.

Working hours and holidays >> The Company strictly implements the requirements on statutory working hours and holidays, protects employees' rights and interests on leave and reasonable working hours and practices the combination of work and rest.

Achieving Synergistic Development under the People-Oriented Concept

- **Prohibition of child labour and forced labour**

Youran Dairy strictly prohibits child labour and forced labour in strict compliance with the Law of the PRC on the Protection of Minors 《中華人民共和國未成年人保護法》, the Provisions on Prohibition of Child Labour 《禁止使用童工規定》 and other national laws and regulations. During the recruitment process, we strictly review the information of candidates to ensure that their employment qualifications meet legal requirements. In case of violation, we will actively carry out relative investigation and implement internal rectification. During the Reporting Period, the Company did not have any breach in respect of exploiting child labour and forced labour.

Our key performance data on employment in 2021 is as follows:

Indicators		Unit	2021
Total number of employees		Person	10,414
Total number of employees by gender	Male	Person	7,444
	Female	Person	2,970
Total number of employees by age	Under 24 years old	Person	1,304
	25-29 years old	Person	1,772
	30-34 years old	Person	2,105
	35-39 years old	Person	1,852
	40-44 years old	Person	1,478
	45-49 years old	Person	1,174
	50-54 years old	Person	586
	Over 55 years old	Person	143
Number of employees by region	Inner Mongolia Autonomous Region	Person	5,165
	Outside the Inner Mongolia Autonomous Region	Person	5,249
Total number of employees by employment type	Full-time	Person	10,414
	Part-time	Person	0
Annual employee turnover rate		%	5
Annual employee turnover rate by gender	Male	%	6
	Female	%	4
Annual employee turnover rate by age	Under 24 years old	%	8
	25-29 years old	%	10
	30-34 years old	%	6
	35-39 years old	%	4
	40-44 years old	%	2
	45-49 years old	%	2
	50-54 years old	%	1
	Over 55 years old	%	2
Annual employee turnover rate by region	Inner Mongolia Autonomous Region	%	5
	Outside the Inner Mongolia Autonomous Region	%	5

Achieving Synergistic Development under the People-Oriented Concept

3.2 Safeguarding health and safety

The Company attaches great importance to production safety and the protection of employees' health, actively establishes and enhances the management and responsibility systems on production safety and occupational health, promotes the implementation of relevant work and strives to create a safe and healthy working environment for employees.

- **Production safety**

The Company strictly abides by the Work Safety Law 《安全生產法》, and formulated the Administrative Measures for Safety Targets 《安全目標管理辦法》, the Measures for Rewards and Punishments on Safety 《安全獎懲辦法》, the Safety Management Manual 《安全管理手冊》, the Manual for Safety Officers 《安全員學習手冊》 and other internal systems to standardize the management of production safety. Meanwhile, we set up the Safety Committee to coordinate the planning of the Company's production safety, the establishment of safety management systems, the formulation of safety management procedures and systems, the management of safety information, the evaluation on safety capability and promotion training to practically standardize and implement production safety.

Under the guidance of sound management, we have been adhering to the vision of "becoming a model of EHS management on agriculture and husbandry". We enhanced production safety management through strengthening the establishment of safety systems, the building of safety capabilities, the improvement of safety risk management and control and carrying out safety activities. We passed the review on the ISO45001 national level 3 safety standardization during the Reporting Period.

Establishment of safety systems	Centering on the three management levels of "headquarters – business units – grassroots units" and focusing on risks on three business types, namely "husbandry, feed and forage grass", the Company established the safety management system with the organizational system, institutional system, responsibility system, education system, risk control system, supervision and security system, cultural system, evaluation system, optimization and improvement system as the framework.
Building of safety capabilities	<p>The Company established the mechanism on the improvement of safety capability and assessment management and guided employees at all levels to master safety knowledge and skills independently to lay a foundation for production safety:</p> <ul style="list-style-type: none"> » Enriching training resources and innovating the forms of safety training and verification. The Company arranged for relevant professionals to develop professional training courses on safety in the industry and introduced the "EHS accompanying training system" to distribute courses and push learning and online verification of learning results for employees at key positions. » Establishing the evaluation mechanism on safety capabilities of major management personnel. The Company conducts regular evaluation on safety capabilities of line managers of responsible persons of grassroots units and provides key tutoring and training for incompetent employees to match their safety capability with their positions.

Achieving Synergistic Development under the People-Oriented Concept

Management and control of safety risks

Combined with the production characteristics of the industry, the Company continuously carries out special governance on six core risks, namely fire safety, electrical safety, prevention of dust and explosion, electrical safety, vehicle safety, and contractor safety:

- » **Fire safety:** Reviewing risk management and control points on fire sources, establishing the corresponding management and control mechanisms such as “Fire Use Day” and “Fire Source Management Review”, organizing activities such as “Fire Safety Day” of Youran Dairy and specifying the requirements on the building of the “four ones” basic fire control capabilities of the Company to strengthen the awareness of all employees on fire safety.
- » **Electrical safety:** Continuously conducting special rectifications on units with high risks on electrical hazards, focusing on eliminating risks on electrical safety such as transformers, cable overload and heating and unreliable grounding of electrical systems.
- » **Prevention of dust and explosion:** Appointing national dust and explosion-proof experts to carry out systematic diagnosis on the production system, upgrading and transforming the dust explosion-proof hardware in the feed production system, such as the introduction of spark detection and extinguishing systems, shaft temperature monitoring and other devices, formulating the standard of the Administrative Provisions on Dust Explosion-proof Safety Management on Feed Production and Processing Systems and guiding the assessment and control of dust explosion-proof risks in new projects and factories under operation to effectively control the risks on dust explosion.
- » **Vehicle safety:** Consolidating the basic management of vehicles through the establishment of systems on the operation and maintenance of production vehicles and vehicle completeness, limiting the speed of vehicles through technical measures such as canceling the high-speed gear lever and installing vehicle speed alarms, equipping vehicles with reversing radar, reversing images, driving warning lights and other auxiliary devices for safe driving and establishing the code of civilized driving to systematically control the operation risks on production vehicles.
- » **Contractor safety:** We treat contractors as employees, require all contractors to abide by the Company’s safety management system and promise to achieve the goal of zero accidents. We have established the process and systematic management systems on contractor access, contract signing, admission training, operation disclosure and process review to systematically manage and control risks on contractors.

