



優然牧業
YOURAN DAIRY

China Youran Dairy Group Limited

中國優然牧業集團有限公司

(A limited company incorporated in the Cayman Islands)

Stock code : 9858

2022

Environmental, Social and Governance Report



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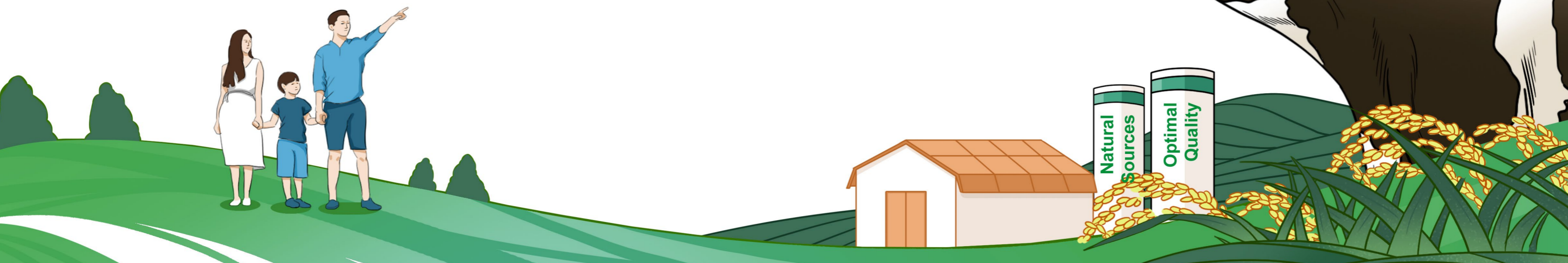
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About This Report

Reporting Scope:

Data and facts involved herein cover China Youran Dairy Group Limited and its subsidiaries. For the convenience of expression, in this report, “the Group” or “we” refers to the Company together with its subsidiaries; and “the Company” “Company” or “Youran Dairy” refers to China Youran Dairy Group Limited.

Reporting Cycle:

This is an annual report. The reporting period is from January 1, 2022 to December 31, 2022 (the “**Reporting Period**”). To make this report more comparable and forward looking, some of its contents may be beyond the above Reporting Period time range.

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). The response to climate change is partly based on the recommendations provided by the Task Force on Climate-related Financial Disclosures (TCFD) and the *Guidance on Climate Disclosures* of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

Reporting Principles:

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

- ① **Materiality:** The materiality of the Environmental, Social and Governance (“**ESG**”) matters was determined by the board of directors of the Company (the “**Board**”), and communications with stakeholders, the process of identifying substantive issues and substantive issues matrix were disclosed in this report.
- ② **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.
- ③ **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 judgment of this report.
- ④ **Consistency:** Unless otherwise specified, the statistical methods and standards of data disclosed in this report are consistent.

Data Explanation:

Unless otherwise stated, the scope of statistics herein covers China Youran Dairy Group Limited and its 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 Hong Kong Stock Exchange (www.hkexnews.hk) and the Group (https://www.yourandairy.com/en/info_5.html).

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Chairman's Message



Zhang Yujun

Here comes the new year when glories will be renewed through our constantly sound efforts. In the past 2022, with the underlying strategic deployment of the 20th CPC National Congress, China has embarked on a critical stage of developing into an agricultural power at a cracking pace. Trying to make up for the shortcomings of China in terms of agricultural modernization, and upholding the policy guidance of "Rural Revitalization" and "Dairy Revitalisation", Youran Dairy, with all our employees united as one, strives to tap potentials and make a series of attempts, such as cost reduction and efficiency improvement, raising per unit yield, technological empowerment, and technological innovation, to lay a solid foundation for the high-quality development of Youran Dairy, and to build a more innovative and competitive industrial chain and supply chain with higher added value. The year 2022 marks our growth in many aspects: in the raw milk business, the average milk yield per milkable cow (excluding Jerseys) recorded a year-on-year growth of 4.6%, including especially a year-on-year growth of 11.7% contributed by the 6 farms acquired from Fonterra China Farms Group; and in the feed business, the sales of concentrated feed exceeded 1 million tonnes, making us the industry-first in China to record a sales volume of ruminant concentrated feed of over one million tonnes, and realizing a further improved market share.



Creating added value through technological empowerment and with upgraded strategic vision. The Group officially released its upgraded strategic vision of "Lead China's Animal Husbandry to March Forward to the Most Trustworthy World-class Animal Husbandry Technology Group", to embark on a strategic transformation from a high-speed development to a high-quality development along the course of "second entrepreneurship". While empowering the Company's main business with technology, we keep expanding the high-tech and high value-added business of the industrial chain, and enhancing the technological value of Youran Dairy in all respects, preparing ourselves for a bigger and stronger future business.

Being fully engaged in green transformation to orient the entire industrial chain towards sustainable development. Based on the strengths brought by a whole-industrial-chain layout, the Group takes the initiative in promoting a green, low-carbon and sustainable operation model following the concept of "from grass to milk", planting more than 2.5 million mu of quality pastures around the farms by itself or in cooperation with others. The Company undertook such key projects as "Rejuvenating Inner Mongolia Autonomous Region with Science and Technology" launched by the Ministry of Science and Technology and the Inner Mongolia Autonomous Region, and the "Key Research and Development Project for Low-Carbon Farms with Emission Reduction" launched by Science and Technology Department of Ningxia Hui Autonomous Region, to actively promote the comprehensive research and application of technologies aimed at carbon neutrality and carbon emission reduction in large-scale breeding, and realize an efficient coordination between dairy farming and grass planting, so as to facilitate the progress of "carbon peaking and carbon neutrality" and contribute our solutions to the sustainable development of global animal husbandry.

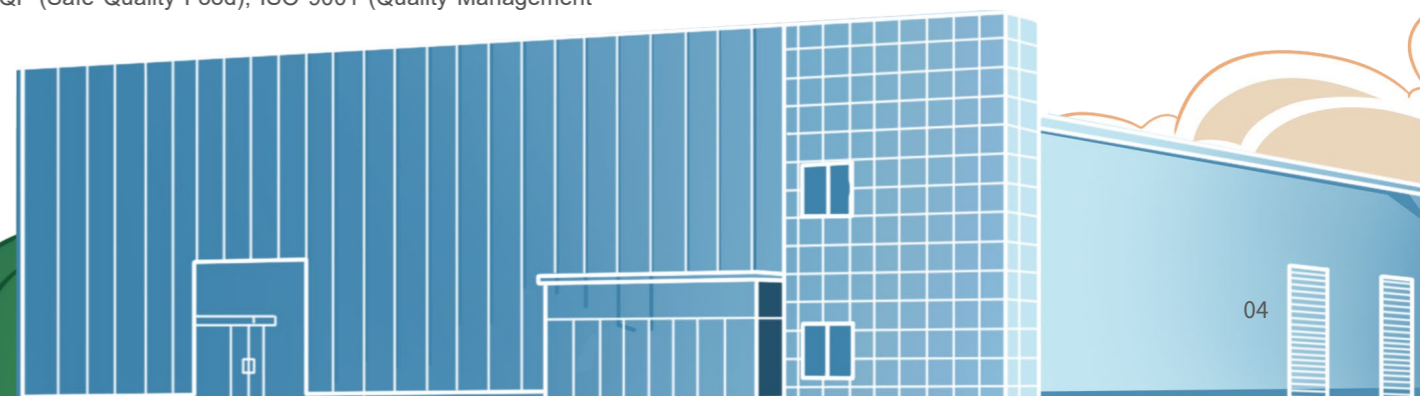
Driving high-quality development and providing customers with quality products and services. The Group guarantees product quality from the source, and raw milk and feed products are produced in accordance with the highest globally recognised standards. 100% of the Group's products passed the quality sampling tests conducted by national supervision and inspection authorities at all levels in 2022. We stick to main nutritional and hygienic indicators of raw milk which are superior to the EU standards. The Group has continued to develop and achieve a number of food safety and quality related management system certifications, including SQF (Safe Quality Food), ISO 9001 (Quality Management

System), ISO 22000 (Food Safety Management System), and QACP (Quality Assurance Control Points), becomes the first integrated livestock breeding and feed processing company in China to be certified under the world's leading food safety and quality management system, SQF. The Group makes quality management the first priority of sustainable development.

Remaining people-oriented, to accumulate "source power" for sustainable development. Treating talents as the first corporate resource, the Group has taken multiple measures and made solid progress in the innovation of the talent team building, to develop a professional, highly combatable and enterprising talent team, and thus create outstanding value. We promote a diversified talent structure, safeguard employees' rights and interests, and make continuous efforts in cultivating a competitive talent team, to make employees feel affiliated and content, and to realize the common development of talents and the Company.

Carrying out responsible operation to achieve win-win development. With the goal of building a beautiful China, the Group actively adapts to the new situation and requirements, continuously strengthens and innovates biodiversity protection measures, and continues to improve the animal welfare system to ensure ecological and biological security. Meanwhile, we collaborate with the supply chain to build a brightening and sustainable industrial chain, and take practical actions to promote mutual support, integration and advancement between industrial development and eco-environment protection. What's more, the Group attaches great importance to the practice of social responsibilities. By providing supports to rural revitalization, and actively participating in donations and public welfare events, we do our own bit to promote common prosperity and enhance social well-being.

The year 2023 will witness Youran Dairy's great determination and united efforts in forging ahead. We will focus on the ESG material issues, deeply understand the needs of customers, markets and stakeholders, and practice sustainable development in a more responsible manner. A long journey, though, it could be covered by taking every sound step. Youran Dairy will continue leading China's animal husbandry to march forward to the most trustworthy world-class animal husbandry technology group, by virtue of its strengths in terms of the whole industry chain, technology, digitalization, talents, lean management, and green and sustainable development.



Board Statement

The board of directors of the Company ensures the Company strictly complies with the *Code of Corporate Governance for Listed Companies* and the *Environmental, Social and Governance Reporting Guide* and other requirements to continue to improve the ESG system, management process and information disclosure measures, which ensured our sustainable development work carrying out in an orderly manner.

The Board bears the ultimate responsibilities for the ESG governance. 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.

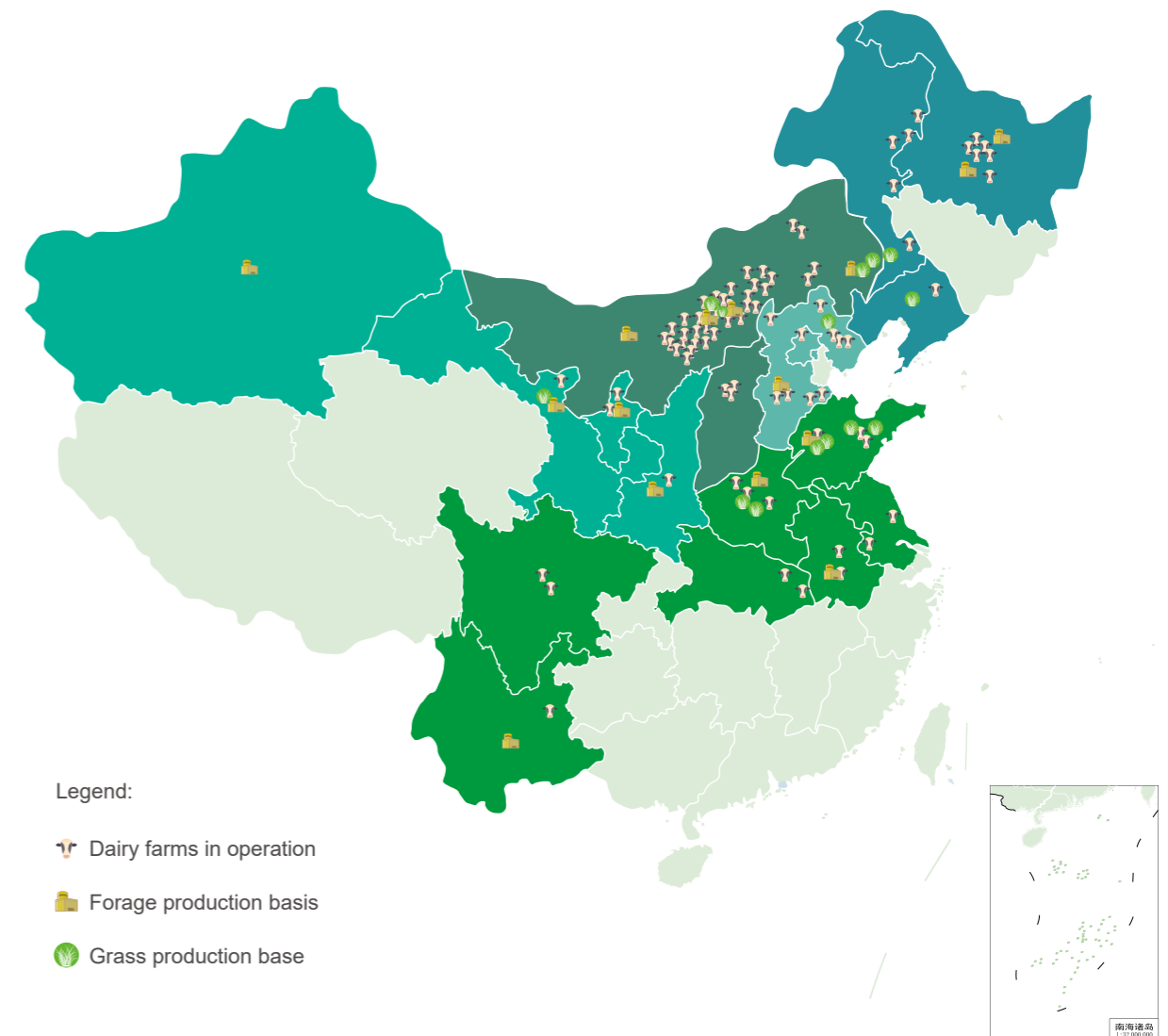
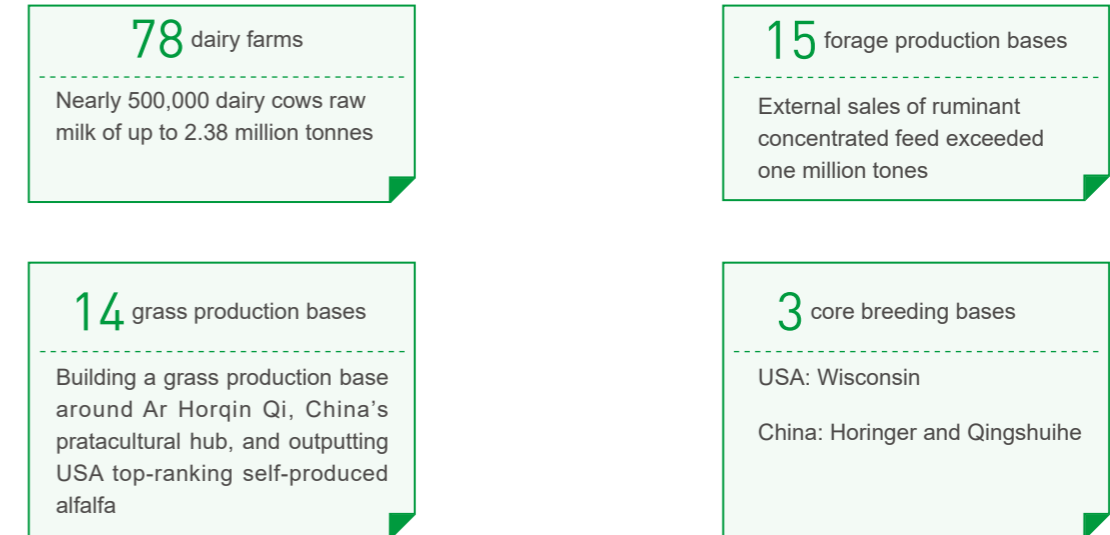
About Youran Dairy

Company Profile

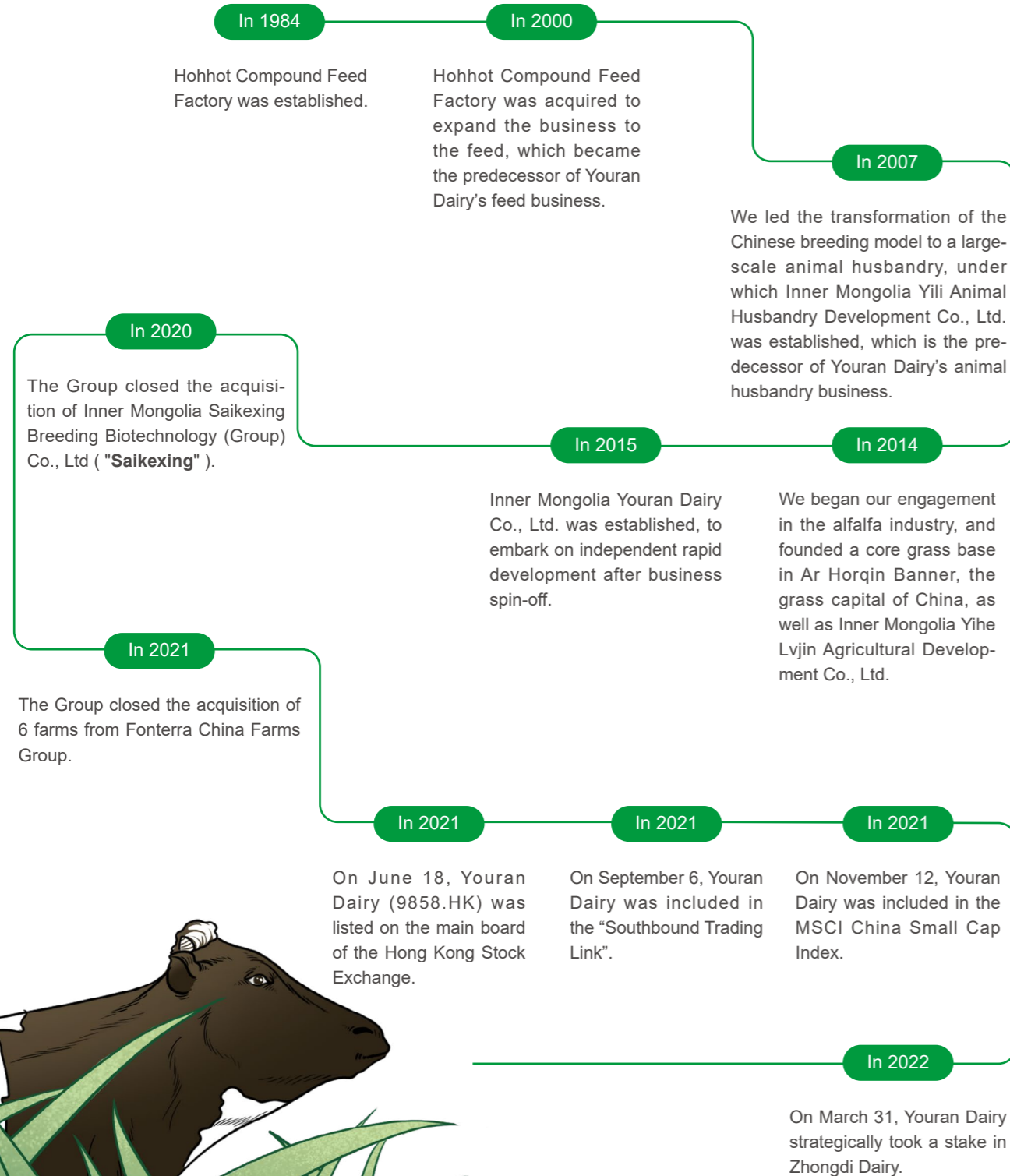
The Company was listed on the Hong Kong Stock Exchange on June 18, 2021 (stock code: 9858.HK). The Group takes the leadership in the upstream of China's dairy market, with business covering the entire upstream industry chain from breeding, forage to raw milk production, and has secured its leading positions in each segment. As of December 31, 2022, the Group owns 78 dairy farms, 15 forage production bases, 14 grass production bases and 3 core breeding bases, as well as nearly 500,000 dairy cows. In the year ended December 31, 2022, the Group has produced raw milk of up to 2.38 million tonnes, and sold concentrated feed of more than 1.09 million tonnes, making it the first in China to record an external sales of ruminant concentrated feed exceeding one million tonnes. The Group's self-produced alfalfa is certified to be the first grade or above in quality, equivalent to the US top level; in terms of dairy supermarket business which has been fully upgraded, the Group has developed profound strategic partnerships with 13 Chinese and foreign well renowned suppliers including Diamond V, and cultivated its own brands, "Muyuan Youneng", "Juyoudian" and "Chuweishi"; the Group's sales volume of breeding products reached 1.23 million doses (pieces); the Group has produced nearly 14,000 sex-controlled embryos, making it one of the earliest Chinese breeding enterprises with mass production and commercial application of sex-controlled embryos of high-yield dairy cows.