Carrying out safety activities

Through a series of activities such as “Safety +” and safety topics on Tik Tok app, the Company guides employees to pay attention to safety management and participate in safety activities to continuously enhance the safety capability and awareness of all employees.

- » Carrying out and planning a series of activities such as “Taking Farms as Home and Keeping Alert on Safety at Home”, “Say No to Violations”, “Farewell to Yesterday’s Accidents”, continuously building an environment for employees to work safely, get along easily and live stably and guiding employees to build self-management awareness and implement self-management responsibilities.
- » Initiating topics such as “Jointly Building a Safe Youran”, “What can I Do for Safety”, “I Take Responsibility for Safety”, widely publicizing the safety culture of Youran Dairy through new media and guiding employees to extensively participate in safety management.

Achieving Synergistic Development under the People-Oriented Concept

• Occupational health

Youran Dairy continuously pays attention to occupational health and safety management, focuses on standardizing management standards, cares about the health protection of employees and practically provides employees with a safe working environment. We formulated an occupational health management system from six dimensions, including equipment and facility guarantee, monitoring on occupational disease hazards, personal health guarantee and individual protection, occupational health damage management under production environment, occupational health training management, monitoring and warning on occupational diseases and occupational disease management, and established health records for each employee. Meanwhile, each unit has set up “healthy cabins” equipped with blood pressure meters, blood glucose meters, weight scales and other facilities to guide each employee to conduct self-health management.

Our key performance data on health and safety in 2021 is as follows:

Indicators		Unit	Data of indicators
Number and rate of work-related fatalities in the past three years	Number of staff in 2021	Person	0
	Rate in 2021	%	0
	Number of staff in 2020	Person	2 ⁷
	Rate in 2020	%	0.03
	Number of staff in 2019	Person	0
	Rate in 2019	%	0
Number of days lost due to work-related injuries in 2021		Day	1,043

⁷ The two cases of work-related death were caused by traffic accidents of business vehicles and damages caused by dung-pushing vehicles in barns on a dairy farm. After the accident, the Company promptly applied for work-related injury insurance and commercial insurance and comprehensively and properly handled them.

3.3 Facilitating employees' growth and development

The growth and development of employees is an important force for the stable operation of the Company. We attach great importance to the cultivation of talents, continuously improve the management on employee training, strengthen the core competitiveness of Youran Dairy and promote the long-term development of employees and the Company. We have formulated internal systems such as the Management and Training System of Youran Dairy 《優然牧業管理培訓制度》, the System on Internal Trainers of Youran Dairy 《優然牧業內訓師制度》, the Administrative Measures for Training Credits of Inner Mongolia Youran Dairy Co., Ltd. 《內蒙古優然牧業有限責任公司培訓學分管理辦法》 to enhance training management. We formulated annual training plans based on the management and professional capabilities of employees at all levels and systems. We carried out online classes and offline training of Youran Dairy and other forms of activities to fully facilitate the enhancement of the personal ability and professional skills of employees.

- » Requiring staff above the level of managers to conduct annual lecturing and encouraging managerial staff to share professional experience and capabilities; requiring grassroots managers to conduct the certification of management courses and guiding the management of team leaders of the Company to jointly improve the professional capabilities;
- » Actively cultivating existing and reserve personnel, formulating and implementing training plans for existing and reserve personnel at all levels;
- » Establishing a list of required competence and skills for managers and learning map and courses for employees and allowing employees to familiarize themselves with job responsibilities and business requirements as soon as possible;
- » Strengthening the building of the internal trainer team, standardizing the management on the selection, certification, training and incentive of internal trainers and providing higher-quality professional trainings for employees of the Company.

Achieving Synergistic Development under the People-Oriented Concept

Our key performance data on training and development in 2021 is as follows:

Indicators		Unit	2021
Amount of training expenses		RMB'0,000	168
Total training sessions		Time	4,960
Total number of trainees		Person-time	124,968
Percentage of trainees by gender	Male	%	100
	Female	%	100
Percentage of trainees by employment type	Junior employee	%	100
	Middle management	%	100
	Senior management	%	100
Average training hours of employees by gender	Male	Hours/person	73
	Female	Hours/person	71
Average training hours of employees by rank	Junior employee	Hours/person	74
	Middle management	Hours/person	60
	Senior management	Hours/person	48

3.4 Caring for employees

To practically care for employees, we have established a labour union and formulated and implemented the Constitution and Working System of the Labour Union of Inner Mongolia Youran Dairy Co., Ltd. 《內蒙古優然牧業有限責任公司工會章程及工作制度》, the Administrative Measures for the Use of the Fees for the Labour Union 《工會經費使用管理辦法》, the Management Plan on Grassroots Trade Union Organizations 《基層工會組織管理方案》 and other internal systems to standardize the management. We implemented work priorities in employee care, featured activities, democratic communications and other work and built a labour union management platform. Labour unions of all units upload materials on employee activities every quarter, display rich and varied activities and learn from each other on the creative highlights of excellent activities and faithfully care for employees.

- **Employee activities**

During the Reporting Period, the labour union of the Company organized a variety of featured activities to enrich the life of employees, such as 570 innovative employee activities including job skills competitions, employee birthday parties, festival celebration parties, commendation and fellowship parties and fun sports events throughout the year. Together with the labour union organization of various units, we have built caring mommy hut, staff library, innovation studio, model staff home and sports facilities. While enriching the spiritual life of employees, it further strengthens the sound and positive atmosphere of solidarity and friendship among employees of the Company.



Organization Scene of Labour Union Activities

Achieving Synergistic Development under the People-Oriented Concept

- **Communications with employees**

The Company attaches great importance to opinions and feedbacks of employees and actively establishes communication mechanisms with employees to listen to employees' voices, so as to jointly establish an equal and democratic corporate atmosphere.

» **Conducting satisfaction surveys.** On the one hand, we continuously promoted the work of "Service Upgrading 3.0" and conducted staff care actions through various channels, such as the living environment of employees, the recognition and improvement of employee capability, and the renovation of hardware facilities of basic units. In 2021, the satisfaction on service upgrading reached 83.91%. On the other hand, we organize satisfaction surveys on catering and vehicles each quarter to fully understand the needs of grassroots employees and formulate the corresponding improvement measures based on the survey results. In 2021, the satisfaction on catering and business vehicles reached 92.14% and 95%, respectively.

» **Organizing democratic communication meetings.** We continuously improve the hardware conditions and organizational environment through quarterly meetings. We attach great importance to the needs of employees and practically solve problems for employees.

» **Holding workers' congresses.** We give full play to the role of employees in participation, maintenance, supervision and coordination, promote the healthy and sustainable development of the enterprise, protect the legitimate rights and interests of employees and build harmonious and stable labour relations.



Scene of Workers' Congress of Youran Dairy

4. Caring About and Paying Attention to the Welfare of Dairy Cows



Caring About and Paying Attention to the Welfare of Dairy Cows

4. Caring About and Paying Attention to the Welfare of Dairy Cows

We care for and focus on the protection of "animal welfare" and have formulated the Procedures for Health Examination of Dairy Cows 《奶牛健康檢查流程》, the Administrative Measures for Optimization of Herds 《牛群優化管理辦法》, the Measures for Epidemic Monitoring and Emergency Management 《疫情監控與應急管理辦法》, the Administrative Measures for Death and Elimination of Dairy Cows 《奶牛死亡淘汰管理辦法》, the Compilation of Management System on Feeding of Calves 《犏牛飼養管理制度匯編》 and other internal systems. We conduct information-based management on the routine growth and production of dairy cows through the UNIdairy and SCR systems, persist in creating a sound growth environment and implementing the concept of healthy and advanced breeding and feeding to ensure the health and safety of dairy cows, promote the healthy growth of dairy cows and achieve harmonious and sustainable development.

4.1 Creating a comfortable environment

To ensure the sanitary and suitable living conditions for cattle growth, we pay attention to strengthening the high standards of disinfection and comfortable environment and fully create a safe and appropriate growth environment for cattle.

- Disinfection management >> Dairy farms are equipped with disinfection pools, lime belts and spraying equipment for vehicle disinfection and personnel disinfection channels and reserve more than two disinfectants. Disinfectants of different concentrations are used in different areas and disinfection is carried out based on the prescribed frequency.
- Comfortable environment >> Ventilation in barns: In summer, barns are equipped with fans (with an interval of 6m) and the wind speed reaches 3m/s in barns. In winter, the windward side is blocked to keep out harmful wind and the leeward side is for ventilation;
- >> Maintenance of sports ground: Special equipment is used for daily maintenance and straws and rice hulls are stacked up in winter to maintain the comfort of sports ground;
- >> Lighting in barns: It requires 16-18 hours of lighting time with a daily illumination of no less than 200 Lux and 8 hours of darkness time with a daily illumination of no more than 50 Lux;
- >> Space and rest: It sets the standards on bedding size based on the size of cows to ensure enough space for each cow. Dairy farms are equipped with clean, soft and dry bedding materials to ensure sufficient and comfortable lying time for dairy cows;
- >> Safety in barns: Bedding materials are scattered to prevent slipping after cleaning the ground and channels in barns.



Bedding Materials Scattered on the Ground in Barns to Prevent Slipping



Comfort Management on Sports Ground for Cows

Caring About and Paying Attention to the Welfare of Dairy Cows

4.2 Introducing advanced breeding and feeding concept

Youran Dairy adheres to the concept and technology on advanced breeding and feeding and safeguards the physical and mental health of dairy cows through the improvement of the production and feeding of dairy cows and the growth management of calves.

- | | |
|-----------------------------------|--|
| Breeding management of dairy cows | <ul style="list-style-type: none"> » For milkable cows, we set up an active breeding suspension period and allow no breeding during the period to ensure the postpartum recovery of milkable cows. We carry out postpartum pain management for primipara cows and provide standardized care to cows with abnormal labour; » Strengthening the non-stress management of the delivery room and the aseptic operation such as drug use, midwifery process and environmental disinfection in the delivery room to ensure the smooth delivery of dairy cows. |
| Feeding management of cows | <ul style="list-style-type: none"> » Adopting premium materials and preparing diet formulas for different dairy cows based on the demands for amino acid and energy at different stages. Preparing the oxygen resin floor on the feeding channel to prevent the production of material dirt and ensure 24-hour feeding; » Adopting the advanced self-propelled TMR equipment in the production of TMR (total mixed ration) and installing the corresponding accurate feeding system to ensure the effects of accurate feeding; » Building water tanks at intersections on dairy farms and installing 20cm-wide water tanks to ensure the drinking space for cows. |
| Growth management of calves | <ul style="list-style-type: none"> » Building greenhouses for newborn calves to reduce cold stress in winter; arranging single-fenced and separate feeding areas for suckling calves and promoting fermentation bedding breeding among weaned calves; » Regularly disinfecting barns for calves to ensure that they are clean, dry, well ventilated without unpleasant odour and harmful wind; » Selecting different bedding materials in different seasons. Adopting sand in summer and bedding hays or rice husks in other seasons, standardizing the thickness of bedding materials and regularly cleaning and replacing them; » Conducting pasteurization before feeding newborn calves and strictly controlling the feeding temperature and the feeding quantity, speed and time. |



Single-fenced and Separate Feeding for Suckling Calves

Caring About and Paying Attention to the Welfare of Dairy Cows

4.3 Taking actions to protect health

Under the guidance of Youran's tenet of "disease prevention is paramount", we have set up standardized management processes and measures for the daily health, epidemic prevention and culled cattle management on dairy cows and vigorously practiced health protection. During the Reporting Period, the quarantine rate of our culled cattle reached 100% and the coverage rate of foot-and-mouth disease vaccination of dairy cows reached 100%.