The Group took the lead in introducing the TPM system to the global animal husbandry industry, and built a standardized management model with industry characteristics for sustainable operations. The Group has passed the SQF certification, a world-leading safe and quality food management system, which means our production of raw milk and feed products meets the global highest standards. The Group aspires to lead China's animal husbandry industry with high-quality development, and is committed to producing and providing quality products, technologies and services, upgrading comprehensive competitiveness, and paying back the love of customers and shareholders to the Group with quality products and outstanding achievements, thus making continuous contributions to the sound development of China's dairy industry.

The Company's Business Coverage



Corporate Milestones



Corporate Culture

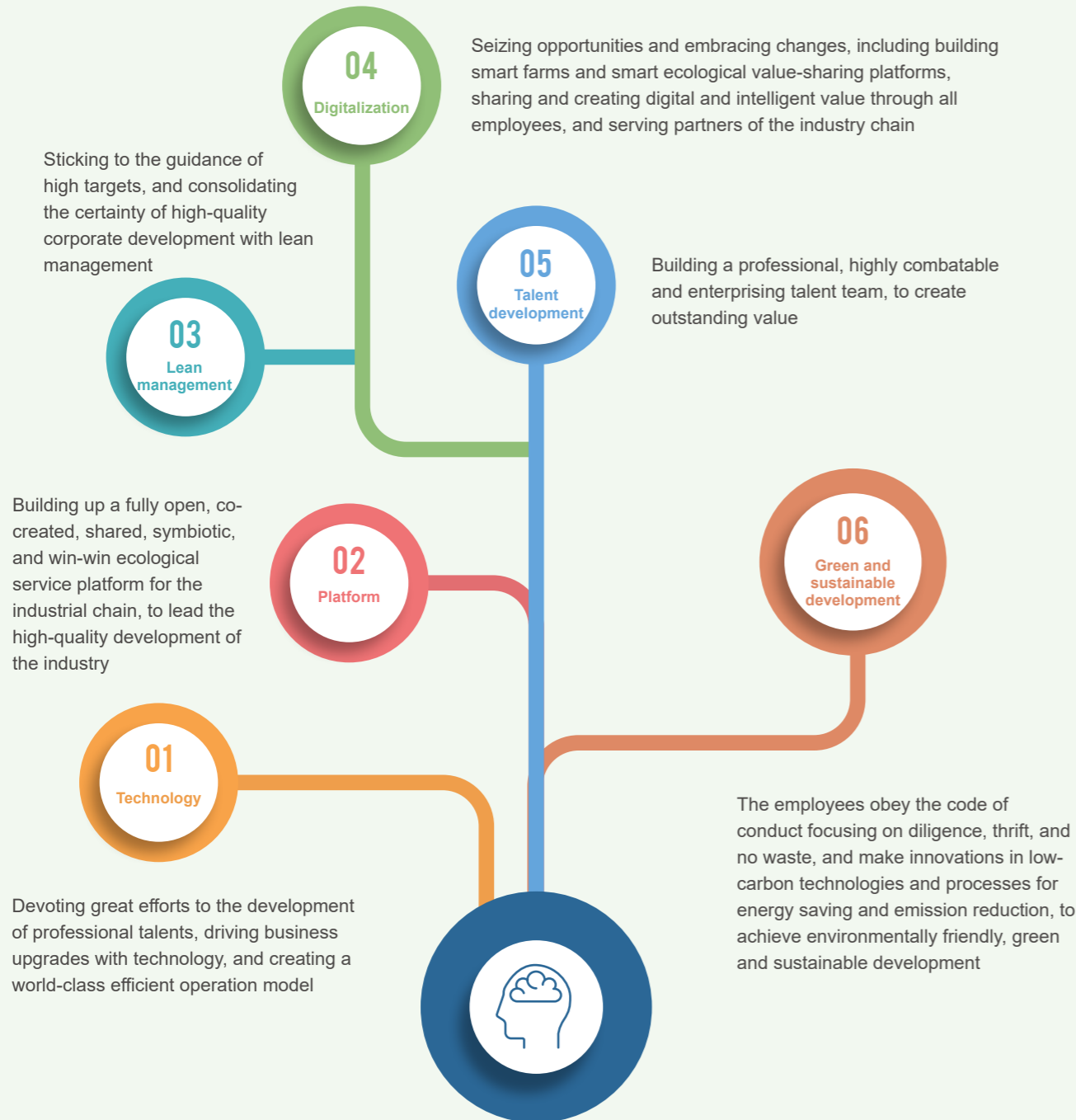


Core Strategies

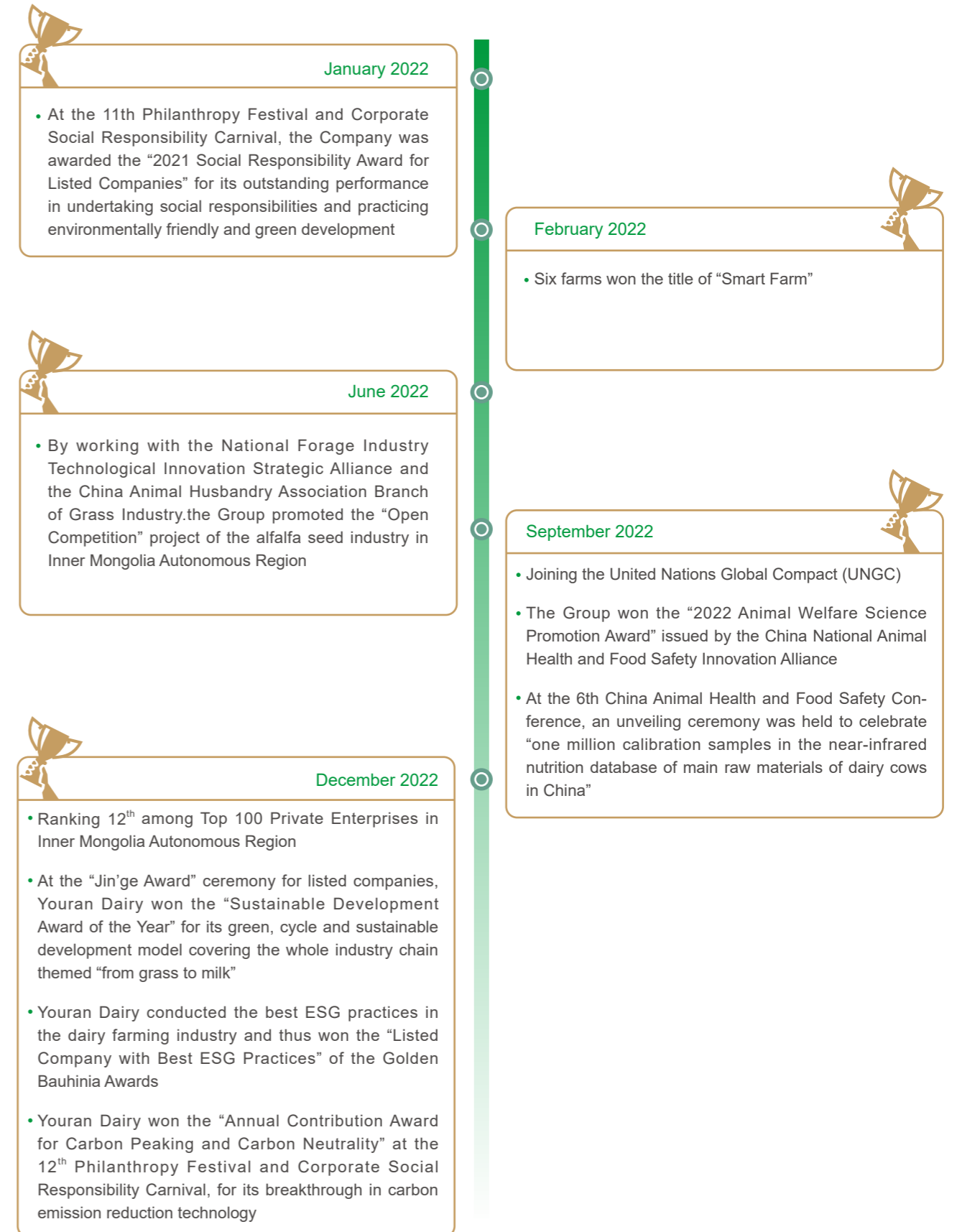
Based on the strength of the industrial chain, and focusing on the ruminant sector, the Group has launched four strategic orientations in all respects, namely, being customer value oriented, corporate value oriented, employee value oriented, and social value oriented, and becomes centered on the 6 core strategies to boost the high-quality development of the Group into an animal husbandry technology group.



Business Philosophy



Corporate Honors on Sustainability





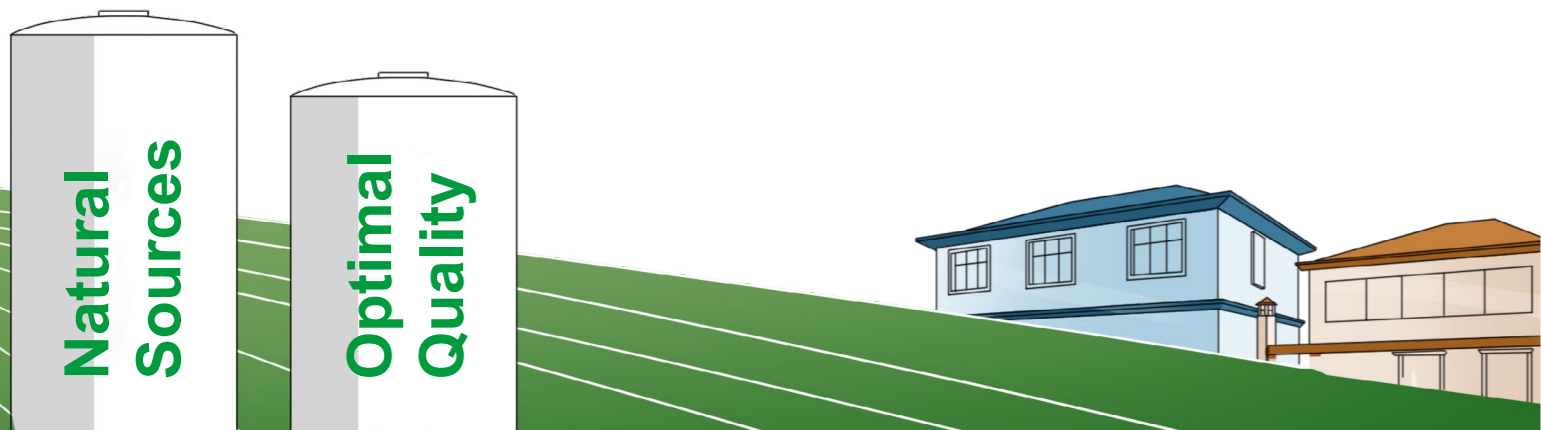
01

The Road to Sustainable Development



Sustainable Development Strategy

The Group joined the United Nations Global Compact (UNGC) in 2022. By supporting and keeping to the “Ten Principles”, we have adopted a more responsible operation model, and assumed more industrial responsibilities and social missions. We have incorporated the Ten Principles on anti-corruption, environment, human rights and labor rights into our strategy and operations. We compile an annual sustainable development report to inform the UNGC of relevant progress, and make our contributions to the realization of the 17 United Nations Sustainable Development Goals (SDGs).



| The Ten Principles of UNGC | GRI |
|--|---|
| Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights | GRI 412: Human Rights Assessment |
| Principle 2: Businesses should make sure that they are not complicit in human rights abuses | |
| Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | GRI 407: Freedom of Association and Collective Bargaining |
| Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor | GRI 409: Forced or Compulsory Labor |
| Principle 5: Businesses should uphold the effective abolition of child labor | GRI 408: Child Labor |
| Principle 6: Enterprises should uphold the elimination of discrimination in respect of employment and occupation | GRI 406: Non-discrimination |
| Principle 7: Businesses should support a precautionary approach to environmental challenges | GRI 307: Environmental Compliance GRI 303: Water and Effluents |
| Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility | GRI 302: Energy GRI 305: Emissions GRI 306: Effluents and Waste GRI 306: Waste |
| Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies | GRI 301: Materials GRI 304: Biodiversity |
| Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery | GRI 205: Anti-corruption |

Contributing to the realization of the United Nations Sustainable Development Goals

Our Responses

SDGs

The road to sustainable development

- Joining the United Nations Global Compact (UNGC) to help achieve the 17 United Nations Sustainable Development Goals (SDGs).
- Framing the *Board Diversity Policy* to actively implement a diverse and balanced development from the perspective of the Board.
- Linking the senior management compensation with such ESG indicators as environmental protection, health and safety, quality, and technological innovation.
- Publicizing the *Code of Business Conduct*, to have 100% of key positions (team leader and above) sign the anti-fraud commitment letter.
- Carrying out 7 anti-corruption training sessions on integrity warning and compliance for all employees.



Prioritizing Ecological and Green Development

- Publicizing *Environmental Claim*, and the Board sees to the decision making and supervising related to environmental policies.
- Comprehensively setting up the overall strategic goal of “Carbon Peaking by 2030 and Carbon Neutrality by 2050”, formulating the *Youran Dairy’s Implementation Plan for Realizing a Zero Carbon Future*, to determine the phased goals, implementation paths and carbon reduction measures.
- Setting up the goal of total reduction of greenhouse gas emissions to 85 tonnes per million RMB of revenue in five years.
- Setting up the goal of total reduction of water consumption to 900 tonnes per million RMB of revenue in five years.
- The production and sales of ruminant concentrates and concentrate supplements have passed the ISO 14001 certification.
- Carrying out an audit on the statement of carbon neutrality commitment and obtaining a third-party certification.
- Carrying out water stress assessment, to draw a water stress map, and implementing water stress risk management in an all-round manner.
- Publicizing the *Principles of Sustainable Operations*, to create driving forces for healthy life by making continuous improvements.
- Having initially established the world’s first “Mongolian Plateau Animal Genetic Resource Bank and Information Platform”, with collections of unique livestock and endangered wild animal samples in the Mongolian Plateau covering 185 animal species, 47% of the mammal species in the region, 100% of the livestock species, and 10% of other animal species.



Our Responses

Remaining people-oriented, co-created and win-win

- Publicizing *Human Rights Policy* and *Anti-harassment and Anti-discrimination Management Measures* to safeguard the rights and interests of the employees.
- Having newly recruited, 1,833 ethnic minority employees, and 16 special employees, plus 44 female employees who were internally promoted to management positions.
- Adopting “building an efficient talent supply chain” as the strategic positioning for talent development, and establishing a dual-channel promotion path based on “management” and “technology”, to have promoted 340 people in 2022.
- Promoting the training mode of “training plus practice” with dual drivers of education and professional cultivation, and launching a “excellence training” project.
- Having delivered 7,490 employee training sessions.
- Providing female employees with an exclusive annual package of physical examination and 6 benefits, to keep improving their well-being.
- Establishing six safety mechanisms and three safety risk control systems to lay a solid foundation for safety.
- 100% covered by collective bargaining agreements.



Leading quality, and pioneering digital intelligence

- Implementing the “3210” quality management strategy, and launching QACP with 220 key quality control points; undergoing 167 pre-market testing items, which involve 225 testing methods.
- The testing center is accredited by China National Accreditation Service for Conformity Assessment (CNAS).
- The feed business has passed the SQF certification, the safe quality food system of the global highest standard.
- Developing characteristic fresh milk, to make products more nutritious and wholesome.
- Having newly applied for 14 patents and obtained 17 patent authorizations.
- Building a world-class digital center for animal husbandry, and comprehensively promoting digital transformation.



Responsible operation, mutual integration and growth

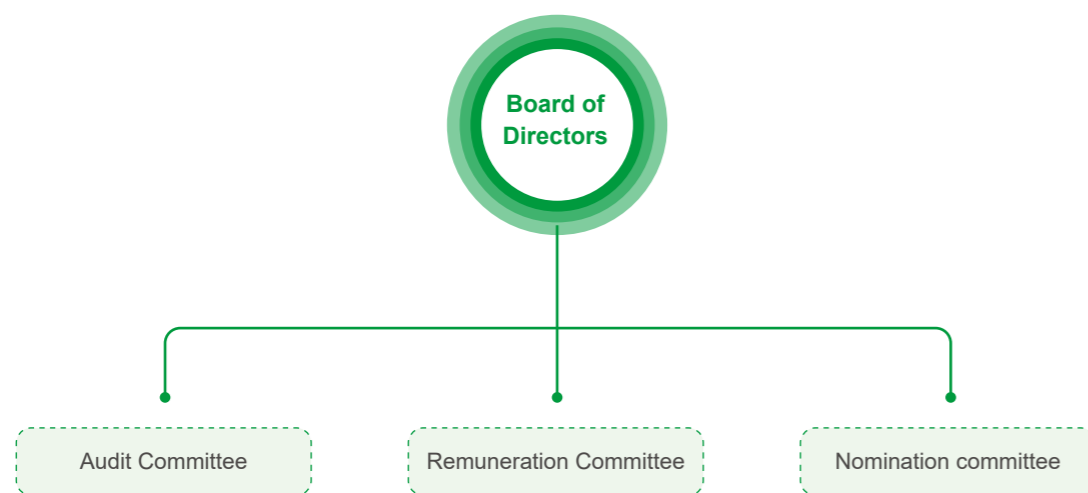
- Publicizing the *Principles of Dairy Cow Welfare*, which won the “Science Promotion Award for Animal Welfare” at the 6th China Animal Health and Food Safety Conference.
- Publicizing the *Supplier Code of Conduct*, to promote the realization of a sustainable supply chain.
- Formulating a supplier risk assessment plan, and conducting annual risk assessments on 34 key first-tier suppliers.
- Promoting strategic cooperation in terms of product agency, new technology application, technology sharing, industry influence enhancement, etc., and having entered into 96 collaborative projects with 44 strategic suppliers.
- Keep promoting the procurement of certified products related to sustainable development, and facilitating the organic certification of forage such as maize, alfalfa, and Chinese wild rye.
- Reaching an annual charitable donation of RMB 3.246 million.