In terms of daily health, we pay close attention to the health of cows through comprehensive inspections on their spirit, food intake, temperature, respiration, pulse and manures and make treatment plans for abnormal cattle in a timely manner to prevent diseases. In terms of epidemic prevention, we formulate annual epidemic prevention plans and administrative measures for epidemic prevention, rationally arrange immunization procedures and strengthen epidemic prevention and protection. For sudden epidemics, we adopt closed management, comprehensive sterilization, pathogen screening, group management, emergency vaccination and other work on dairy farms and report in a timely manner to curb the spread of the epidemic. In terms of the management of culled cattle, we screen and identify culled cattle, check the information, report for approval according to normative standards, strictly apply for the animal quarantine certificate, submit the animal quarantine certificate and wear the corresponding quarantine ear number to ensure that the cows sold meet the quarantine standards. We explicitly prohibit the sale of cattle under the withdrawal period or those unable to get up from the ground.



5. Providing High-quality Products and Services

Providing High-quality Products and Services

5. Providing High-quality Products and Services

5.1 Strict control over product quality

The Company strictly abides by the Food Safety Law of the PRC 《中華人民共和國食品安全法》, the Animal Husbandry Law of the PRC 《中華人民共和國畜牧法》, the Administrative Specifications on Feed Quality and Safety 《飼料質量安全管理規範》, the Regulations on the Supervision and Administration on Quality and Safety of Dairy Products 《乳品質量安全監督管理條例》 and other national laws, regulations and policies. The Company has established a comprehensive quality management system and structure based on ISO9001:2015 Quality Management System Standards 《ISO9001 : 2015質量管理體系》, ISO 22000:2018 Food Safety Management Systems 《ISO 22000 : 2018食品安全管理體系》 and SQF Food Quality and Safety Systems 《SQF食品質量安全體系》 and formed a quality management system with full staff, full processes and full dimensions. We have become the first comprehensive enterprise on dairy farming and feed processing in China to pass the review of the SQF food quality safety management system, which further enhanced Youran Dairy's capability on product quality and safety guarantee.

- **Quality management and control of raw milk**

Sticking to the mission of "Creating the Source Power for the Healthy Life of Human Beings with Quality" and carrying forward the management concept of quality being life, the Company maintains the raw milk production procedures with high quality, high standards and high requirements to ensure the quality of raw milk. For this purpose, we have formulated the Administrative Plans on Quality Targets 《質量目標管理方案》, the Administrative Measures for the Use of Inputs 《投入品使用管理辦法》, the Administrative Measures for Suppliers 《供應商管理辦法》, the Inspection Plan on Process Management and Control 《過程管控檢驗計劃》, the Administrative Measures for Inspections on Milk Transportation Vehicles 《牛奶拉運車輛檢查管理辦法》, the Guidance on Standardized Operation 《操作標準化作業指導書》 for all positions and other systems to conduct comprehensive management and control on the quality of raw milk from the source of supply and production process to product transportation to provide customers with high-quality raw milk. During the Reporting Period, the qualification rate of the Company's raw milk reached 99.9%. The Company was not involved in quality and safety accidents with the hygiene indicators on milk higher than international standards.

Raw milk	Test items	Youran Dairy	National standard	US Standard	EU standard
Hygiene indicators	Aerobic plate count	11,600 cfu/ml	≤ 2,000,000 cfu/ml	≤100,000 cfu/ml	≤100,000 cfu/ml
	Somatic cell content	169,500/ml	N/A	≤ 750,000/ml	≤ 400,000/ml

The Company strictly implements the following requirements on the quality management and control of raw milk:

- Source control
- » We have established a risk assessment mechanism on the quality and safety of suppliers, strictly screened high-quality suppliers in the industry for all raw materials for feed, inputs and frozen semen, conducted compliance audits, on-site audits and sample evaluation before carry out cooperation and will not cooperate with unqualified suppliers.
 - » We have formulated acceptance standards stricter than the requirements of national standards. In the acceptance of raw materials, a total of 60 items including hygiene indicators, toxin indicators and physical and chemical indicators are tested. Unqualified raw materials will not be accepted to ensure the quality of feed intake of cows.
 - » To ensure that the quality of raw and auxiliary materials is not affected during the storage process, raw and auxiliary material warehouses are built in all dairy farms to ensure that the storage conditions of raw and auxiliary materials and relevant regulatory requirements are met.

Providing High-quality Products and Services

Process control

- » With the introduction of advanced management experience from Europe and the US and combined with the actual situation of dairy farming in China, we have summarized, refined and formed the standard operating procedures (SOP) for dairy cows.
- » Introducing the QACP quality management system, establishing normalized inspection and verification mechanism on key quality control points and creating the quality control atmosphere of “knowing standards, observing standards and using standards” with the participation of all employees to reduce hidden quality risks and ensure milk quality and safety.
- » Establishing a mechanism on quality improvement and implementing subject-based focus improvement on key indicators through the introduction of TPM-QM pillars and Six Sigma quality improvement tools to further improve the quality of milk.

Terminal control

- » 28 risk indicators and physical and chemical indicators are tested before milk is shipped. During the transportation, each milk truck strictly implements the requirements on “one can, one opening and one lead seal” and applies the GPS (global positioning system) and 24-hour online monitoring to ensure the food safety of milk from shipment to delivery and sales.

Supervision and verification

- » Establishing a quality warning mechanism to monitor and measure the achievement and fluctuation of food safety indicators and implement pre-management through timely warning.
- » Establishing a quality audit mechanism and formulating evaluation standards and evaluation plans on internal quality management to cover all dairy farms in the year; assisting the dairy farms by means of evaluation to facilitate the enhancement of quality management and strengthen the capability of dairy farms on quality management and control.
- » Installing video surveillance in key management links such as the barns, milking halls, CIP rooms and laboratories on the dairy farms and supervising the standardization of the production and operation process of all dairy farms by making the best of video systems to improve the compliance of standards.

Youran Dairy continuously improves its capability on the production of high-quality products. Under strict quality management and control, a number of dairy farms obtained quality certification from independent third-party organizations during the Reporting Period. 5 dairy farms of Youran Dairy in Macheng, Tongchuan and Pingdingshan completed the GAP on-site audit and kept the certificates valid; 13 dairy farms of Youran Dairy in Qingshuihe, Wuchuan, Haojia and Tumed Left Banner completed the SQF audit and certification.



SQF Certificate



GAP Certificate

Providing High-quality Products and Services

- **Feed quality management**

The Company actively carries out feed quality management and has formulated the System on Sampling and Acceptance of Raw and Auxiliary Materials 《原輔料採樣及驗收制度》, the Administrative System on On-site Quality Inspection 《現場質量巡查管理制度》, the Administrative System on Mixing Uniformity 《混合均勻度管理制度》, the Administrative System on Product Labelling 《產品標籤管理制度》, the Administrative Measures for Bulk Feed 《散裝料管理辦法》, the Administrative System on Product Formula 《產品配方管理制度》, the Administrative System on Introduction of New Products 《新品上市管理制度》 and other internal standards according to relevant laws and regulations and quality management systems to ensure the quality of feed from four aspects, namely management of raw and auxiliary materials, formula design of feed products, quality control of the production process and quality tracking of marketed products.

Management of raw and auxiliary materials >>

Tightening the access threshold for raw material suppliers, selecting high-quality suppliers of various raw materials for cooperation, conducting risk assessment, sample evaluation and compliance review before the access of suppliers and implementing “unannounced inspections” and performance evaluation during the cooperation to ensure the quality of raw and ancillary materials.



Testing the physical and chemical indicators, toxin indicators and hygienic indicators of raw and auxiliary materials after their arrival at dairy farms to ensure that they are put into use after passing inspections.



To ensure that the quality of raw and auxiliary materials is not affected during the storage process, each feed mill has built the warehouses for raw and auxiliary materials to ensure the compliance with the storage conditions for raw and auxiliary materials and relevant regulations.

Formula design of feed products >>

The most advanced AMTS formula system in the US is adopted in the formula design according to the national standards and the U.S. NRC, U.K. ARC and other standards. Different feed formulas are formulated for calves, heifers, dry and transition cows, as well as milking cows based on the different characteristics of the growth stage of dairy cows to provide nutrition required for different stages.

Process quality control >>

Adopting international advanced automatic production equipment with error-proofing functions in various production links such as formula management, material feeding, compounding and filling to ensure the stable quality of end products.



Introducing the QACP quality management system and implementing three-level supervision and inspection on 182 key quality control points in the whole chain to reduce hidden quality risks and ensure the quality safety of feed.



A total of 379 near-infrared databases have been established with near-infrared analyzers to monitor the fluctuations of indicators on raw materials and product in real time and take timely measures to guarantee the production of high-quality feed.

Quality management after introduction >>

The products shall go through more than 150 test items with approximately 200 methods before introduction. The introduction is approved after all indicators meet the internal control standards of the enterprise.

In addition, we actively develop grass production to ensure the provision of high-quality forage grass. We choose farms with centralized contiguous, flat and fertile fields and complete water conservancy facilities to provide a high-quality environment for grass growth in deploying farms. Meanwhile, we have carried out the construction of intelligent farms in an all-round way. We installed advanced imported equipment in the industry for comprehensive mechanized production, equipped with GPS for automatic driving and precise operation during the operation, and adopted water-saving and high-efficiency agricultural mode with the integration water and fertilizer for precise irrigation to fully guarantee the quality of forage grass production.

Providing High-quality Products and Services

- **Breeding quality management**

As the best frozen bovine semen for dairy cattle provider in China and the safety guard in breeding industry in China, Youran Dairy continues to strengthen management and control on the quality and safety of frozen semen and embryo breeding to ensure the supply of high-quality and healthy products to the market.

In terms of frozen semen, the Company has the only commercial authorization of the “XY sperm separator” developed by the US ST Company in China, ensuring the quality and safety of frozen semen. Meanwhile, we have standardized the management of frozen semen experimental preparations, production operation procedures, safe use of raw materials, equipment use and maintenance and other processes based on the Sex-sorted Frozen Bovine Semen (GB-T 31582-2015), the Technical Regulations for Production of Sex-sorted Frozen Bovine Semen (GB-T 31581-2015), the Frozen Bovine Semen (GB 4143-2008), the Technical Regulations for Production of Frozen Bovine Semen (NY/T 1234-2018) and other production quality standards, carried out strict quality inspections in product handover, packaging, transportation, process identification, bacterial detection and other aspects and disposed unqualified products in compliance with regulations to ensure the high quality of frozen semen products.

In terms of breeding, we follow the Administrative Measures for the Implementation of the Genetic Improvement Program on National Livestock and Poultry 《全國畜禽遺傳改良計劃實施管理辦法》, the Technical Specifications for the Import of Cattle Genetic Materials 《牛遺傳物質進口技術標準》, the Procedures for Determination of Young Holstein Bull Offspring (NY/T 1246) 《青年荷斯坦公牛後裔測定規程(NY/T 1246)》, the Procedures for Determination of Beef Cattle Offspring (NY/T 2660-2014) 《肉牛後裔測定規程(NY/T 2660-2014)》 and other laws, regulations and technical standards, formulate the Control Points in Key Indicators and Core Management Elements of the Holstein Bull Breeding Technology System, the Standards and Handover Procedures for Entry and Transfer of Reserve Bulls in Breeding Bases, the Operation Procedures and Systems for Bovine Genomic Testing, the Precision Breeding of Sires and other systems on internal control process, breed high-quality and high-standard sires in combination with advanced breeding technologies such as DHI determination, genomic testing, offspring determination and genetic evaluation of sires, as well as advanced breeding technologies such as OPU-IVF-ET, MOET, sex-sorting, somatic cell cloning and stem cells-genome editing to promote healthy breeding of animal husbandry.