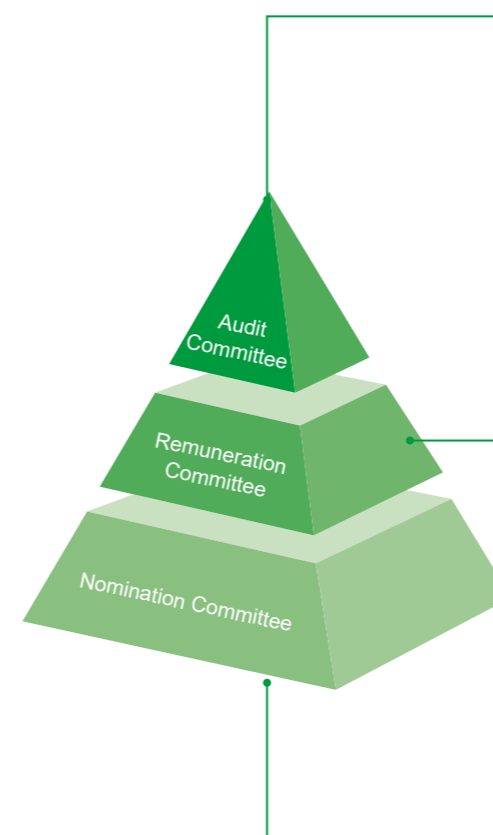
Corporate Governance

The Company is committed to refining its corporate governance, so as to safeguard the interests of the shareholders. The Company carries out corporate governance in accordance with the principles of promoting effective internal control and enhancing the transparency and accountability of the board of directors to all shareholders. The Company obeys all the provisions of the *Corporate Governance Code* of Appendix 14 of the Listing Rules in an all-round way, keeps optimizing the governance framework, and holds at least four board meetings every year. The Board has three specialized committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, which provide scientific and professional recommendations for the Board in decision making from different perspectives. The Company has established an ESG Committee composed of functional departments, to facilitate the ESG policies, objectives and strategies made by the Board. See "ESG Management Structure Section" for details.



Corporate Governance Structure

- The committee is responsible for reviewing and supervising the Group's financial reporting procedures and internal control systems;
- It consists of three members, namely Ms. Xie Xiaoyan, an independent non-executive director, Mr. Yao Feng, an independent non-executive director, and Mr. Qiu Zhongwei, a non-executive director;
- During the Reporting Period, the Company has convened three audit committee meetings, covering agenda including but not limited to: reviewing the Company's financial control, risk control and internal control systems, providing recommendations to the Board, reviewing and approving the ESG consulting and assurance services provided by the auditors, etc.



- The committee is responsible for providing recommendations for the Board on the policy and structure of the remuneration of directors and senior management, and on the remuneration determination policies; working out specific compensation packages for all directors and senior management and providing recommendations for the Board on such compensation packages; and reviewing the performance-related components of compensation packages of executive directors, to align their interests with those of shareholders;
- It consists of three members, namely Mr. Shen Jianzhong, an independent non-executive director, Ms. Xie Xiaoyan, an independent non-executive director, and Mr. Xu Jun, a non-executive director;
- During the Reporting Period, the Remuneration Committee held one meeting, discussing the issues including but not limited to: reviewing the compensation packages, remuneration policy and structure of the directors and senior management of the Company.

- The committee is responsible for making recommendations for the Board on the appointment of directors and the management of the board succession;
- It consists of three members, namely Mr. Yao Feng, an independent non-executive director, Mr. Shen Jianzhong, an independent non-executive director, and Mr. Xu, Zhan Kevin, a non-executive director;
- During the Reporting Period, the Nomination Committee held one meeting, discussing the issues including but not limited to: reviewing the structure, number and composition of the Company's Board, assessing the independence of the independent non-executive directors, reviewing and recommending to the Board the candidates for any director who is about to retire, and reviewing the Company's board diversity policy and its implementation progress.



female directors accounted for
11% of the Board



By the end of the Reporting Period,
 the Board is composed of **9** directors



specifically **2** executive directors



4 non-executive directors



3 independent non-executive directors



The number of independent non-executive directors accounted for
33% of the Board

Sustainable Development Management

Diversity and Independence of the Board

To implement the strategic goal of sustainable development, the Group framed the *Board Diversity Policy*, to actively implement a diverse and balanced development from the perspective of the Board. The nomination committee sees to the diversity of board members and continuously reviews the Board Diversity Policy to ensure its effectiveness.

For the composition of the Board, it deliberate over the diversity of the Board from various dimensions, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Board make all the appointments based on the principle of meritocracy, and fully considering the benefits of board diversity according to objective conditions when choosing candidates. By the end of the Reporting Period, female directors accounted for 11% of the Board. Each member of the Board represents a balanced combination of knowledge and skills, including but not limited to business management, veterinary medicine, biotechnology and financial management, and has obtained their own professional degrees, including economics, engineering and management.

By the end of the Reporting Period, the Board is composed of 9 directors, specifically 2 executive directors, 4 non-executive directors and 3 independent non-executive directors. The number of independent non-executive directors accounted for 33% of the Board.

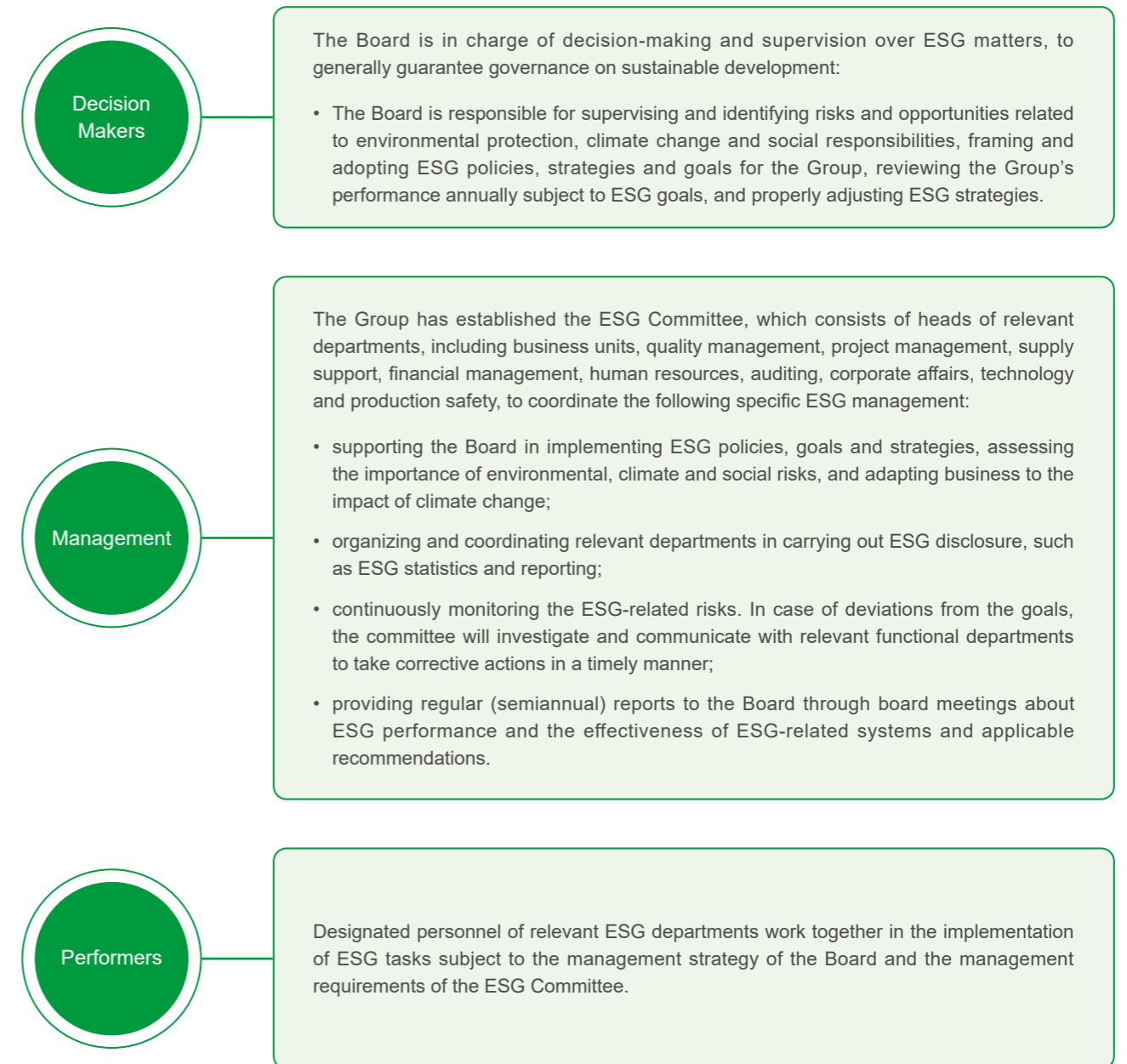
ESG-linked Senior Management Compensation

The Group links the senior management compensation with ESG indicators, such as environmental protection, health and safety, quality, and technological innovation. The Company carries out annual performance assessments of senior managements, where ESG indicators have been adopted as important indicators affecting the assessment results. Meanwhile, the heads of business units and functional departments bear the key ESG performance indicators of senior management, that is, their total incentives will be directly affected by the senior managements' performance, thus to ensure the effective implementation of key ESG goals and measures and promote the ESG governance capabilities. Where the annual ESG targets are not met, they will be deprived of commendation qualification and business incentive for the year.

ESG Management Structure

The Group has established a top-down ESG governance system with a "three-tier structure" consisting of "decision makers - management - performers", to continuously standardize the Group's sustainable development management.

The Board sees to the ESG supervision and governance, and the review and discussion of ESG reports. At the same time, the Board also sees to irregular supervision and inspection over such ESG issues submitted by relevant departments as anti-corruption, strategies for carbon neutrality implementation, and product quality control, and provides opinions and suggestions on the relevant affairs.



Risk Management

The Group has established an all-around risk management system, where the Board sees to the review, maintenance and improvement of the integrality of the Company's risk management and internal control mechanisms, properly ensures their effective operation and leads and guides the management to carry out the Group's risk assessment and internal control assessment; under the general leadership of the Board, the Internal Control and Risk Committee has been established to identify and manage corporate risks and defects, and guide each business unit to handle their internal control and risk management; each functional department has set up their own internal control and risk assessment team, to cover their risk identification, control design and implementation; and risk management performance has been adopted as a key component of employee performance evaluation.

The Group's senior management compensation and incentives are linked to risk management indicators, and the performance plan bears restrictive conditions. That is to say, in case of any production accident, safety accident, major epidemic, quality accident, occupational disease incident, and environmental protection incident, the annual performance evaluation score will be deducted depending on the circumstances, and in particularly serious circumstances, the person in charge will be dismissed or receive a penalty of the annual performance bonus.

What's more, we endeavor to build a risk management culture, and has introduced risk management score cards to measure the effectiveness of risk management in each department; actively carry out risk management training covering all the employees and staff in key positions, to explain and impart the *Risk Management and Internal Control System*, and strengthen risk awareness and building risk defences at all levels.

Business Ethics

Building up Anti-corruption Mechanisms

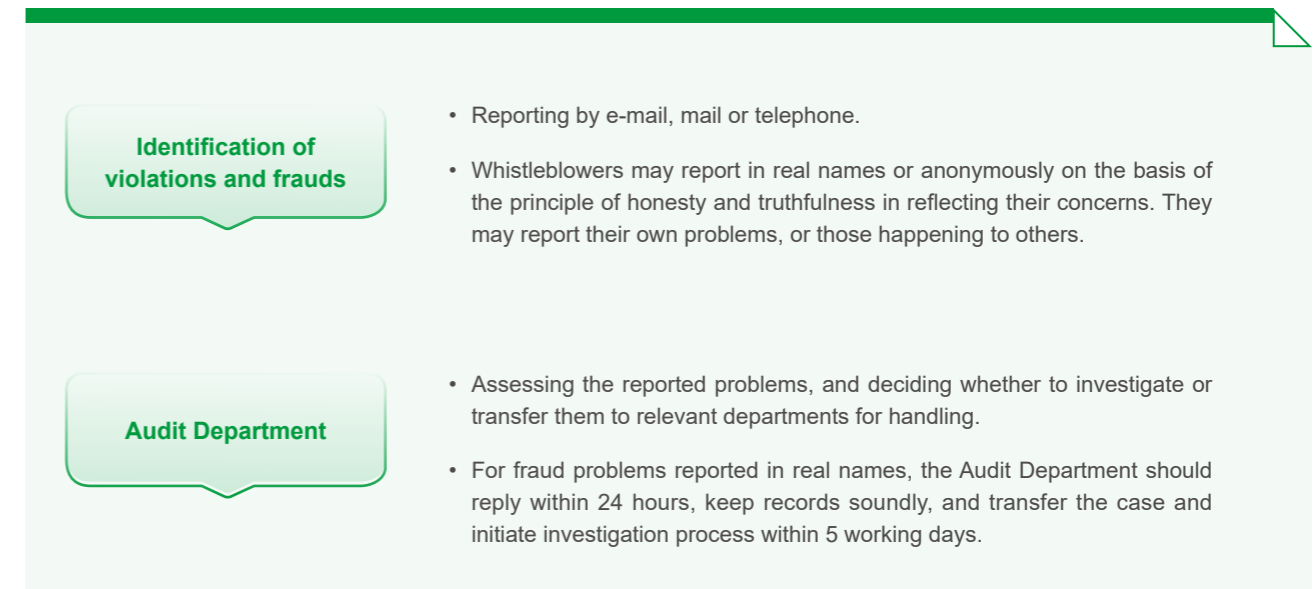
The Group has been strictly abiding by the *Criminal Law of the PRC*, the *Anti-Unfair Competition Law of the PRC*, the *Interim Provisions of the State Administration for Industry and Commerce on Prohibition of Commercial Bribery*, and other laws and regulations, to continuously build up its business ethics systems. The internally established systems include the *Measures for the Punishment of Fraudulent Practices*, the *Measures for Anti-fraud Administration*, *Youran Dairy's Accountability System for Managers*, *Youran Dairy's Measures for the Management of Self-examination and Self-correction*, *Youran Dairy's Guideline of Strict Management*, *Youran Dairy's Regulations on Promoting and Implementing Integrity*, the *Employee Reward and Punishment System*, the *Measures for the Management of Interest Relationships*, etc. In 2022, the Group publicized the *Code of Business Conduct*, covering such issues as conflict of interests, confidentiality, fair competition, green development, quality and safety, insider trading, anti-discrimination and anti-harassment, anti-corruption and anti-bribery, and established management systems according to the requirements of the code. The Code of Business Conduct applies to all the employees of the Group. Third-party employees providing services for the Group shall also act in accordance with the code when working on behalf of the Group. Our management at all levels are required to sign the *Anti-fraud Commitment Letter*. Our cooperative distributors, suppliers, and agents must sign the *Sunshine Agreement*, and, throughout the cooperation, abide by relevant regulations and the general moral standards of the industry, and strictly implement the Group's anti-corruption and anti-bribery policies and integrity requirements, to establish upright and honest cooperation. During the reporting period, the Group focused on the key positions of the team leader and above to have a total of 2,879 employees sign the anti-fraud commitment letter, recording a 100% signing rate of team leaders and above.



recording a
100% signing rate
of anti-fraud pledges by
team leaders and above

We keep enhancing the 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 have founded an anti-fraud joint meeting to analyze major fraud incidents, work out preventive measures, and summarize anti-fraud experience, in order to promote the effective operation of the anti-fraud mechanism. At the meantime, we have created a two-pronged anti-fraud management system of "business unit + audit". By strengthening audits in highly risky or key business sectors, and fully coordinating and mobilizing the independent capabilities of business units, we managed to bring forward the responsibility for uncovering violations and frauds. During the Reporting Period, the Group had no lawsuits involving corruption.

Anti-corruption Reporting Process



Whistleblower Protection

The Group soundly implements the whistleblower protection mechanism, to carry out investigation of complaints and reports following the principles of fairness, impartiality and confidentiality. The whistleblower and the reported information will be kept strictly confidential. In case that the whistleblower is retaliated against, he or she may report to the Audit Department in a timely manner. The Audit Department will investigate and solve the problem subject to relevant systems. For the employees and partners who have been proved to have violations and frauds after investigation, the Group will punish the person in charge or related parties in accordance with the Company's relevant systems, and the punishments include but are not limited to employee leave for inspection, suspension, demotion, transfer, salary reduction, termination of labor relations or termination or prohibition of cooperation on the part of suppliers, etc.

Channels and Means for Reporting

- E-mail to the President: yryuanjun@yourandairy.com
- E-mail for reporting: yrymyjb@yourandairy.com, yrymyjb@163.com
- Phone number for reporting: 0471-3393387
- Mailing address: The Audit Department of Inner Mongolia Youran Dairy Co., Ltd., No. 169, Hexi Road, Bayan Town, Saihan District, Hohhot, Inner Mongolia

Building up the Anti-corruption Culture

The Group strives to enhance employees' awareness of compliance, cultivate a compliance culture, consolidate the foundation of compliance, build a compliance ecosystem, and attempt to set up a long-term anti-fraud mechanism, to effectively curb the occurrence of frauds from the source, and to build a clean and upright team so that the Company's compliance work can be carried out intensively.

In 2022, the Group launched a campaign in the theme of "Keeping introspecting and self-examining", which was attended by directors and all the employees online, to effectively publicize the Company's anti-fraud work, and help business units better identify, control and rectify risk points and weaknesses. In 2022, we prepared 21 anti-fraud promotional articles, 3 integrity-themed festival greeting cards, and 1 integrity text message sent to all the employees of the Company; carried out a total of 7 multi-level trainings on compliance and anti-fraud covering all the employees, senior management and directors; and released 43 reports on audit issues, and uploaded eight cases onto the "Exposure Platform", covering 11,504 learners.



Indicator in 2022

Total anti-corruption training sessions
5 sessions

Total anti-corruption trainings for employees
4 times

Total anti-corruption trainings for directors
1 times

Total person-times covered by the anti-corruption training
54,857 person-times

Total directors covered by the anti-corruption training
6 person-times

Total employees covered by the anti-corruption training
54,851 person-times

Communications with Stakeholders

The Group has built a mechanism for normalized communication with stakeholders. Through diversified communication channels, stakeholders are invited to participate in decision making and events related to sustainable operations, so that their expectations and appeals can be heard, and their concerns can be responded with targeted measures. This way, we fulfill our responsibilities, to create value for stakeholders.

| Stakeholders | Expectations and demands | Communication mode | Our Responses |
|------------------------------------|--|--|--|
| <p>Shareholders/ investors</p> | <ul style="list-style-type: none"> Stable operation with reasonable and sustainable investment returns Timely disclosure of operation and material matters Risk and compliance management | <ul style="list-style-type: none"> General meetings Interim and regular announcements published on the websites of the Hong Kong Stock Exchange and the Company Investor roadshows and earnings conferences | <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 Strengthen risk management |
| <p>Government/ regulators</p> | <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 |
| <p>Consumers/ customers</p> | <ul style="list-style-type: none"> High quality, safe products 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"> Strengthen product quality assurance Marketing according to the law Customer satisfaction analysis Protecting the rights of consumers and customers |
| <p>Employees</p> | <ul style="list-style-type: none"> Equal and compliant employment Rights protection Benefits Growth and development Occupational health and safety Caring and communication | <ul style="list-style-type: none"> Diversified training and communication Internal activities, communications, and democratic meetings Internal communication channels, such as telephone and email Employees' congress Democratic communications Labor contract | <ul style="list-style-type: none"> Compliant recruitment and improvement of employment system Enhancing the protection measures of occupational health Optimizing career development path Enhancing remuneration and benefit packages Conducting various activities for employees Continuously carrying out activities to collect employees' suggestions Employee trainings |
| <p>Suppliers</p> | <ul style="list-style-type: none"> Fair and open procurement Contract fulfillment with integrity Stable business relationship Supply chain building Common development and progress | <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 |
| <p>Environment</p> | <ul style="list-style-type: none"> Adhering to green and 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"> Development of a Zero Carbon Future Implementation Plan Implementing energy saving and emission reduction improvements Setting environmental goals Strengthening ecological protection Building recycling dairy farms |
| <p>Communities</p> | <ul style="list-style-type: none"> Carrying out charity activities Contributing to local development Supporting rural areas development | <ul style="list-style-type: none"> Paying visits to communities Formulating plans for community services | <ul style="list-style-type: none"> Conducting public service activities Facilitating local employment Industry support and technical support to drive farmers and herdsmen's development |
| <p>Public and Media</p> | <ul style="list-style-type: none"> Open and transparent information Maintaining good public relations | <ul style="list-style-type: none"> Participating in sustainable development activities Official communication channels of the Company | <ul style="list-style-type: none"> Active news coverage and publicity Facilitating communication channels with the public and the media |

Identifying Material Issues

Based on the Company's actual operation and management, and with reference to international and Chinese standards, macro analysis of the industry, and peer practices, and considering the research results of internal and external stakeholders, we clarified the Company's ESG and disclosure key points from the two dimensions of the importance of the issues to stakeholders and the importance of the issues to the Group, and framed a matrix of material issues as the basis for management and disclosure of environmental, social, and governance information.