While strengthening quality management and control, we actively participate in the formulation of industrial standards and technological development to facilitate the improvement of the breeding standards:

- 》 Drafting the Production and Manufacturing Process of Sex-sorted Frozen Dairy Goat Semen 《奶山羊性控冷凍精液生產製作規程》(DB15/T 2050-2020), a local standard in the Inner Mongolia Autonomous Region officially released and implemented in 2021;
- 》 Participating in the technical seminar on the revision of the “National Standard on Frozen Bovine Semen 《牛冷凍精液》(GB 4143-2008)” organized by the National Animal Husbandry Service of the Ministry of Agriculture and Rural Affairs in Nanjing;
- 》 Obtaining the authorization of 3 patents, including the New Uses of Hyaluronic Acid, and a total of 22 patents in the field of breeding technology in 2021.

5.2 Enhancing customer experience

The Company follows the requirements of the Law of the PRC on the Protection of Consumer Rights and Interests 《中華人民共和國消費者權益保護法》 and other laws and regulations to protect customers’ rights and interests. We strictly protect the security of customer information and avoid leakage of private information. Meanwhile, we attach great importance to the optimization of customer services, carry out satisfaction survey reports on key customers every year and focus on analyzing the satisfaction of new customers and customers with large purchases on products to improve the service quality. The Company will also review all complaints from customers, suppliers and partners in accordance with internal procedures and guidelines and take corresponding follow-up measures, actively conduct relevant investigations and properly handle them and further carry out optimization and improvement work.

Providing High-quality Products and Services

5.3 Promoting innovation and development

- **Facilitating industrial research**

As a leading enterprise in the animal husbandry industry, Youran Dairy attaches great importance to technological innovation and development and has established a strong scientific research team to effectively promote the research and development of advanced technologies in the industry. The Company actively participates in the project of “Rejuvenating Inner Mongolia Autonomous Region with Science and Technology” jointly organized by the Ministry of Science and Technology of the PRC and the Inner Mongolia Autonomous Region, and undertook a total of 6 key projects in 2020-2021, including the Research on Key Technologies on the Integration of Plantation and Feed of Dairy Cow-Farmland System, the Research and Application of Whole-process Nutrition Regulation on Calves, Reserve Cows and Milkable Cows, the Innovative Application of Efficient Breeding of Core Herds of High-yield Holsteins, the Research and Application of Comprehensive Technologies on Carbon Neutrality and Carbon Emission Reduction in the Breeding Process on Scaled Dairy Farms, the Research and Integrated Demonstration of Key Production, Processing and Utilization Technology on Scaled High Quality Alfalfa Hay, the Integration of Development of New Technologies on Dairy Cow Biological Breeding and Innovation of Key Technologies on Breeding and Reproduction. With scientific and technological innovation as the support and the implementation and conversion as the target, it speeds up in scientific research and facilitates the high-quality promotion of “Rejuvenating Inner Mongolia Autonomous Region with Science and Technology”.

In addition, Youran Dairy actively strengthens the deep integration of industries, universities and research institutions. During the Reporting Period, we signed a cooperation agreement on “low-carbon emission research” with Inner Mongolia Agricultural University. Combined with the accumulation of research on their respective discipline, technological development and application practice, we make joint efforts to tackle key issues in dairy cows farming, such as the research on the law of carbon emission, carbon emission reduction management on forage grass, carbon emission reduction management on breeding, carbon emission reduction management on feeding and carbon emission reduction management on cow manure treatment, to facilitate the green and high-quality development of the industry.

- **Protection of intellectual property rights**

In compliance with the Patent Law of the PRC 《中華人民共和國專利法》, the Trademark Law of the PRC 《中華人民共和國商標法》 and other laws and regulations, Youran Dairy has formulated the Administrative Measures for Intellectual Property Rights internally to strengthen the intellectual property rights management of Youran Dairy and safeguard the legitimate rights and interests in the intellectual property rights of Youran Dairy. We have employed full-time staff to be responsible for intellectual property work, including tracking the registration and authorization of trademarks, patents, trade names and other intellectual property rights in routine work, thus safeguarding the legitimate rights and interests of the enterprise in intangible assets.

5.4 Publicizing in accordance with laws and regulations

The Company actively abides by the Advertising Law of the PRC 《中華人民共和國廣告法》 and other laws and regulations, strictly carries out compliance publicity and resolutely eradicate the spreading of false information. We always stick to treating customers and consumers with a sincere attitude, produce safe, healthy and high-quality dairy products and offer pure quality.

The Product Recall Management System 《產品召回管理制度》 formulated by the Company strictly stipulates the requirements of conditions for, circumstances and processes of product recall, pursuant to which, when the conditions for and circumstances of product recall are met, the product recall team will set a recall target and draw up a plan to enter the product recall stage, and summarise such product recall to avoid a recurrence of the event after the recalled products are dealt with and filed. Our key performance data on product liability in 2021 is as follows:

Indicators	Unit	2021
Number of complaints on products and services	piece	0
Proportion of products sold or shipped subject to recalls for safety and health reasons	%	0

6. Jointly Promoting Community Development with Partners



Jointly Promoting Community Development with Partners

6. Jointly Promoting Community Development with Partners

6.1 Building a win-win platform

Adhering to the concept of achieving win-win cooperation and common development, Youran Dairy focuses on strengthening of supplier management systems. Based on international leading theories on supplier management and combined with the management conditions of Youran Dairy, we formulated the Lifecycle Supplier Management System of Youran Dairy (《優然牧業全生命周期供應商管理體系》), the Administrative Measures for Supplier Development and Operation of Youran Dairy (《優然牧業供應商開發作業管理辦法》), the Administrative Measures for Procurement of Materials and Services of Youran Dairy (《優然牧業物資與服務採購管理辦法》), the Procurement and Operation Management System of Youran Dairy (《優然牧業採購運營管理體系》) and other systems to coordinate management. We further set out detailed requirements on various materials procured and formulated the Administrative Measures for Procurement of HP Materials (《HP原料採購作業管理辦法》), the Administrative Measures for Procurement of Materials and Services for Engineering Projects (《工程項目物資和服務採購作業管理辦法》), the Administrative Measures for Procurement of Spare Components and Repairing Services for Equipment (《備品備件及設備維修服務採購作業管理辦法》), the Administrative Measures for Procurement of Imported Forage Grass (《進口飼草採購作業管理辦法》), the Administrative Measures for Procurement of Home-made Forage Grass (《國產飼草採購作業管理辦法》), the Administrative Measures for Procurement of Raw Materials (《原料採購作業管理辦法》), the Administrative Measures for Procurement of Ancillary Materials and Services (《輔料與服務採購作業管理辦法》), the Administrative Measures for Procurement of Complete Silage (《全株青貯採購作業管理辦法》), the Administrative Measures for Procurement of Imported Cows (《進口奶牛採購作業管理辦法》), the Administrative Measures for Procurement of Logistics Services (《物流採購作業管理辦法》), the Administrative Measures for Integrated Procurement (《整合採購作業管理辦法》), the Administrative Measures for Online Procurement (《網絡採購作業管理辦法》) and other systems to regulate the supplier management procedures of the Company and improve the response to the management of environmental and social risks of suppliers.

In order to better carry out supplier management, we adopted various measures on supplier access, standardized procurement, monitoring and evaluation and the building of suppliers' capability during the Reporting Period to effectively optimize supply chain resources.

- Access review

» Based on the types of materials and services in need, industrial characteristics and key control points in cooperation contents, we determine the methods for supplier review and certification, carry out reviews on qualification and compliance, on-site inspections, sample evaluation, dynamic investigations or portfolios of various reviews. Suppliers shall pass strict and standard access reviews before carrying out cooperation.
- Standardized procurement

» **Strategic research on product categories to be procured:** Based on the characteristics of different industries, we formulate procurement strategies in line with the features of industries and promote advanced technologies in the industry. We manage plantation bases with suppliers and build ancillary factories based on the source of materials and the layout of dairy farms to optimize the industrial layout. We collect and analyze global advantageous procurement resources, study standards with suppliers and introduce new competitive products.

» **Optimization of procurement process:** We transform the procurement model from traditional procurement to category management, the procurement function from "independent action" to cross-department collaboration, the digital procurement from procurement implementation to visual operation and the procurement management and control from regional procurement to the integration of centralized procurement and independent procurement. Through the IT application, process review and rebuilding, we promote standard procurement and achieve information sharing and interactions with suppliers.

» **Sunshine procurement:** Following the principles of "openness, fairness, justice, thrift and creditability", we require experts on procurement review to conduct objective and impartial voting on procurement opinions and undertake responsibilities for review opinions and suggestions. Meanwhile, we also require suppliers to enter into the Sunshine Agreement on anti-commercial bribery to enhance the awareness on clean procurement, regulate commercial cooperation and create a clean and upright procurement environment.

Jointly Promoting Community Development with Partners

- Monitoring and evaluation >> During the supply or service process of suppliers of key categories, we carry out monitoring and evaluation on their performance on quality, cost, delivery, service, innovation and other routine coordination work and promote the improvement of their operation capabilities.
- >> Based on the comprehensive evaluation on multi dimensions (quality review + cooperation evaluation), we issue the annual supplier performance results and grade evaluation, hold communications meetings on suppliers' performance and organize trainings for suppliers to drive suppliers in conducting performance improvement and enhancing the management and risk resistance of suppliers.
- Capability building of suppliers >> We carry out the capability improvement of suppliers and share advanced professional knowledge in the industry to achieve common development with suppliers in the cooperation process. We enter into strategic partnership with suppliers of key materials to expand the scope and depth of cooperation.

The Company also pays attention to the performance of suppliers on environmental and social governance and strengthens the management of environmental and social risks of suppliers. For the environmental aspect, we require suppliers to be equipped with independent plants and that there are no sources of pollution affecting the quality and safety of products in surrounding areas; the discharge of sewage shall meet the requirements of laws and regulations; and wastes shall be properly handled. For the social aspect, we set requirements on the compliance and integrity operation of suppliers and enhance the management on the qualification of suppliers.

In addition, we give priority to environmental suppliers and relevant products in the process of procurement. For example, we prioritize suppliers with carbon certifications or those having implemented measures on carbon emission reduction or adopting clean energy in production and transportation. For the procurement of production equipment, we prioritize equipment with low energy consumption to practically implement green procurement.

Our key performance data on the supply chain management in 2021 is as follows:

Indicators		Unit	2021
Total number of suppliers		unit	5,476
	Mainland China	unit	5,427
Number of suppliers by region	Hong Kong, Macau and Taiwan of the PRC	unit	3
	Overseas areas	unit	43
Number of suppliers on which the abovementioned practices are implemented		unit	5,476

6.2 Fulfilling social responsibilities

The Company remains true to its original aspirations, actively serves and gives back to the society, supports and promotes local employment and vigorously devotes in public welfare undertakings. It carries forward the spirit of sacrifice and bravely undertakes responsibilities and missions in preventing disasters and poverty alleviation.

- **Solving employment of farmers and herdsmen in surrounding areas**

Youran Dairy actively fulfills social responsibilities and provided employment for over 6,000 farmers and herdsmen in surrounding areas. While effectively boosting the employment and income growth of farmers and herdsmen and reducing employment pressures, it also promotes farmers and herdsmen to choose jobs in nearby areas and effectively reduces leftover children and other social issues.