Identification stage

- ☆ **Analysis of main Chinese and foreign standards:**
 - The Hong Kong Stock Exchange ESG Guide
 - GRI Sustainability Reporting Standards
 - UN Sustainable Development Goals
 - The Ten Principles of UNGC
 - The Disclosure Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Financial Stability Board (FSB)
- ☆ **Analysis of sustainable development hotspots, industry hotspots and peer practices**

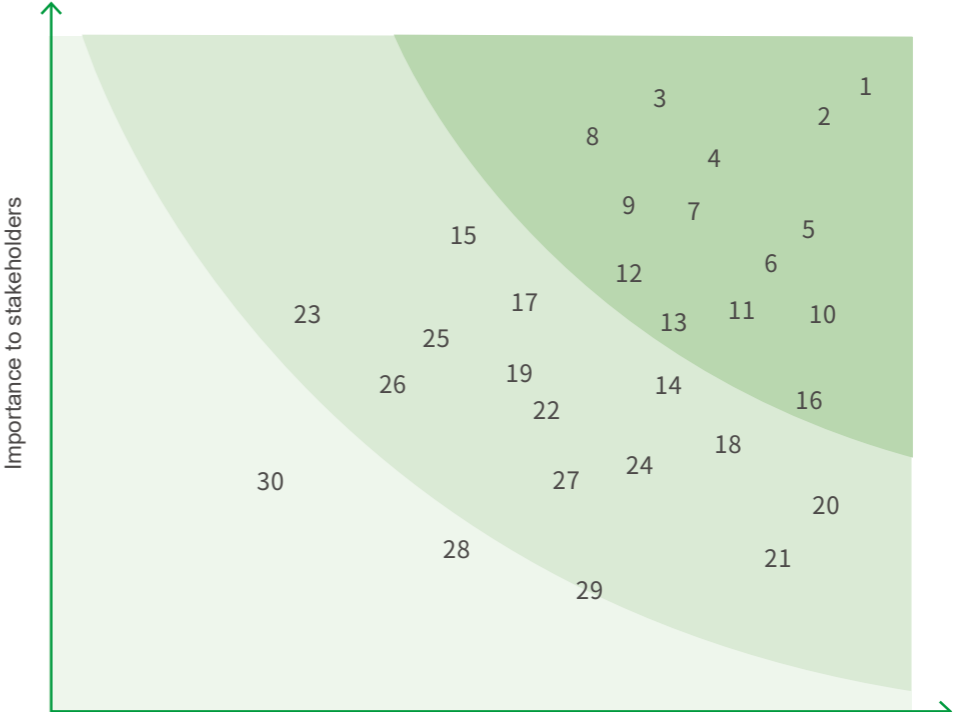
Evaluation stage

We assessed the importance of each issue through online questionnaires, and conducted a survey with the stakeholders, to have collected a total of 127 valid questionnaires for this survey. Taking in consideration the actual management and operation of the Company and industry practices, we designated 30 material issues as the key issues of ESG work, as well as their corresponding importance.

Reporting stage

We framed the substantive analysis matrix (see the figure below), and specified the content of key issues to be disclosed in the report.

ESG Importance Issue Matrix



| Importance | High importance | Moderate importance |
|------------|---|---------------------|
| High | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 | |
| Moderate | | |

★ High importance

- Environmental compliance
- Quality control
- ESG risk management
- Recycling dairy farm building
- Nutrition and health
- Animal welfare
- Employees' rights protection
- Water risk management
- Occupational health and safety
- Anti-corruption supervision and management
- Smart pasture building
- Strategies for implementing carbon neutrality
- Intellectual property protection
- Fair and open procurement
- Participation in the ESG management by the Board
- Product technology innovation
- Employee attraction and retention

★ Moderate importance

- Responding to climate change
- Employee care activities
- Employee communication and management
- Stakeholders' involvement in ESG management
- ESG risk management for supply chains
- Warehousing and transportation management
- Biodiversity conservation
- ESG management structure
- Boosting rural revitalization
- Carrying out environmental protection activities
- Proper marketing
- Customer service quality management
- Facilitating local employment



02

Prioritizing Ecological and Green Development

Green Operation

The Group takes the initiative to promote an environment-friendly and animal-friendly business model and boost the harmonious coexistence between man and nature. Keeping to the environmental policy of “being culture-led and technology-driven, efficient utilization, low-carbon recycling, and green development”, we accelerated the reduction of inputs, the realization of clean production, the recycling of waste, and the ecofriendly development of industrial models, and took advantage of industry and technology strengths to activate the protection of biodiversity, realize the synergy of pollution reduction and carbon reduction, and accelerate the overall green transformation and upgrading.

Environmental Management System

The Group keeps improving the environmental protection management system, and has framed a three-level environmental protection management system consisting of decision making and deployment, supervision and management, and organization and implementation, to implement a vertical hierarchical management. The Environmental Management Committee sees to the supervision over the implementation of the environmental protection plan; each functional department and business unit undertakes the main responsibility for environmental protection; and each grassroots unit ensures sound implementation of environmental protection measures. To ensure the effective operation of the environmental management system, we have established a sound system of rules and regulations to promote standardized management, including *Youran Dairy's Measures for Environmental Protection Management*, the *Environmental Protection Responsibility System*, the *Environmental Target Control Plan*, *Youran Dairy's Questionnaire for the Identification and Evaluation of Environmental Factors*, the *Detailed Rules for Effluent Treatment*, the *Detailed Rules for the Prevention and Control of Air Pollution*, the *Detailed Rules for the Disposal of Solid Waste*, the *Detailed Rules for the Environmental Protection of Dairy Farms*, the *Regulations for the Management of Environmental Protection Archives*, etc. We also greatly encourage branches and subsidiaries to undergo certifications related to the environmental management system, to promote continuous iteration and upgrading of their management systems.

During the Reporting Period, the Group made active responses to the S&P Dow Jones Sustainability Questionnaire, scoring 64% above the industry average and more than 85% of companies in the industry, and formulated and publicized the *Environmental Statement of China Youran Dairy Group Limited* and the *Principles of Sustainable Operation* to boost the Company's high-quality development.

The Principles of Sustainable Operations

| | |
|---|--|
| <p>Protecting biodiversity</p> | <ul style="list-style-type: none"> • Avoiding business and supply chain operations near sites of biodiversity of national importance. • Continuously carrying out the research of our own breeding technology, to provide technical support for the protection of biodiversity and germplasm resources. |
| <p>Reducing deforestation</p> | <ul style="list-style-type: none"> • Strictly abiding by the relevant laws and regulations of the territory throughout our operation, avoiding deforestation, and protecting forestry resources. • Continuously improving the traceability of suppliers' raw materials, tracking the origin of products, and reducing deforestation. |
| <p>Reducing food waste</p> | <ul style="list-style-type: none"> • Promoting sustainable consumption and production models, and, throughout the product life cycle, reducing food waste and loss in the entire production process from the source, by means of effective production planning, strict quality management, standardized production control, intelligent supply chain guarantee, and the “Clean Your Plate” campaign, to promote the recycling of resources. |
| <p>Reducing the use of packaging materials</p> | <ul style="list-style-type: none"> • Delivering in bulk or tonne-level packages as much as possible without compromising product safety and quality, to reduce the use of packaging bags. |

Environmental Responsibility System

We have incorporated environmental protection indicators into the annual performance assessment system of the management, and signed the *Environmental Protection Responsibility Letter*; the business units adopted environmental protection as the indicator of the performance assessment and linked it to the annual performance of the heads of the unit and the grassroots units, to strengthen environmental accountability.

Internal Review

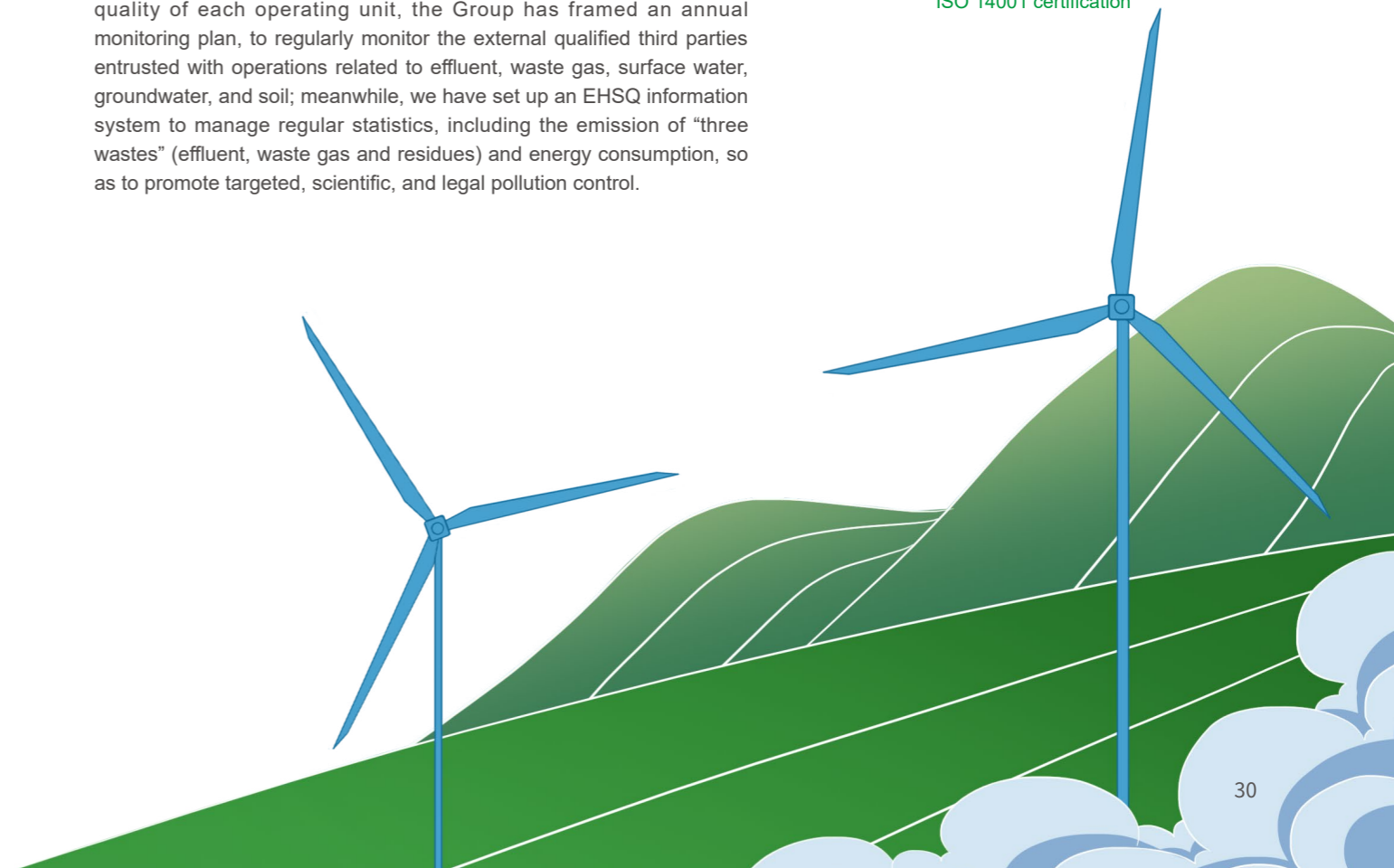
To fully implement the environmental protection management system, the Company carried out an environmental protection review on randomly selected grassroots units quarterly in accordance with *Youran Dairy's Measures for Environmental Protection Management*. For any spotted environmental hidden hazard, the unit in charge shall rectify, to achieve a closed-loop management. For the units that fail to achieve their annual environmental targets or have environmental incidents, the relevant person in charge will be given negative incentives subject to the *Environmental Target Control Plan*.

Environmental Monitoring

To accurately and timely grasp the status quo of the environmental quality of each operating unit, the Group has framed an annual monitoring plan, to regularly monitor the external qualified third parties entrusted with operations related to effluent, waste gas, surface water, groundwater, and soil; meanwhile, we have set up an EHSQ information system to manage regular statistics, including the emission of “three wastes” (effluent, waste gas and residues) and energy consumption, so as to promote targeted, scientific, and legal pollution control.



Inner Mongolia Muquan Yuanxing Feed Co., Ltd.
ISO 14001 certification



Emission Management

The Group has been strictly abiding by the *Law of the PRC on the Prevention and Control of Water Pollution*, the *Law of the PRC on the Prevention and Control of Atmospheric Pollution*, the *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Soil Pollution Prevention and Control Law of the PRC*, the *Environmental Impact Assessment Law of the PRC* and other relevant national laws and regulations, as well as the Group's internal detailed rules and standards to guide the operating units to cope with the "three wastes" legally.

During the Reporting Period, the Group had no lawsuits or related penalties caused by environmental violations. We actively promoted the electrification of coal-fired boilers, to greatly reduce the emission of air pollutants, especially the emissions of SO₂ and soot particles, recording a year-on-year drop by about 70%, representing a remarkable environmental effect.

Emission Reduction Targets

| Key Environmental Indicators | Targets |
|------------------------------|---|
| Exhaust emissions | <ul style="list-style-type: none"> To reduce the emission of sulfur dioxide to 0.0040 tonnes per million RMB of revenue in the next five years. To reduce the emission of nitrogen oxides to 0.0023 tonnes per million RMB of revenue in the next five years. |
| Hazardous waste | <ul style="list-style-type: none"> Continuously compliant with laws and regulations, and safely disposing of sick and dead cows, medical waste, laboratory waste liquid and other hazardous wastes. |

Measures for Reducing Emissions

Types of emissions

Measures for reducing emissions

| |
|---|
| <p>Waste gas</p> <p>The waste gas mainly includes sulfur dioxide, nitrogen oxides and soot generated by the combustion of coal-fired boilers, biomass boilers and natural gas boilers of our production and operation units.</p> <ul style="list-style-type: none"> We have been conducting clean energy transformation. Since 2017, the heating boilers of the farms have been replaced by biomass boilers or air source heat pumps, to control pollution from the source and realize clean energy production. During the Reporting Period, four farms of the Group have been equipped with biomass boilers, reaching an accumulative total of 50 farms having undergone the transformation. The waste gas generated by the combustion of the biogas boiler is treated by an integrated means of desulfurization and denitration, and the waste gas emission meets the requirements of the regional <i>Standards for the Emission of Air Pollutants of Boilers</i> and the <i>Standards for the Emission of Air Pollutants</i>. |
| <p>Effluent</p> <p>The effluent mainly comes from animal husbandry business and feed business. The effluent from animal husbandry business mainly includes cowshed manure, waste spray, milking parlor flushing water, etc., while the effluent from feed business mainly includes sanitary wastewater, which is treated and recycled in accordance with laws and regulations, without the need of being discharged to the external natural environment.</p> <ul style="list-style-type: none"> After treatment in an efficient anaerobic reactor or aerobic fermentation, the wastewater of the farm produces liquid fertilizer, which is all used in farmland. The sanitary wastewater from the feed factory is harmlessly treated in the septic tank to meet the treatment standard of the municipal pipe network. |

| |
|---|
| <p>Hazardous waste</p> <p>The hazardous waste mainly includes sick and dead cows on the farm, medical waste, laboratory waste liquid, waste engine oil, waste batteries, etc.</p> <ul style="list-style-type: none"> The sick and dead cows are harmlessly treated in strict compliance with relevant national laws and regulations, such as the <i>Animal Epidemic Prevention Law of the PRC</i>, the <i>Measures for the Disposal of Animals with Unknown Causes of Disease and Death (Trial)</i>, and the <i>Technical Specifications for the Harmless Treatment of Sick and Dead Animals</i>, to prevent harm to the environment and malicious use. The medical waste, laboratory waste liquid, and waste engine oil are collected and temporarily stored in accordance with relevant national requirements, including the <i>Technical Specifications for Centralized Disposal of Medical Wastes (Trial)</i>, the <i>Technical Specifications for Collection, Storage, and Transportation of Hazardous Wastes</i>, and the <i>Standard for Pollution Control on Hazardous Waste Storage</i>, and qualified third-party units are entrusted to carry out compliant disposal regularly. |
|---|

| |
|--|
| <p>Non-hazardous waste</p> <p>The non-hazardous waste mainly includes household garbage and so on.</p> <ul style="list-style-type: none"> We strictly abide by the requirements of garbage classification management, actively advocate for garbage classification and recycling, and entrust the centralized collection of wastes to the local sanitation department for treatment. |
|--|

In 2022, we have the following key performance indicators in terms of emissions:

| Indicator | Unit | 2022 |
|---|----------------------|-----------|
| NO _x emissions in waste gas ¹ | kg | 12,334.82 |
| NO _x emissions per revenue | tonne(s)/million RMB | 0.0007 |
| SO ₂ emissions in waste gas ¹ | kg | 10,135.58 |
| SO ₂ emissions per revenue | tonne(s)/million RMB | 0.0006 |
| Soot emissions in waste gas ¹ | kg | 193.59 |
| Hazardous waste production ² | tonne | 5,457.72 |
| Hazardous waste production per revenue | tonne(s)/million RMB | 0.30 |
| Non-hazardous waste production ³ | tonne | 853.43 |
| Non-hazardous waste production per revenue | tonne(s)/million RMB | 0.05 |

¹ For the calculation coefficient of waste gas emissions, refer to the *Manual of Industrial Pollutant Production and Discharge Coefficients in the First National Survey of Pollution Sources*.

² The data of hazardous waste are from the statistical account recording the hazardous waste entrusted by the Group's production and operation units to third-party units for compliant disposal in 2022.

³ In 2022, the Group further optimized the statistical caliber of non-hazardous waste, to exclude manure solids, which are recycled as bedding materials for dairy cows. The non-hazardous waste is mainly household waste, which is calculated with reference to the *Urban Life Pollution Production and Discharge Coefficients in First National Survey of Pollution Sources* issued by the State Council.

Water Resource Management

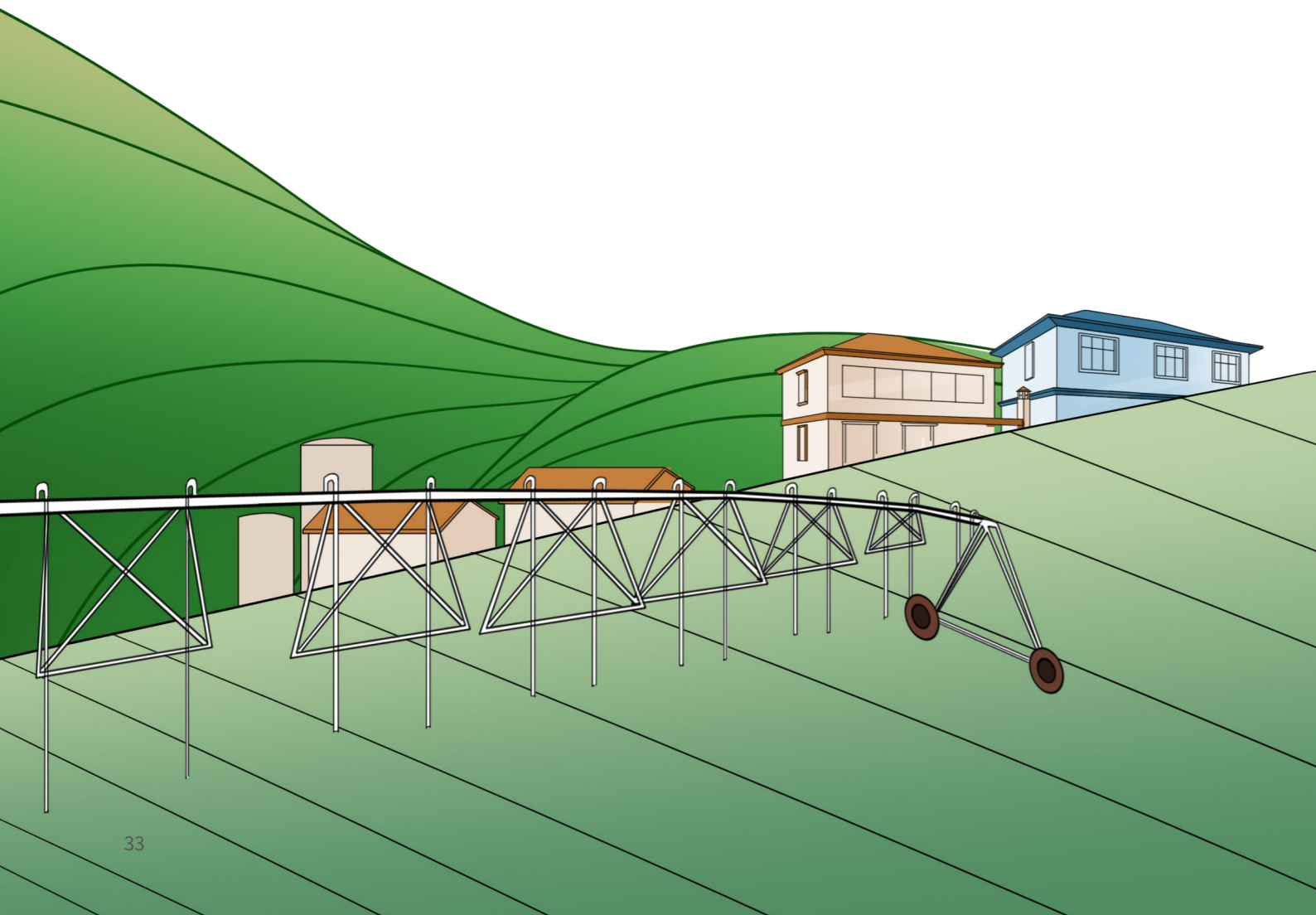
Water is the source of life, the key to production, and the foundation of ecology. In the process of production and operation, the Group keeps to the principles of scientific planning, overall consideration, and adapting operations to water resources, to continuously refine the management mechanism for water conservation, strengthen water quota management, accelerate the transformation of water-saving technology, realize treatment, recycling and cascade utilization of effluent, and achieve a balance of economic, social and ecological benefits of water conservation.

Water Resource Management

The Group has established a complete water resources management system, where the senior management teams are responsible for strategies or performance related to water management. The Company has established leading groups for energy conservation and environmental protection at all levels of the performers, designated the water resources management department, framed relevant management systems, and standardized the use of water resources.

To promote water conservation, the Group has specified management plans and regulations, such as the *Comprehensive Plan for Water Control and Consumption Reduction of Farms*, the *Energy Consumption Target Assessment Plan*, the *Environmental Monitoring Plan*, and the *Standards for the Construction and Management of Groundwater Observation Wells*. The grass-roots units are responsible for supervising and managing water consumption in different regions, examining water treatment equipment, drawing water balance diagrams, identifying loss points, working out and implementing countermeasures for rectification, tracking process and verifying results, identifying and improving difficult points, and promoting lean management of water resources and water quality.

The projects we operate have obtained water use permits from the Department of Water Administration. We adopted a fine management model for water resource, to reduce consumption and improve utilization of water resources. The Group currently has no risk of difficulty in water intaking.

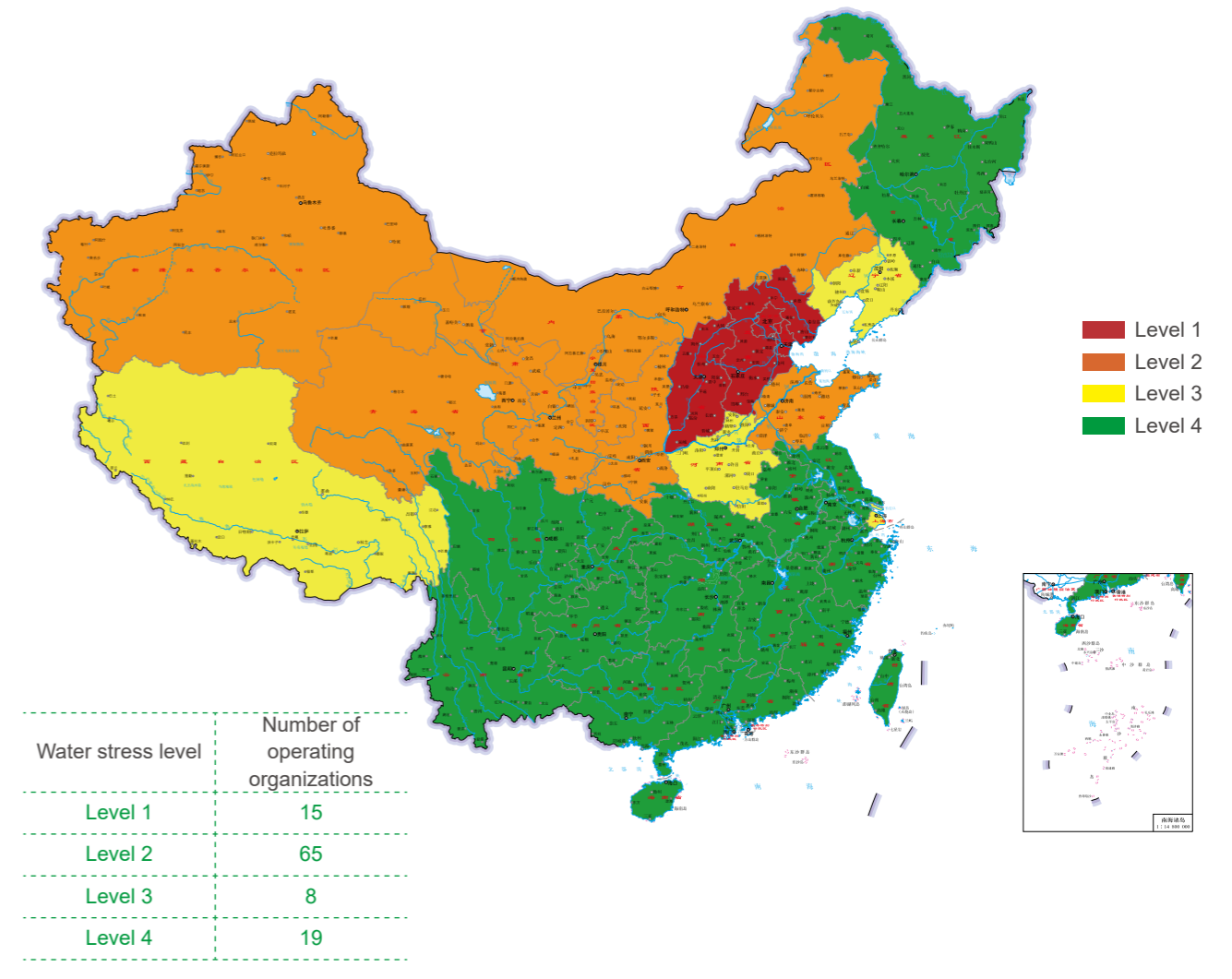


Water Saving Targets

| Key Environmental Indicators | Targets |
|------------------------------|---|
| Water consumption | To reduce water consumption to 900 tonnes per million RMB of revenue in the next five years |

Water Stress Assessment

The Group applies the AWARE tool developed by the WULCA Working Group of the UNEP-SETAC Life Cycle Initiative to identify water-related risks such as water scarcity, water ecology and water environment in the production process based on the geographical characteristics of the operating units, the impact of water consumption, local regulatory requirements and water resource endowment, with a focus on the AWARE water scarcity factor to assess the water risks of each operating unit and classify them into different risk levels from 1 to 4. We track water risk in our operating areas based on water stress maps resource risks, develop specific monitoring and control measures and guide the planning and layout of new projects. and guide the planning of new projects.



Measures for Water Resource Mitigation

| Operation area | Mitigation measures |
|-------------------------|---|
| Animal husbandry | <ul style="list-style-type: none"> Using precise infrared spray to control from the source. The water cooling system of waste heat recovery in the milking parlor has been replaced with an air cooling system, to reduce the consumption of clean water. We have specified CIP cleaning standards for milking parlors, to standardize the water consumption and other requirements for milk pipe cleaning, and to transform the waiting area of the milking parlor, to use the backwash or preliminarily treated reclaimed water of the milking parlor to wash the ground of the waiting area, in order to save water. The standard for building water troughs includes the amount of water for the cows, to specify the drinking water and reduce waste. The steam condensate of boilers is recycled through the softening water tank in the farm equipped with boilers, while in farms without boilers, the steam condensate is used for the irrigation of green plants in summer and for heaters in winter. The rotary milking machine is equipped with an infrared sensor for precise flushing of the milking cups. In addition, it is equipped with a pressurized fan-shaped nozzle to increase the flushing force to effectively reduce the waste of water resources. The water-saving equipment has been upgraded, by replacing ordinary faucets with sensor faucets, to enhance water-saving awareness. Carrying out water quality monitoring, working out "plans and standards specific to each site and place", building water quality monitoring wells, and regularly engaging third-party professional organizations to evaluate the quality of surrounding water sources. |
| Forage business | <ul style="list-style-type: none"> For the siting of a new forage business base, we prefer areas rich in water resources and with favorable water resource policies, which should be located near our farms, thus to implement the development Model of planting and breeding integration. We adopt a reasonable cultivation system, to select and promote premium drought-tolerant and high-yielding varieties, and enhance the utilization of natural precipitation. Promoting water-saving irrigation technology, and replacing flooding with sprinkling and dripping. Applying such techniques as subsoiling and soil preparation, intertillage and weeding, suppression and harrowing, mulching to preserve soil moisture, increasing organic fertilizers, and rational use of organic fertilizers, to improve the capability of moisture conservation. We carry out intensive management and supervision over agricultural water, to strictly control water consumption, rationally determine irrigation quotas, and improve systems and specifications for the management of agricultural water. |

Case | Clean in Place (CIP) Water Recycling

With the CIP cleaning system, the cleaning water in the milking parlor is directionally distributed, to be recycled twice as flushing water on the turntable floor of the milking parlor and on the ground of the reception hall through the high-pressure pump inside the collection pool, the flushing pipeline system with recycled water in the milking parlor, and the flushing system in the milking parlor composed of flushing pumps and air control valves. After the flushing of the waiting room, the waste water flows into the manure canal through the delivery pump, and is used to circularly flush the manure from the lactating cow barn. This way, we realize recycle of CIP wastewater for multiple times, greatly increasing the recycling rate of water resources.

A farm with 10,000 cows is expected to save at least 18,000 tonnes of water annually. All the newly-built farms in 2022 have adopted this measure, which predicts an annual water conservation of 115,000 tonnes.

A farm with 10,000 cows is expected to save at least **18,000** tonnes of water annually

which predicts an annual water conservation of **115,000** tonnes

Case | Promoting the Precise Sprinkler System

To enable refined management of water resources, the Group takes full advantage of high-definition cameras to collect video streams of the cowshed in real-time, which are transmitted to the AI edge computing controller through the on-site network control box for intelligent video analysis and decision-making of the spraying working mechanism. Subject to the video recognition (including whether there are cows, and where the cows are), the edge computing controller sends orders to each spray control box, which controls on/off of the solenoid valve in the area of the cows. This way, we achieved the interconnection of the spraying system to control on/off based on the video analysis results.

A farm with 10,000 cows is expected to save at least 90,000 tonnes of water annually. The newly built farms in the south in 2022 have been equipped with precise sprayer systems, which predicts an annual water conservation of 360,000 tonnes.

A farm with 10,000 cows is expected to save at least **90,000** tonnes of water annually

The newly built farms in the south in 2022 have been equipped with precise sprayer systems, which predicts an annual water conservation of **360,000** tonnes



Integrated application of water and fertilizer in forage units

In 2022, we have the following key performance indicators in terms of water use:

| Indicator | Unit | 2022 |
|--|------------------------|----------|
| Total water consumption | ten thousand tonnes | 1,734.55 |
| Water consumption per revenue ⁴ | tonne(s) / million RMB | 960.93 |

⁴ The Group's statistics of water resources cover farms and feed production sites. In 2022, we further optimized the statistical standards and caliber. The total water consumption of animal husbandry and feed units remained stable. The year-on-year decrease of water consumption per million RMB of revenue was mainly due to revenue growth.

Reducing Packaging Materials and Food Waste

Reducing the Use of Packaging Materials

Packaging materials are mainly used in our feed business. We choose to deliver materials in bulk or tonne-level packages as much as possible without compromising product safety and quality. During the Reporting Period, the Group's feed business had 754,300 tonnes of materials delivered in bulk, representing a year-on-year increase of 5%, to further reduce the use of packaging bags.

In 2022, we have the following key performance indicators in terms of the use of packaging materials.

| Indicator | Unit | 2022 |
|--|-----------------------------------|----------|
| Amount of plastic packaging materials used | ten thousand pieces | 1,210.39 |
| Amount of packaging materials used per revenue | ten thousand pieces / million RMB | 0.07 |

Reducing Food Waste

The Group makes active responses to the national *Food Conservation Action Plan*, and follows the deployment and requirements of the Ministry of Agriculture and Rural Affairs, to improve conservation and loss prevention in agricultural production, reduce or substitute soybean meals, and implement "Clean Your Plate" campaign, to make due contributions to national food security.

Promoting low-protein diet technology to reduce soybean meals

As one of the few companies in the industry that has built a near-infrared nutrition database for the main raw materials of dairy cows, the Group is capable of quickly and accurately measuring the content of various amino acids in different feed materials. By balancing amino acids, we manage the supplementation of rumen-protected lysine, rumen-protected methionine, rumen-protected histidine and other limiting amino acids for dairy cows accurately and properly, and work out the recipe of low-protein diets, to reduce soybean meals while effectively ensuring the production performance of the dairy cows, so that the feeding cost is saved, and meanwhile the protein utilization of dairy cows becomes more efficient, causing less nitrogen emissions.

Developing alternative raw materials to reduce the consumption

The Group makes ceaseless efforts in the R&D of local alternative raw materials. While ensuring the protein content and product quality of feed products, we replace soybean meals with corn gluten meals, dephenolized cottonseed protein, and sunflower seeds, to reduce soybean meal consumption. During the Reporting Period, the Group's soybean meal consumption per dairy cow dropped by approximately 27% on a year-on-year basis.

During the Reporting Period,

the Group's soybean meal consumption per dairy cow dropped by approximately **27%** on a year-on-year basis

Implementing the "Clean Your Plate" campaign to foster awareness of food conservation

The Group advocates a lifestyle of thrift and conservation, implements the "Clean Your Plate" campaign, and makes full use of OA, LED screens, posters and other materials, to call for prevention of food waste, thus effectively reducing food waste, and comprehensively raising the awareness of food conservation among all employees.

Land Use and Biodiversity Conservation

Biodiversity constitutes a basic condition for safe agricultural production and a strategic resource for sustainable agricultural development. The Group upholds the concept of harmonious coexistence between man and nature, strictly abides by relevant laws and regulations of China, such as the *Environmental Protection Law of the PRC*, the *Animal Husbandry Law of the PRC*, the *Forest Law of the PRC*, and the *Grassland Law of the PRC*. Based on the sustainability strength of its cycle of farming and animal husbandry and integration of planting and breeding, plus its industry-leading biological breeding technology, the Group actively promotes the protection of agricultural and animal husbandry ecosystems and germplasm resources.

Land Use and Protection

Project construction period

- We have been strictly abiding by the *Technical Specifications for Pollution Prevention and Control of Animal Husbandry and Breeding Industry*, and has prepared the *Standards for Siting of New Dairy Farms*, to prevent building new projects in drinking water source protection areas, scenic areas, core and buffer zones of nature reserves, and prohibited and restricted areas defined by national or local laws and regulations.
- To meet the requirements of laws, regulations and local policies, we have signed such norms for land use as the *Approval and Registration Document for Agricultural Land for Facility Use*, and the *Land Transfer Contract*, to use land resources in strict compliance. We also ensure protection of land resources by carrying out approval and acceptance of water and soil conservation plans and environmental impact reports.

Project operation period

- **Source control:** We collect the effluent produced by the operation of the project totally by quantitative means, and treat it in compliance with relevant laws and regulations. The properly treated manure is reused in the field, rather than being discharged to the external natural environment, to prevent soil pollution; on the project site, we enable a diversion of rain and sewage water, to reduce pollution caused by overflow in rainy season.
- **Pollution monitoring:** We have framed a soil environment tracking and monitoring plan to track and monitor the soil environment quality in the project site and its surroundings, to timely identify problems and carry out effective control.
- **Terminal control:** For the terminal control, we follow the principle of anti-seepage for different areas, and take anti-seepage measures in the site and surrounding areas of key anti-seepage areas, to prevent percolate pollutants from permeating into the ground.
- **Emergency response:** Upon spotting any soil pollution accident, emergency measures shall be taken to control soil and groundwater pollution, to bring the pollution under control.

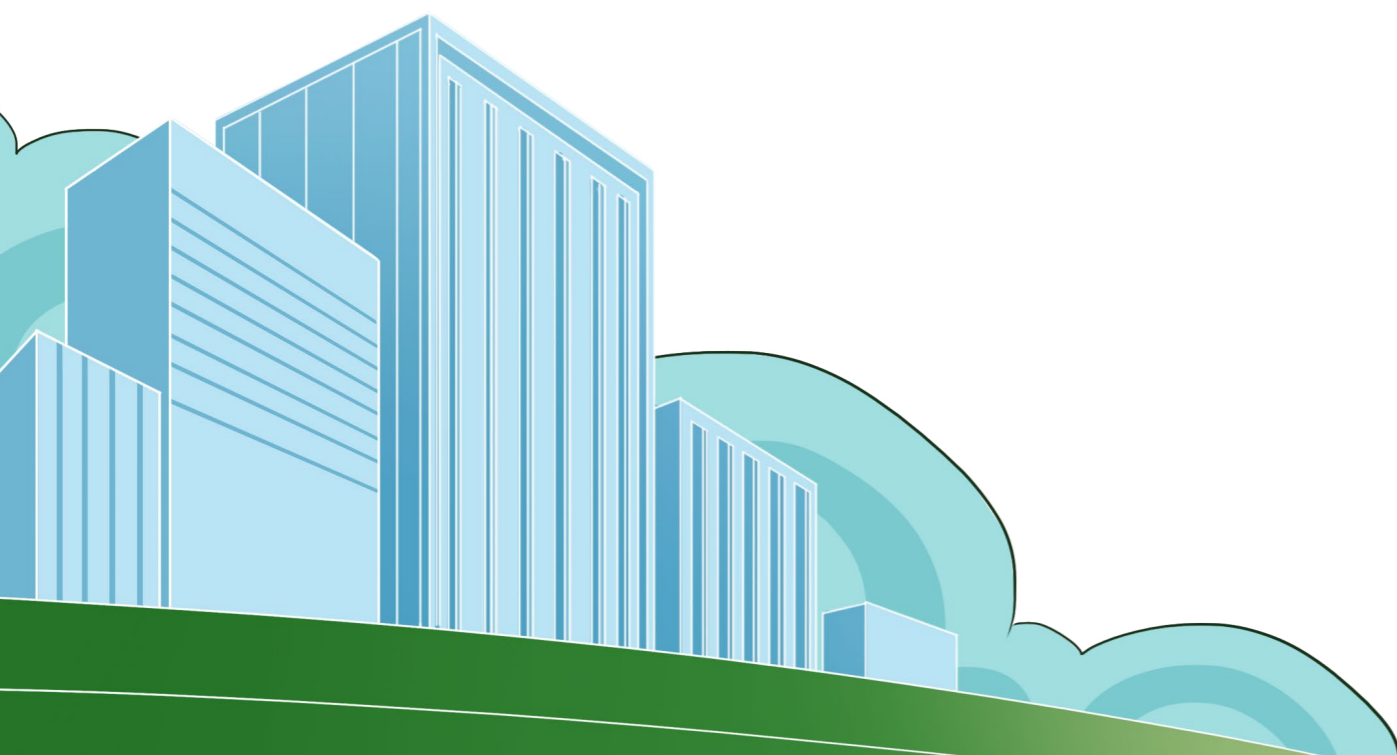
Case | Improving sandy soil and raising fertility

Ar Horqin Banner has been faced with serious desertification of pastures since the 1990s. For our high-quality forage production base covering an area of 55,000 mu in Aru Horqin Banner, by improving the forage planting mode, planting ecological artificial grass like alfalfa, and adopting a water-saving irrigation mode, the Group realized a significant increase in forage production which is over 10 times that of the local natural grassland, a vegetation coverage rate of more than 95%, and a regional precipitation of up to 320 mm, which is higher than that of the whole banner by 5% in the past five years.