Jointly Promoting Community Development with Partners

- **Promoting the development of agriculture and husbandry in surrounding areas**

Youran Dairy has a huge demand for corns, silage, oat grass and other agricultural and husbandry products in the process of dairy farming and feeds production. The annual acquisition of silage reaches up to 900,000 mu (approximately 2.30 million tonnes). The acquisition of silage will promote the utilization of cornstalks, increase the income of herdsmen in surrounding areas, effectively solve the difficulties in grains sales and drive the rapid development of agriculture and husbandry in surrounding areas.

- **Achieving the common development of agriculture and husbandry through industrial assistance**

Youran Dairy actively leverages its industrial and technological advantages and formulates featured assistance policies for different areas. It has carried out poverty alleviation through silage in Tumed Left Banner for three consecutive years. It provided feeding technology and knowledge to agricultural and pastoral areas in Ximeng, Chifeng and Ulanqab, offering technical services to 769 households of farmers and herdsmen in total with 931 services during the year. Meanwhile, some dairy farms presented bull calves to poverty-stricken households in surrounding areas and further improved the independent development capacity of local farmers and herdsmen to achieve mutual benefits and common development.



Youran Dairy Carries out Assistance Activities

Our key performance data on community investment in 2021 is as follows:

Indicators	Unit	2021
Amount of charitable donations	RMB'0,000	267.6
Amount of industrial assistance	RMB'0,000	182.86
Total	RMB'0,000	450.46

OUTLOOK

In 2022, Youran Dairy will be continuously committed to the core values of “excellence, undertaking, innovation, win-win, respect”, and stick to the mission of “creating the source power of human healthy life by quality products”. While expanding its industrial development scale, enhancing its operational capability and further consolidating its leading position as “the world’s largest raw milk provider”, Youran Dairy will also strive to promote the improvement of its sustainable development, optimize the layout in green and low-carbon fields, improve service quality, strengthen corporate governance, reward the society and make continuous contributions to the sustainable development of the industry.

We will constantly respond to the national “Carbon Peak and Carbon Neutralization” strategy and steadily promote the “value-driven, technology-led, efficient utilization, green development” double-carbon policy to facilitate the early realization of the double-carbon goal of the Company. We will also continue to strengthen the management of energy conservation and emission reduction, deepen the concept of green environmental protection and promote the sustainable development of circular dairy farms. Relying on the model of integrated planting and farming, we will promote the virtuous cycle from manure stored up for disposal, land improvement to supply of high quality forage grass, lead the industry on the road to green development and fully contribute to the national ecological civilization construction.

We always stick to the mission of “creating the source power of human healthy life by quality products” and continuously promote product quality. We will gradually and rapidly promote the herd improvement, and accelerate the scale of genome detection and embryo transfer to breed healthy and high-yield dairy cows and improve the quality of dairy products. We will clarify the brand positioning of our ruminant feed business to establish a highly recognized feed brand. We will respond to the national strategy of germplasm resources security, focus on the breeding improvement of dairy cows, strengthen the production technology and quality of domestic frozen bovine semen, embryos and embryonic cattle, and produce the most competitive breed to lead the industry with accumulated advantages.

We will continue to improve the construction of management ecology. We will deepen the people-oriented philosophy, insist on creating an equal and diversified, harmonious and united, healthy and safe working environment for our employees, and devote ourselves to cultivating a highly professional and dedicated talent team to develop into the best employer. We will actively take the advantage of technology empowerment to strengthen and improve the innovation mechanism, build an efficient innovation and research and development platform, and enhance the new product reserve, research and development and marketing capability. We will improve the supply chain management, strengthen the supply chain environment and social risk management, and work together to achieve win-win development.

We will devote ourselves to reward the society, expand the depth and breadth of public charity activities, actively mobilize employees to participate in voluntary activities, show a good image of devotion to serve the society, and will continue to give play to our industrial technology advantages to boost local employment, effectively promote the coordinated development of the surrounding agriculture and animal husbandry industry, and practice our corporate social responsibility.

In the future, Youran Dairy will actively give play to its own advantages under the guidance of the core values of “excellence, undertaking, innovation, win-win, respect” to fully practice sustainable development and lead the China dairy farming industry to become the most trustworthy world-class dairy farming group.

APPENDIX: ESG INDEX

No.	Description	Page
Aspect A1: Emissions	<p>General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	P23-P25
	A1.1 The types of emissions and respective emissions data.	P27
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P27
	A1.3 Total hazardous waste produced (by weight or volume) and, where appropriate, intensity (e.g. per unit of production volume, per facility, per official employee).	P27
	A1.4 Total non-hazardous waste produced (by weight or volume) and, where appropriate, intensity (e.g. per unit of production volume, per facility, per official employee).	P27
	A1.5 Description of emission target(s) set and steps taken to achieve them.	P20
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P22, P26
Aspect A2: Use of Resources	<p>General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	P28-P30
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P31
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P31
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	P21
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P22, P29-P30
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P31
Aspect A3: The Environment and Natural Resources	<p>General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.</p>	P27-P30, P35
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P28-P30, P35

APPENDIX: ESG INDEX

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	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P19-P22
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P37
	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	P38
	B1.2 Employee turnover rate by gender, age group and geographical region.	P38
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P39
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P41
	B2.2 Lost days due to work injury.	P41
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P39-P41
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	P41
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	P42
	B3.2 The average training hours completed per employee by gender and employee category.	P42
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P38
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	P38
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APPENDIX: ESG INDEX

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Aspect B5: Supply Chain Management	B5.1 Number of suppliers by geographical region.	P56
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	P55-P56
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P55-P56
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P55-P56
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P49-P53
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P53
	B6.2 Number of products and service related complaints received and how they are dealt with.	P52-P53
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	P53
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	B7.3 Description of anti-corruption training provided to directors and staff.	P17
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P56-P57
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P56-P57
	B8.2 Resources contributed (e.g. money or time) to the focus area.	P57