In the meantime, we also made full use of manure resources to improve sandy and salinized land. We have improved 192,700 mu of land in the vicinity of Hohhot, Inner Mongolia, leading to an increase in yield; especially in Wuwei site, Gansu, the sandy and salinized land demonstrates a significantly notable increase in yield after improvements, which is an increase of up to 94% from 1.8 tonnes/mu in 2021 to 3.5 tonnes/mu.

Biodiversity conservation - Protection of Germplasm Resources

The Group actively takes the advantages of its breeding technology to promote the sustainable development between species and ecosystems. Saikexing, a subsidiary of the Group, worked with Inner Mongolia University to co-found a genetic resource bank and information platform for the Mongolian plateau area, which collects and preserves samples of the unique farm animals (unique species and introduced species) and wild animals (somatic cells, semen, and embryos) in the Mongolian plateau area. The platform has collected a total of 185 species of farm animals and endangered wildlife resources unique to the Mongolian plateau area, and cryopreserved over 30,000 doses (tubes) of samples of somatic cells, embryos, and semen that were separated and collected from those samples, covering 47% of the mammal species, 100% of the farm animal species, and about 10% of other animal species in the region, to have preliminarily established the world's first "genetic resource bank and information platform for Mongolian plateau animals", providing valuable biological resources for the exploration of the genetic characteristics of disease and stress resistance unique to Mongolian plateau animals, the farm animal breeding and new strain cultivation, the animal genetics and evolution, and helping realize the protection of animal genetic resources.



Responding to Climate Change

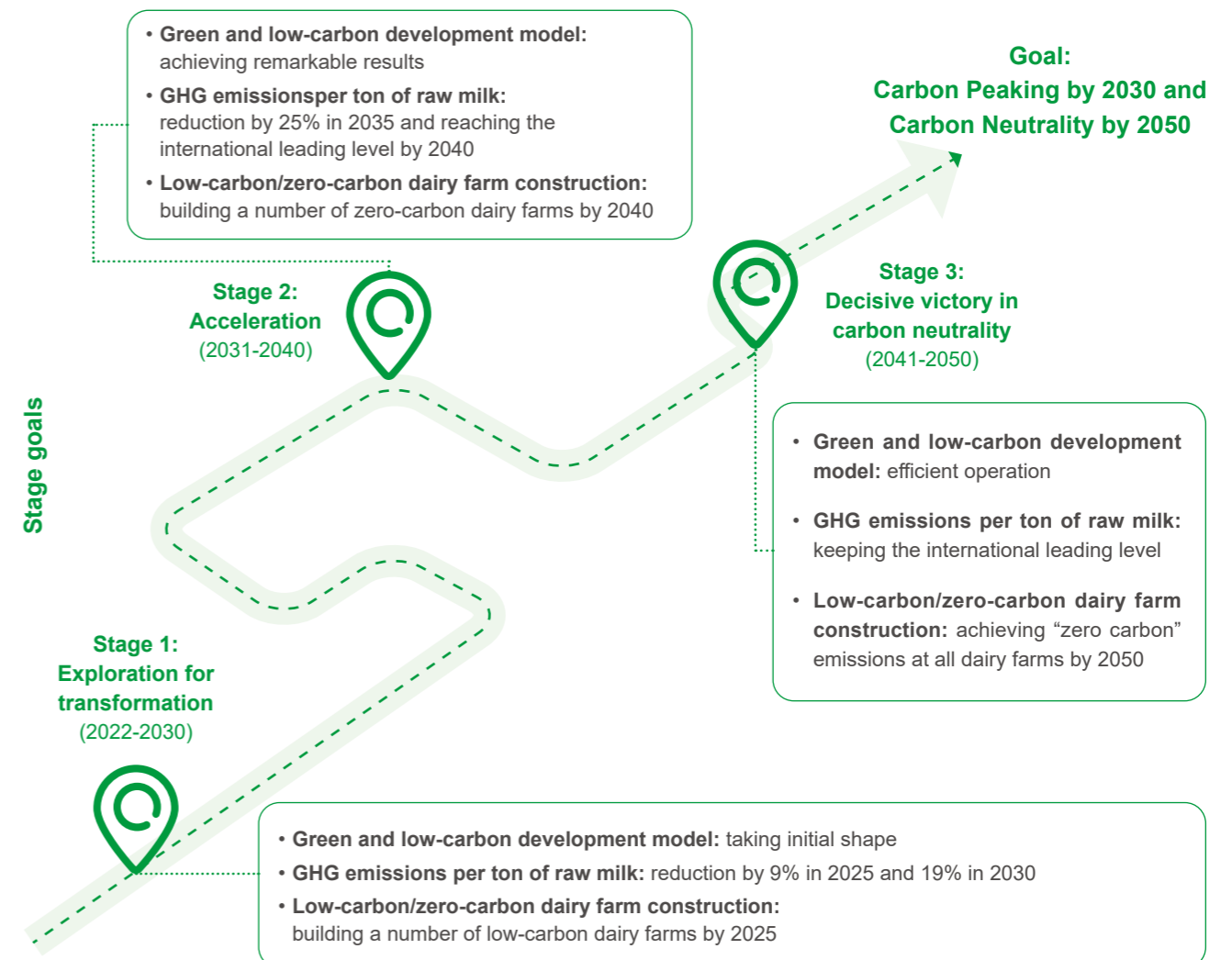
Controlling GHG emissions and global warming has become a global consensus, and intensifying climate action has become a common challenge for different enterprises, industries and countries around the world. In this context, the Group attaches great importance to climate-related issues. With an aim of "Carbon Peaking by 2030 and Carbon Neutrality by 2050" and pursuant to the TCFD guidelines, we thoroughly explain our climate-related risks and countermeasures from the perspectives of strategy, governance, risk management, indicators and objectives, thus contributing strength and wisdom to the low-carbon transformation and green development of the global animal husbandry industry.

Climate Action Strategy

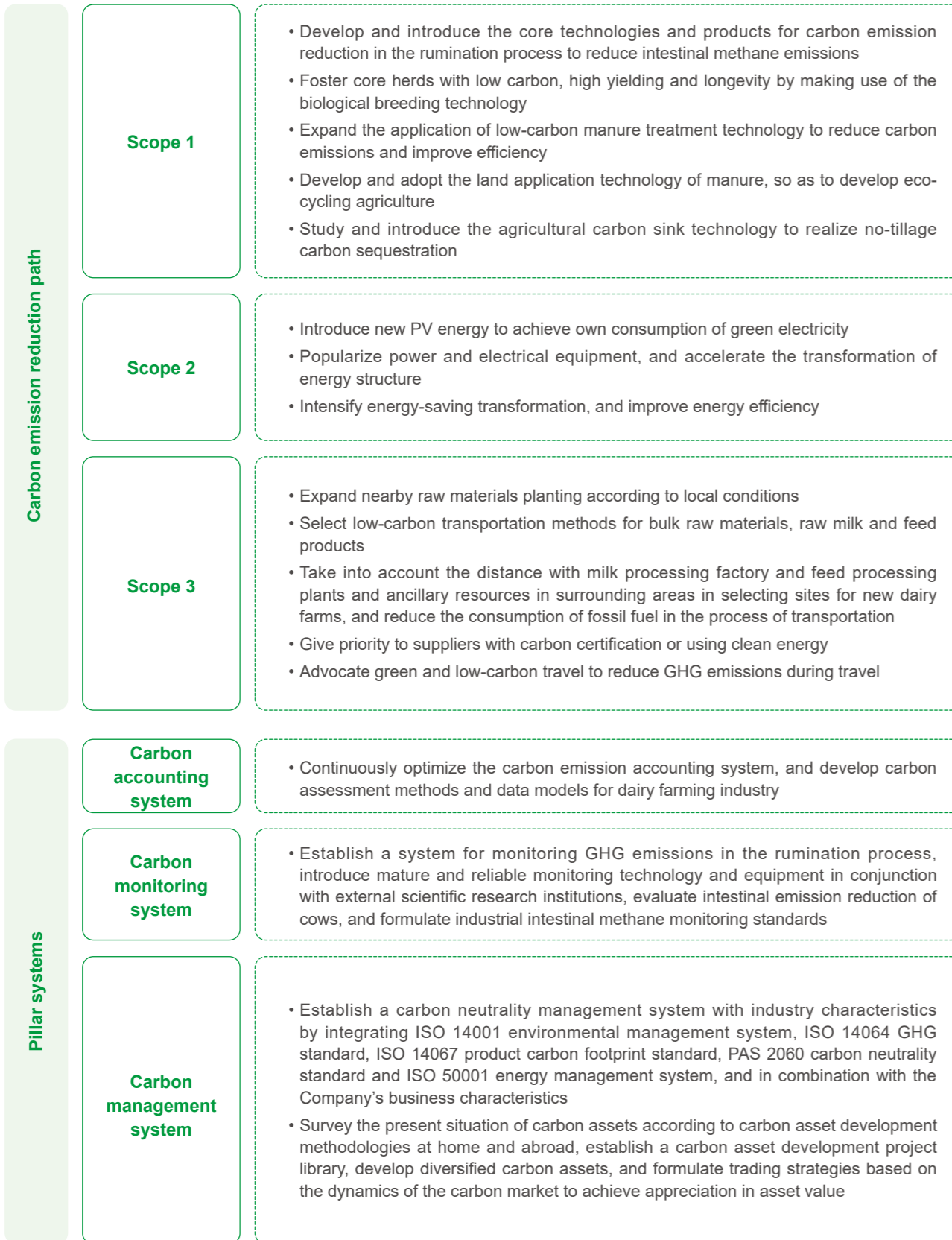
To actively promote the carbon neutrality strategy, the Group has made a *Plan of Youran Dairy for the Implementation of "Zero-Carbon" Future Plan*, set out the goal of Carbon Peaking by 2030 and Carbon Neutrality by 2050, proposed a "three-step" strategy, developed "eight core measures", established "three pillar" systems, boosted the implementation of the carbon neutrality strategy, and built ecological, green and low-carbon dairy farms.

Roadmap of "Zero-Carbon" Future Plan⁵

Base year of emission reduction: 2022



⁵ The carbon neutrality goal is set on the basis of Scope 1 and Scope 2. The Group is also promoting the reduction of emissions under Scope 3, and will further optimize the emission reduction targets based on the progress of Scope 3 in the future.

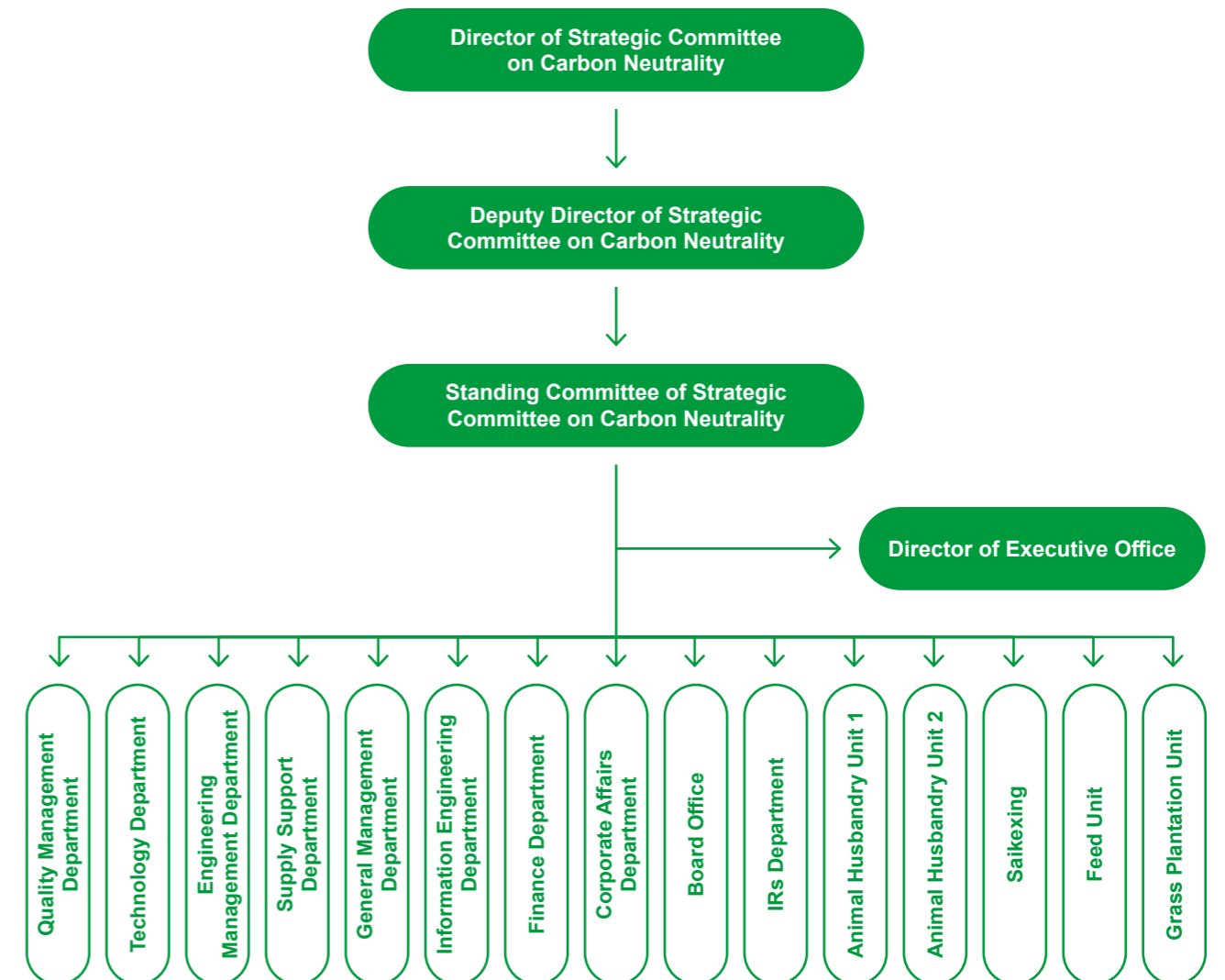


Climate governance

Construction of climate governance system

The Group puts a high value upon the risks and opportunities brought by climate change, and actively incorporates climate change response into its strategic planning, overall risk management system and daily operation and management. To this end, the Group has established a Carbon Neutral Strategy Committee, in which the Group President acts as the director, the Vice President in charge of carbon neutrality as executive deputy director, other vice presidents as the standing committee members, and the heads of functional departments and business units as members, thus forming a governance structure covering the management, functional departments and business units, and has defined the specific roles and responsibilities, so as to thoroughly integrate climate change response into the corporate governance system, effectively control climate risks and improve the effectiveness of climate change response.

In order to promote the implementation of carbon neutrality strategy, the Group has established a perfect tracking, evaluation and incentive mechanism. We decompose the key action plan for carbon emission reduction into specific tasks and assign them to each unit and department every year to achieve annual goals based on the goal-oriented responsibility system. The Strategic Committee on Carbon Neutrality regularly tracks and evaluates the implementation progress of responsible units, and gives rewards or negative incentives according to their respective contribution and completion.



Organization Chart of the Strategic Committee on Carbon Neutrality

Responsibilities of organs at all levels

Strategic Committee on Carbon Neutrality

- Make arrangements for carbon peaking and carbon neutrality and invest sufficient resources in carbon neutrality according to China's Action Plan for Carbon Peaking and Carbon Neutrality
- Establish an organizational structure of carbon neutrality and ensure its effective operation
- Develop the major principles, policies, objectives and measures for carbon neutrality
- Promote the implementation of major measures for carbon neutrality
- Solve the major problems related to carbon neutrality

Executive Office of the Strategic Committee on Carbon Neutrality

- Develop the principles and major policies of carbon neutrality as per the work requirements of the Strategic Committee on Carbon Neutrality
- Make the action plan for carbon neutrality
- Establish a mechanism for guiding, supervising and empowering the implementation of the action plan for carbon neutrality, so as to help all units to realize carbon neutrality goals; organize communication meetings on carbon neutrality regularly to follow up the progress
- Supervise and inspect the fulfillment of carbon neutrality tasks in each unit

Departments and business units

- Implement the Company's decisions on carbon peaking and carbon neutrality, and further take measures to reduce the emissions of biocarbon and fossil carbon
- Promote the construction of zero-carbon plants and dairy farms
- Manage carbon assets, and organize carbon check and carbon verification



Climate Risk Management

The Group actively identifies climate change risks and opportunities, and incorporates climate change risks into our business and strategic planning.

| Climate change risks | Climate risk descriptions | Measures |
|--------------------------|---|--|
| Physical risk | | |
| Acute risk | Extreme weather <ul style="list-style-type: none"> • The premises may suffer extreme natural disasters such as extremely cold weather, snowstorm and high temperature, which may damage to buildings and equipment at the forage production bases and possible cattle deaths, resulting in direct losses to the company • The health and safety of employees may be affected • Suppliers may be affected by extreme weather, resulting in interruption of our supply chain | Improve the risk response capability of our own facilities <ul style="list-style-type: none"> • Establish an early warning mechanism for natural disasters such as extremely cold weather, snowstorm, high temperature, high wind and flood, identify disasters that may be caused by heavy weather, and take appropriate measures in advance, such as cold protection, timely snow removal, heatstroke prevention, building reinforcement, and setting of diversion canals. • Develop emergency plans for extreme weather, and organize regular maintenance and drill of infrastructure such as water supply, power supply and equipment. • Provide employees with personal protective devices or prevent employees from outdoor operations to avoid risks and protect employees' health and safety. |
| | | Improve the climate resilience of supply chain <ul style="list-style-type: none"> • Develop a number of high-quality feedstuff and roughage suppliers at home and abroad to avoid single source, prevent supply failure when any supplier is affected by extreme weather, and improve the resilience of supply chain. • Work closely with suppliers, make accurate feeding plans, and minimize supply chain interruption caused by extreme weather. |
| Chronic risk | Global warming <ul style="list-style-type: none"> • Risks caused by rising sea level temperature | <ul style="list-style-type: none"> • The Company's main business is centralized in North China, Northeast China and Northwest China, hence the chronic risks caused by warming currently have no significant impact on the business. |
| Transition | | |
| Policies and laws | Increasingly tight environmental supervision <ul style="list-style-type: none"> • Increase in compliance costs caused by increasingly strict government policies on GHG emission reduction | Pay close attention to climate policies and develop climate change response strategies <ul style="list-style-type: none"> • Pay attention to climate policy changes and trends, and develop programs for implementation of the zero-carbon future plan. • Urge the Board and ESG Committee to constantly monitor climate-related matters, and promote the implementation of the core measures for carbon neutrality. |
| | Collection of carbon tax or rise in carbon prices <ul style="list-style-type: none"> • The collection of carbon tax or the rise in carbon prices may increase the carbon offset costs | Profoundly implement the core measures for GHG emission reduction <ul style="list-style-type: none"> • Deepen the energy structure transformation and electric reform, improve energy efficiency and reduce fossil carbon emissions. • Research and apply the biological ruminant carbon reduction technology, biological breeding technology, and low-carbon manure treatment technology to greatly reduce biocarbon emissions. |

| Climate change risks | Climate risk descriptions | Measures |
|-------------------------|--|--|
| Policy and Legal | <p>Increasingly strict environmental information disclosure</p> <ul style="list-style-type: none"> Regulators have higher requirements on the accuracy of carbon emission data disclosed by enterprises | <p>Improve the disclosed information quality</p> <ul style="list-style-type: none"> Build a GHG accounting model for the whole industry chain with reference to industry standards. Build a carbon information system, define the data reporting standards and requirements, and realize visualization of data results. Regularly organize third-party carbon certification to acquire accurate data. Disclose GHG-related information through ESG reports. |
| Technology | <p>Cost increase caused by technology research and development</p> <ul style="list-style-type: none"> The energy structure transformation and electric reform may bring about an increase in costs The development and application of ruminant carbon reduction technology and low-carbon manure treatment technology may bring about an increase in costs | <p>Promote technology innovation and application internally and externally</p> <ul style="list-style-type: none"> Cooperate with external scientific research institutions to take an active part in national and local research projects, tackle key problems, commercialize technology achievements and reduce research and development costs. Introduce new PV energy, popularize power and electrical equipment, improve energy efficiency and reduce purchased electricity to cut operating costs. Develop and introduce the low-carbon manure treatment technology, promote the integrated planting-breeding model, and achieve comprehensive utilization of resources and energy to cut operating costs. Promote the low-protein diet technology and digestibility improvement technology, and take advantage of biological breeding technology to increase the unit yield and revenue. Develop carbon assets from the aspects of manure management, cows' intestinal carbon emission reduction and carbon sequestration by soils to obtain excess returns. |
| Market | <p>Consumer behavior change</p> <ul style="list-style-type: none"> Customers take into account such factors as environmental protection and green in product purchase and selection <p>Fluctuation in purchase price</p> <ul style="list-style-type: none"> Climate change may increase the purchase price of raw materials, thus bringing about the risk of cost rise | <p>Develop zero-carbon products and sustainable products</p> <ul style="list-style-type: none"> Carry out organic certification, low carbon certification and zero deforestation certification for products. <p>Make full use of the whole industry chain advantages and technology advantages to adjust the purchase strategy and curb the price fluctuation</p> <ul style="list-style-type: none"> Develop four major businesses, i.e., breeding, feed production, raw milk production and dairy supermarkets forming a collaborative advantage of the whole industry chain and controlling the impact caused by price fluctuation. Establish strategic cooperation with excellent partners to enhance the risk response capability of supply chain. Regularly track the weather change in raw material production areas, such as El Nino, La Nina, precipitation and temperature, and adjust the purchase strategy, purchase pace and futures hedging in time to mitigate the impact. In case of a severe impact from extreme weather, adopt alternative product areas and raw materials to cope with supply risks. Reduce the consumption of bean pulp in feed by relying on the industry-leading systematic solution for ruminant breeding, popularizing the low-protein diet technology and developing alternative raw materials and new products, so as to reduce the risks caused by price fluctuation. |

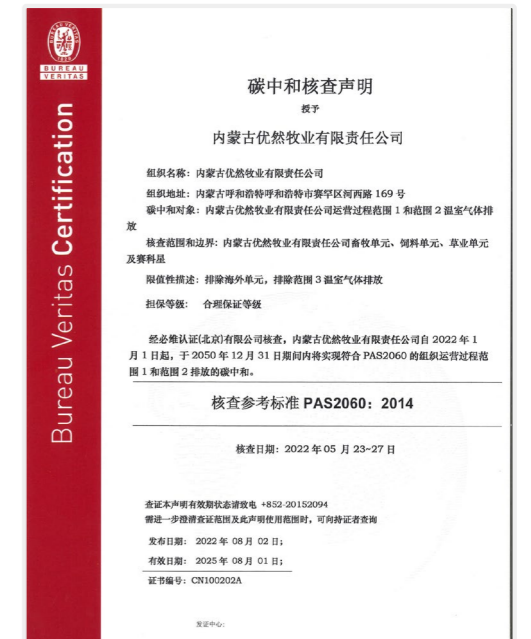
Measures for GHG Emission Reduction

Targets on energy conservation and GHG emission reduction

| Key environmental indicators | Targets |
|------------------------------|---|
| Energy consumption | We are expected to achieve the target of reducing comprehensive energy consumption to 5.72 tonnes of standard coalsper per million RMB of revenue and power usage to 25,000 kWh per million RMB of revenue by 2025. |
| GHG emissions | We are expected to reduce GHG emissions to 85 tonnes per million RMB of revenue in the next five years. |

Management of GHG emission reduction

In order to promote the implementation of carbon neutrality strategy, the Group puts a high value on carbon check and verification, learns about annual carbon emissions from the carbon check results and GHG emission report, and incorporates carbon emission reduction into the overall production and operation plan. In 2022, the Group continued to carry out carbon check and verification, which covers all production units of the Group and its subsidiaries, passed a third-party audit and got certified. According to the results of carbon verification, the Group's GHG emissions per tonne of raw milk were at the leading level in China in 2021. Based on the results of the first-stage carbon check, the Group further refined the plans, targets and implementation paths of carbon peaking and carbon neutrality to promote carbon emission reduction.



Develop a top-down management plan for GHG emission reduction

- Formulated the *Implementation Plan for the Zero-carbon Future Plan of Youran Dairy*, the *Evaluation Plan on Energy Consumption Targets*, the *Incentive Plan for Energy Conservation and Emission Reduction*, and the *Comprehensive Water Control and Consumption Reduction Plan*.

Build a whole-industry-chain GHG accounting model

- Build a whole-industry-chain carbon accounting model for the dairy industry with reference to the IPCC Guidelines for GHG Accounting and DB11T 1565-2018 *Guidelines for Accounting of GHG Emissions from Livestock Products*.

Verification criteria and scope

- Verification criteria: PAS 2060:2014 carbon neutrality specification.
- Scope: covering all production and operation units of the Group. Covering direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2).

Build a carbon information management system

- Built a carbon emission information management system, continuously optimized the carbon accounting model, standardized data statistics standards, and further improved the efficiency of information reporting at various business units.

Carbon check and verification mechanism

- The Quality Management Department and business units conducted internal check on the basic data of GHG accounting.
- Regularly invited third-party verification agencies to conduct external verification.

Fossil carbon emission reduction

The Group's fossil carbon emissions mainly come from the consumption of fossil fuels in boilers and mobile vehicles and the consumption of electricity. During the Reporting Period, the Group's coal consumption declined by 74% year-on-year, equivalent to cutting 6,910 tonnes of GHG emissions; vigorously promoted the construction of biogas projects, and increased the consumption of biogas by about 2.42 times year-on-year, equivalent to reducing 5,781,200 kWh of purchased electricity and cutting about 3,358.87 tonnes of GHG emissions.

Action plan for fossil carbon emission reduction
Key achievements in 2022
Introduce new PV energy to achieve own consumption of green electricity

- PV projects were carried out at **2** dairy farms in Shandong, with a designed installed capacity of about **23.88** MW.

Popularize power and electrical equipment, and accelerate the transformation of energy structure

- The electric loader passed the pilot test at Wuchuan Dairy Farm, and has been popularized and applied at **3** dairy farms.
- Automatic feeding robots have been piloted in **8** dairy farms.
- TMR integrated feeding equipment was built at **2** new dairy farms to reduce the use of mobile vehicles.
- **19** dairy farms updated their vehicle-driven straw cutters to motor-driven ones to reduce diesel consumption.
- **18** dairy farms replaced their fueled calf milk-feeding vehicle with electric vehicles.

Intensify energy-saving transformation, and improve energy efficiency

- **4** dairy farms in Northeast China replaced their biomass boilers with air source heat pumps. Cumulatively, a total of **50** dairy farms have completed such replacement.
- **10** old dairy farms conducted waste heat recovery transformation. Cumulatively, a total of **33** dairy farms have completed such transformation.
- New projects were equipped with standard motors with Level 3 energy efficiency, energy-saving fans and energy-saving LED lamps.

Case | Photovoltaic power generation bolsters green pastoral industry

In 2022, the Group concluded a strategic cooperation agreement with China Southern Power Grid Energy Efficiency & Clean Energy Co., Ltd. and Shandong Branch of CGN New Energy (Shenzhen) Investment Co., Ltd. respectively, aiming at jointly building green and low-carbon dairy farms through cooperation in PV power generation, biogas power generation, wind power, energy conservation and comprehensive utilization of energy, and achieving recycling of green energy by making full use of the resource advantages of dairy farms. PV power generation projects under the agreement will make full use of the cowshed roofs and vacant areas of dairy farms, and install PV modules on cowshed roofs. The PV modules can entirely replace cowshed roof materials, reduce the construction cost of dairy farms, and satisfy 40% of the electricity demand for dairy farm operation. Biogas power generation projects have been put into operation in the central and southern region, which can recycle manure and realize internal ecological circulation within dairy farms. One 10,000-cow dairy farm can produce 5 million cubic meters of biogas per year, with an annual power generation of about 8 million kWh, which can satisfy 50% of the electricity demand for dairy farm operation. After the completion of PV power generation projects, dairy farms' comprehensive energy generation can satisfy 90% of their electricity demand, thus further reducing the carbon emissions of dairy farms.



Biocarbon emission reduction

The Group's biocarbon emissions mainly come from manure management, cow rumination and agricultural planting. For these emission sources, we have made a perfect action plan for biocarbon emission reduction, and achieved remarkable results.

Action plan for biocarbon emission reduction

Key achievements in 2022

Develop and introduce the core technologies and products for carbon emission reduction in the rumination process to reduce intestinal methane emissions

- **Completed the amylase and plant essential oil tests:** the results show that for cows with a daily yield of 30-40kg, their yield could be increased by 0.27kg with amylase and by 0.28kg with plant essential oil.
- **Completed the low-protein diet test:** the results show that a dairy farm which has 1,000 lactating cows can cut 14.6 tonnes of nitrogen emissions per year by adding rumen-protected amino acids and reducing 1 unit of formula protein.
- **Completed the ruminant feed additive test:** according to the in-vitro test results, a rationed additive package can effectively reduce methane production by more than 20% under the diet structure of 50% concentrate + 50% alfalfa hay.

Foster core herds with low carbon, high yielding and longevity by making use of the biological breeding technology

- Optimized the herd structure by using the biological breeding technology at dairy farms nationwide, purchased frozen semen with high comprehensive feed efficiency index and long production life, and increased the proportion of cows with high conversion rate and low consumption rate according to the *Selective Breeding Plan on Cows with Low Carbon, High Yielding and Longevity (2022-2026)*.
- Conducted research on low-carbon emissions and breeding of dairy cows, applied for the "Research on Key Breeding Technologies of Cows with Low-carbon Emission and Resistance to Heat Stress" under the project of "Rejuvenating Inner Mongolia Autonomous Region with Science and Technology", carried out statistical analysis on DHI, pedigree, breeding and calving data at 5 dairy farms, extracted 150,000 pieces of data, screened 1,308 sample cows with a milk yield of more than 13 tonnes, and initially built a prediction model of cows' methane emissions.

Expand the application of low-carbon manure treatment technology to reduce carbon emissions and improve efficiency

- The manure biogas projects of 6 new dairy farms were put into operation, with an estimated annual biogas output of 16.5 million cubic meters. By the end of the Reporting Period, 19 dairy farms had been equipped with biogas fermentation facilities. During the Reporting Period, the biogas projects in operation had an annual biogas output of 17.3436 million cubic meters.
- 40 sets of intelligent integrated manure treatment systems will be introduced for 15 dairy farms, which are expected to achieve a greenhouse gas emission reduction of approximately 90,000 tons per year.

Develop and adopt the land application technology of manure, so as to develop eco-cycling agriculture

- Formulated the *Specifications for Land Application of Solid and Liquid Fertilizers at Dairy Farms*, which specifies the standards and requirements for land application of solid and liquid fertilizers, and realized standardized operation. The solid and liquid fertilizers produced by dairy farms can replace 45,500 tonnes of nitrogen fertilizers.
- Introduced the precise injection tank truck, improved the drip-irrigation type liquid fertilizer application system, and popularized the liquid fertilizer application model integrating water and fertilizers to realize the efficient utilization of liquid fertilizers and increase the yield and efficiency of crops.

Study and introduce the agricultural carbon sink technology to realize no-tillage carbon sequestration

- In 2022, the Group's Grass Plantation Unit had a no-tillage planting area of 50,800 mu, including 36,000 mu of summer corns, 13,000 mu of spring-sown oats, and 1,800 mu of summer-sown oats.

Case | Reducing Biocarbon Emissions by Scientific and Technological Breakthroughs

In 2022, the Group participated in the key research and development project of Ningxia Department of Science and Technology on carbon emission reduction of dairy farms. In collaboration with the CAAS Institute of Animal Sciences, the Group studied the carbon emission laws under typical farming modes by determining the nutritional components of common feed raw materials for dairy cows and using the carbon emission model, developed nutrition regulation technologies for carbon emission reduction and technologies for efficient manure utilization, and integrated low-carbon recirculating farming technologies.

In Inner Mongolia, the Group also undertook six scientific research projects of "Rejuvenating Inner Mongolia Autonomous Region with Science and Technology". In terms of carbon emission reduction, the Group, in collaboration with the CAAS Institute of Agricultural Development, carried out the projects of *Research on Key Technologies of Integrated Planting and Farming in Dairy Cow-Farmland System* and *Research and Application of Comprehensive Technologies of Carbon Neutrality and Carbon Emission Reduction in Large-scale Breeding*, with an aim to boosting the green and sustainable development of animal husbandry industry by studying the model of "integrated planting and farming". These two projects are the Group's best practices in prospective studies on carbon neutrality. Through these projects, we will explore the best model of green and low-carbon breeding, and also contribute wisdom to the green and sustainable development of the global animal husbandry industry.



Our key performance on energy consumption and GHG emissions in 2022 is as follows:

| Indicators | Unit | 2022 | |
|--|--|---------------------------|-----------|
| Fossil energy | Coal consumption | tonne | 1,151.56 |
| | Natural gas consumption | ten thousand cubic meters | 93.96 |
| | Gasoline consumption | ten thousand liters | 0.75 |
| | Diesel consumption | ten thousand liters | 2,490.71 |
| | Purchased electricity consumption | ten thousand kWh | 58,732.45 |
| | Purchased heat consumption | million kJ | 9,061.24 |
| | Purchased steam consumption | tonne | 20,215.16 |
| Renewable energy | Biomass fuel consumption | tonne | 7,050.28 |
| | Recycled biogas consumption ⁶ | ten thousand cubic meters | 1,734.36 |
| Total comprehensive energy consumption ⁷ | tce | 112,003.72 | |
| Comprehensive energy consumption per million revenue | tce/million RMB | 6.20 | |
| Total GHG emissions ⁸ | tCO ₂ e | 2,742,737.72 | |
| Including, GHG emissions under Scope 1 | tCO ₂ e | 2,273,878.37 | |
| GHG emissions under Scope 2 | tCO ₂ e | 468,859.35 | |
| GHG emissions per million revenue ⁹ | tCO ₂ e/million RMB | 151.95 | |

⁶ The biogas is from the anaerobic fermentation of dairy farm manure, and is self-produced biogas.

⁷ The standard coal equivalent of energy is determined according to the *General Principles for Calculation of Total Energy Consumption* (GB/T 2589-2020)

⁸ The calculation of GHG emissions is based on the *Fifth Assessment Report* issued by the Intergovernmental Panel on Climate Change (IPCC) and DB11T 1565-2018 *Guidelines for Accounting of GHG Emissions from Livestock Products*. The grid emission factors used in the calculation of emissions under Scope 2 are determined according to the *Announcement of the National Research Institute of Climate on Release of Baseline Emission Factors for Regional Power Grids in China in 2012*.

⁹ In 2022, the Group upgraded its GHG emission accounting methods with reference to international prevailing standards, including the emissions from rumination, manure management, planting, sewage treatment, as well as fossil fuels and purchased electricity and heat. In 2022, the Group's herd size continued to grow, but the GHG emissions per million RMB of revenue increased year-on-year due to the decline in milk market prices.

Product carbon footprint

With reference to the ISO 14067-2018 *Requirements and Guidelines for Quantifying the GHG Product Carbon Footprint*, the Group initially measured the carbon footprint during the transportation of raw milk products and important raw materials such as silage, flaked corn, alfalfa and leymus chinensis at five dairy farms based on the LCA (Life Cycle Assessment) concept, and explored the direction of optimization according to the carbon footprint data, thus providing direction and support for reducing GHG emissions in the whole industry chain.

Besides, the Group actively promoted GHG emission reduction in the supply chain by taking measures such as planting in nearby areas and adjusting transportation structure. During the Reporting Period, the Group planted organic silages in an area of nearly 100,000 mu near dairy farms; promoted the "rail-and-land coordinated transport" model of imported alfalfa along the "Tianjin Port-Hohhot" line, which delivered nearly 1,669 tonnes of feeds, and the "land-and-water coordinated transport" model of imported alfalfa of dairy farms in Qionglai and Hubei, which delivered nearly 3,226 tonnes of feeds, thereby constantly reducing GHG emissions in the process of transportation.

During the Reporting Period,

the Group planted organic silages in an area of nearly **100,000** mu near dairy farms

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the "land-and-water coordinated transport" model of imported alfalfa of dairy farms in Qionglai and Hubei, which delivered nearly **3,226** tonnes of feeds

Carbon asset development

The realization of carbon peaking and carbon neutrality goal cannot be separated from the efforts in both carbon source and carbon sink. The Group advances the carbon neutrality strategy by "reducing carbon emissions while increasing carbon sinks". In terms of carbon sources, the Group focuses on reducing the GHG emission intensity under the effect of multiple drives such as energy structure transformation, and development and application of ruminant carbon reduction technology, biological breeding technology and efficient low-carbon manure treatment technology; in terms of carbon sinks, the Group upholds the development philosophy of planting and farming combination and cyclic development of agriculture and animal husbandry, makes great efforts to build a cyclic development model of "integrated planting and farming", expands carbon sink reserves by improving grasslands, increasing artificial forage grass planting and building recycling dairy farms, and retains GHG in the livestock system to the maximum extent to achieve optimal carbon neutrality.

As an important value embodiment of carbon emission reduction and carbon sink increase, carbon assets are one of the key ways to achieve carbon neutrality. During the Reporting Period, the Company developed the *Youran Dairy Plan for Carbon Asset Development*, and defined the carbon emission reduction by manure treatment, cows' intestinal carbon emission reduction and carbon sequestration by soils as its core development directions according to CCER (China Certified Emission Reduction), VCS (Verified Carbon Standard), GS (Gold Standard) and other domestic and foreign carbon asset development methodologies and requirements.

Building Recycling Dairy Farms

Adhering to the principle of “ecological protection first and environmental friendliness” and the philosophy of emission reduction, harmless treatment, deodorization, resource utilization and efficiency improvement, the Group recycles manure by technological innovation, and creates a typical sustainable development model of integrated planting and farming.

The Group has successfully put into use two advanced manure treatment techniques, i.e., intelligent and integrated aerobic fermentation in severe cold regions and anaerobic biogas fermentation in southern regions. During the Reporting Period, the Group utilized biogas to provide energy for the low-temperature drying system through the upgrade and transformation of the anaerobic biogas system, thus achieving secondary sterilization and rapid dehydration of biogas residue, and efficient utilization of biogas energy.

We have also built supporting roughage planting bases around dairy farms, with a planting area of more than 2.5 million mu, by taking advantage of the synergy between animal husbandry and roughage planting. Meanwhile, we have introduced the precise injection tank truck, improved the drip-irrigation type liquid fertilizer application system, and popularized the liquid fertilizer application model integrating water and fertilizers at Arun Banner Dairy Farm, so as to realize the efficient utilization of liquid fertilizers, increase the yield and efficiency of crops, maximize the recycling of manure, and reduce the risk of environmental pollution.

We have cooperated with several scientific research institutions (e.g., CAAS) and universities in the project of “Research on Key Technologies of Integrated Planting and Farming in Dairy Cow-Farmland System”, completing 3 local standard certifications and 1 group standard certification, and obtaining 2 utility model patents and 3 invention patents. The Intelligent Recycling System of Bedding Materials (an efficient and intelligent recycled bedding production system) jointly developed by the Group and Green Tech has won the first prize of “Science and Technology Award on Environmental Protection Equipment” granted by China Association of Machinery Industry for Environmental Protection.



Standards for building low-carbon recycling dairy farms

Manure treatment standard

Manure treatment model in severe cold areas: solids and slurries separation + aerobic fermentation + land application of liquid fertilizers.

- 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.

Manure treatment model in non-severe cold areas: biogas fermentation + solids and slurries separation + bedding of biogas residue + land application of biogas slurry.

- Manures enter the anaerobic methane fermentation system after collection. The biogas generated from fermentation is used for power generation and boilers, converting biogas into energy for self-use.

Land application standard and model

- Formulated the *Specifications for Land Application of Solid and Liquid Fertilizers at Dairy Farms*, which specifies the standards and requirements for land application in different areas, so as to promote the efficient utilization of manure.

- Introduced the precise injection tank truck, improved the drip-irrigation type liquid fertilizer application system, and popularized the liquid fertilizer application model integrating water and fertilizers.

Solid waste disposal standard

- Formulated the *Technical Standard for Solid Waste Disposal* to effectively manage solid waste and safely control the collection, storage and disposal of pollutants.

3 local standards:

- *Technical Specifications for Preparation of Bedding Materials from Manure Recycling at Large-scale Dairy Farms*
- *Technical Specifications for In-situ Treatment of Manure at Dairy Farms*
- *Technical Specifications for Bedding Materials from Manure Recycling at Large-scale Dairy Farms*

1 group standard:

- *Technical Specifications for Recycling of Bedding Materials at Dairy Farms*

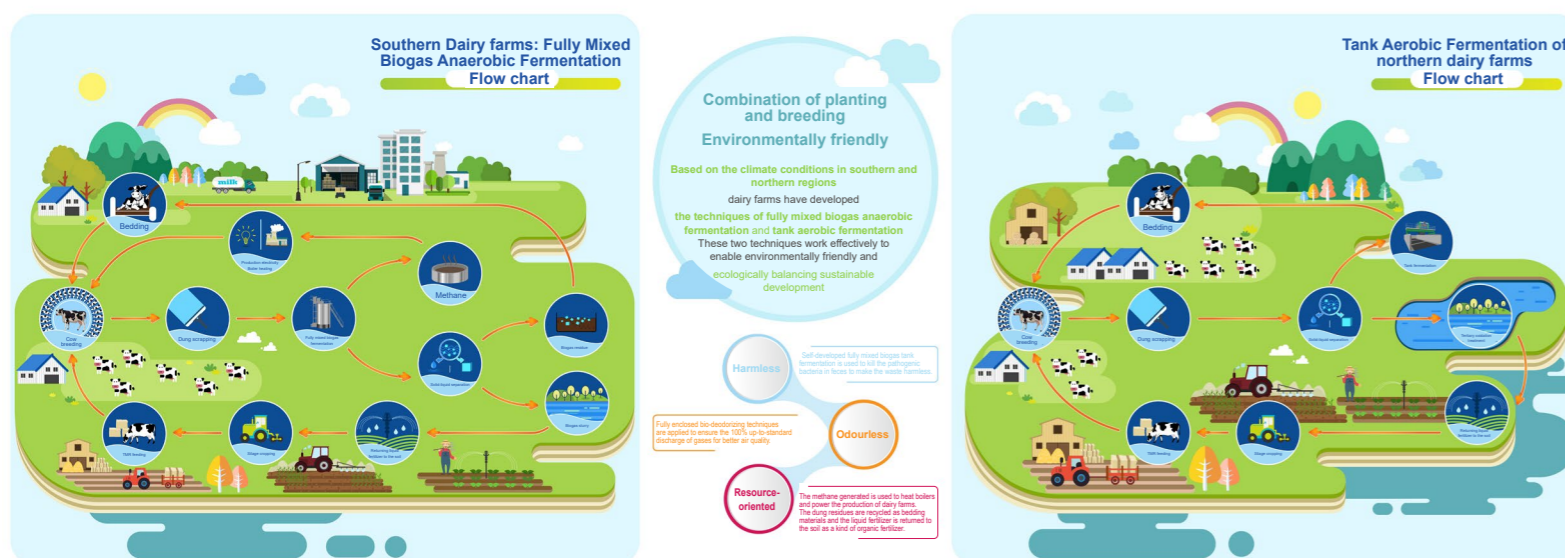
Patented technologies and regulations

2 utility model patents:

- *A Storage Tank for Odor Control in Natural Storage of Liquid Manure*
- *An Anaerobic Device for Harmless Treatment of Liquid Manure*

3 invention patents:

- *A Harmless Treatment Method for Natural Storage of Liquid Manure and a Natural Storage Pool*
- *An Ammonia Adsorption Material for Reducing Ammonia Volatility and its Liquid Covering Ball*
- *A Harmless Storage and Adsorption Method for Liquid Manure and An Ammonia Adsorption Device*



Integrated Planting-Farming Model (Example)

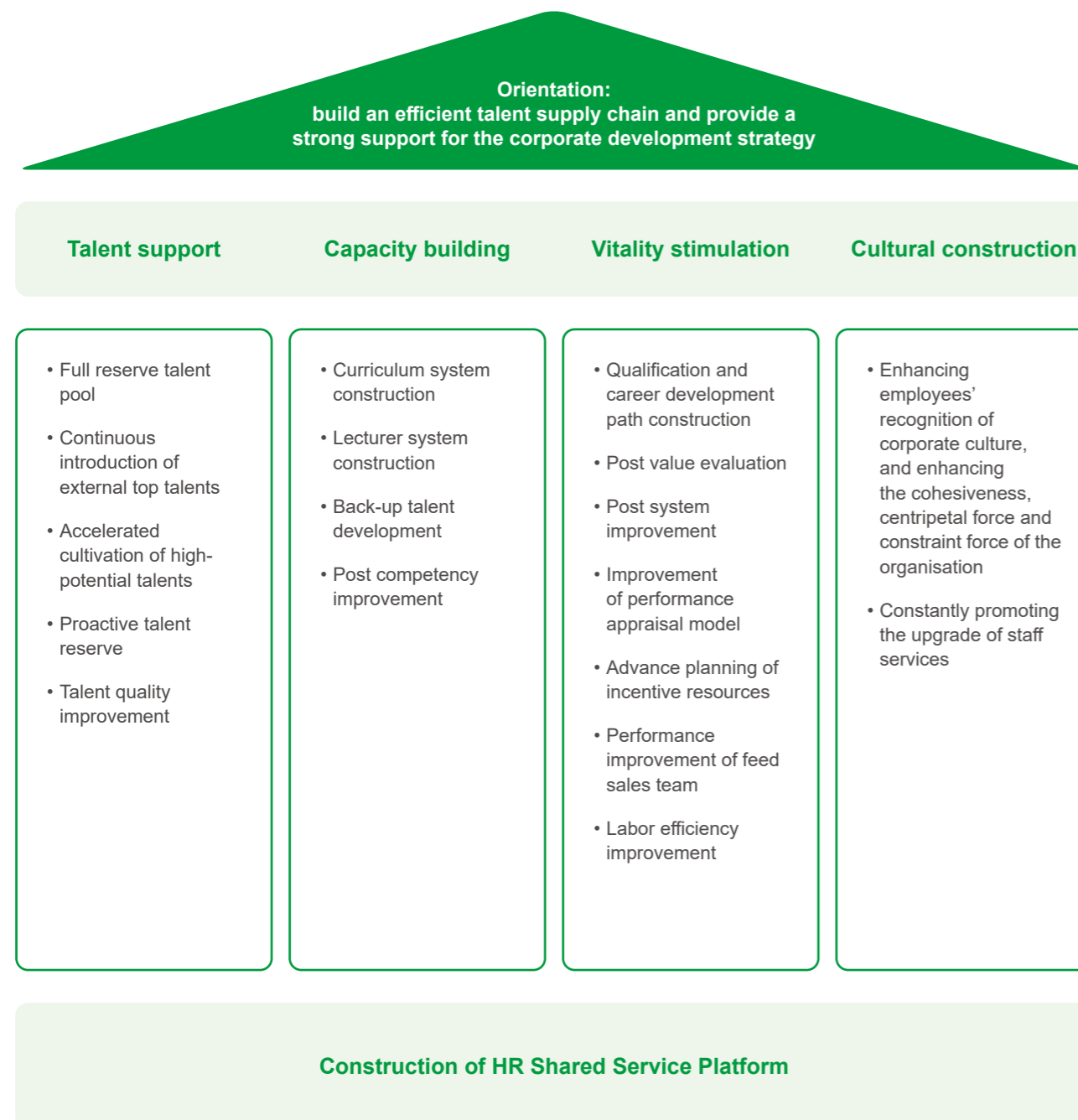
03

**Achieving Win-Win Cooperation
under the People-Oriented Concept**



The Group pursues “people-oriented” development and management, adheres to the values of “respecting and promoting diversity and inclusiveness”, safeguards employees’ well-beings, pays close attention to employees’ personal growth, vigorously inspires employees to create value, and constantly enhance employees’ sense of belonging and well-being.

Guided by the strategic orientation of “building an efficient talent supply chain” and based on the future business development and new project planning, the Group has identified vacancies in key technical positions, and made a reasonable plan for the talent demands in the next five years, especially those in grass-roots departments and key positions. By analyzing the internal talent situation and external market conditions, the Group has developed a talent supply strategy of self-training and talent introduction, thus supporting the talent development strategy from four aspects: talent support, capacity building, vitality stimulation and cultural construction.



Safeguarding Employees’ Rights and Interests

The Group safeguards employees’ rights and interests across the board, establishes a fair and just employment management system, and creates an open, inclusive and diverse cultural atmosphere; builds a healthy and efficient work environment; pays close attention to the physical and mental health and safety of employees, and promotes the joint development with employees.

Equal and Compliant Employment

In accordance with the *Labor Law of the PRC*, the *Labor Contract Law of the PRC* and other national laws and regulations, as well as the relevant guidelines applicable in the regions where it operates, the Group has established a complete recruitment and employment system, which strictly prohibits employment and exploitation of child labor. In the course of operation, we take reasonable measures to verify the age of job seekers and workers, and seriously deal with illegal employment.

The Group pursues equal and fair employment, standardizes all aspects in signing, alteration, renewal and termination of labor contracts with employees, resolutely opposes employment discriminations on gender, age, nationality, race, religious belief, family and health, and regards conduct, performance and capacity as the fundamental basis for recruitment and promotion of employees, in an effort to provide all employees with opportunities for fair development.

In 2022, we added 1,833 ethnic minority employees and 16 special employees, and 44 female employees were promoted to management positions through internal promotion. In order to further recruit and retain female employees, the percentage of female employees reached 28% and 15.35% of management level were female in 2022.



In 2022,

1,833 newly recruited ethnic minority employees

16 newly recruited special employees

44 female employees were promoted to management positions through internal promotion

In order to further recruit and retain female employees, the percentage of female employees reached **28%** and **15.35%** of management level were female in 2022

Protection of Employees' Rights and Interests

The Group fully protects the legitimate rights and interests of employees, and creates a diverse and inclusive working atmosphere. According to the *International Bill of Human Rights*, the *International Labor Convention*, the *Declaration on Fundamental Principles and Rights at Work*, and the *Guiding Principles on Business and Human Rights*, the

Group has formulated and published its Human Rights Policy, promising to follow SDGs in the course of operation, regard the benefits of employees as the starting point and ultimate purpose of human rights development, and build an open, inclusive and prosperous value chain.

Prohibition of forced labor and freedom of resignation

We prohibit all forms of forced or compulsory labor, and require all employment relations to be voluntary. In particular, it is strictly forbidden to imprison workers, bind them with contracts or guarantees, or require them to surrender their identity documents, passports or work permits as a condition for employment. Workers shall not be forced to work overtime. We prohibit human trafficking, including providing convenience for individuals or organizations that exploit others. Workers must be paid regularly, on time and in full, and given salary slips that explain their wages and deductions.

Prohibition of child labor

We prohibit the employment and exploitation of child labor in the regions where we operate, and the participation in or support for use of child labor as defined by the International Labor Organization (ILO), that is, allowing children to engage in jobs that may cause harm to their mental health, physical health, social contact or personality, or affect their access to education, including depriving children of access to education, forcing children to drop out of school permanently or requiring children to work long hours while attending school. In the course of operation, we take reasonable measures to verify the age of job seekers and employees, and prohibit the employment of child labor.

Prohibition of discrimination

We are committed to promoting employee diversity, creating an open, inclusive and equal working environment for employees, and protecting the rights of women and minorities. We prohibit all forms of harassment and discrimination on race, color, age, gender, sexual orientation, gender identity or gender expression, disability, pregnancy, religion, political faction, veteran status, labor union membership, etc., and discrimination on marital status in recruitment, employment, promotion, rewards and training.

Freedom of association

We allow employees to form and join labor unions or other organizations at their own will to the extent permitted by applicable laws, and also encourage employees to participate in collective bargaining for common interests. We do not discriminate against employees who form or join labor unions in any way, and do not prevent employees from forming or joining labor unions. In the countries where the freedom of association is prohibited or strictly restricted by law, we fully help employees to get their interests in other ways according to the applicable laws and regulations, and promote the communication between employees and the management.

4P payroll mechanism

We insist on value creation, uphold the "4P" payroll concept and put into practice the "broadband remuneration system". We adhere to the principle of equal pay for equal work, without wage discrimination based on gender, age, ethnic group, disability, region, etc.

Reporting of violations

Any individual or organization, including internal stakeholders and affected external individuals and communities, can report actual or suspected violations of human rights related to our operations or value chain. We will keep confidential the informants' information.

Anti-discrimination and Anti-harassment

The Group has formulated and published the “*Management Measures for Anti-harassment and Anti-discrimination*” to create a respectful working environment for employees, including unfair discrimination, sexual harassment and sexual misconduct. We adopt a “zero-tolerance” attitude towards all forms of harassment and discrimination, and require and encourage everyone to supervise violations; deal with violations seriously, investigate all complaints of discrimination and harassment, and give appropriate punishments. Besides, we encourage and support good-faith complaints or feedback on violations, take measures to protect informants, keep confidential all complaints to the extent practicable and reasonable, respect the privacy of the persons involved to the utmost extent, and impose severe punishments on any retaliation. In 2022, there was no incident of discrimination or harassment that we reviewed.

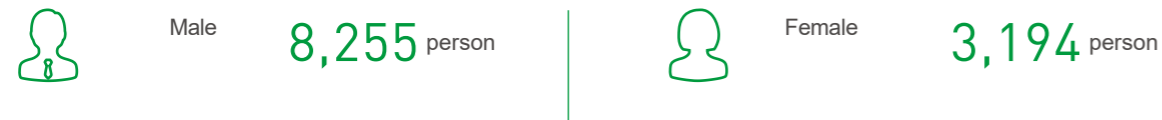
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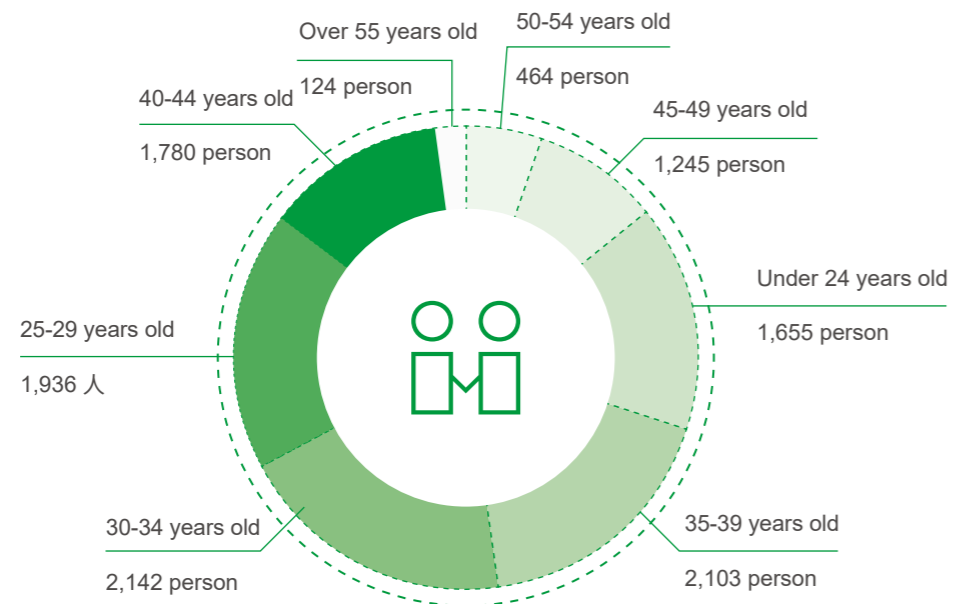
Our key performance data on employment in 2022 is as follows:



Total number of employees by gender



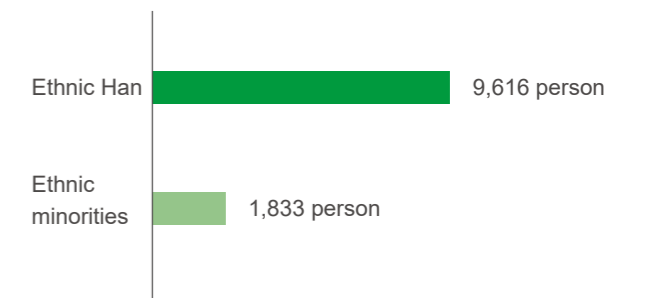
Total number of employees by age



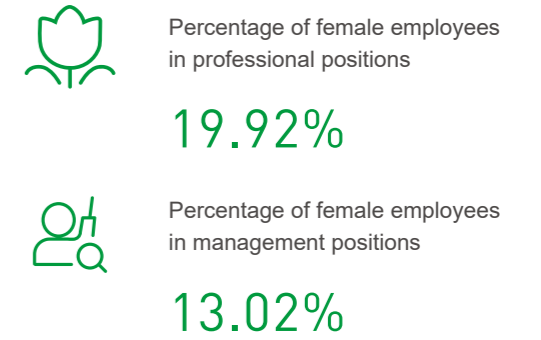
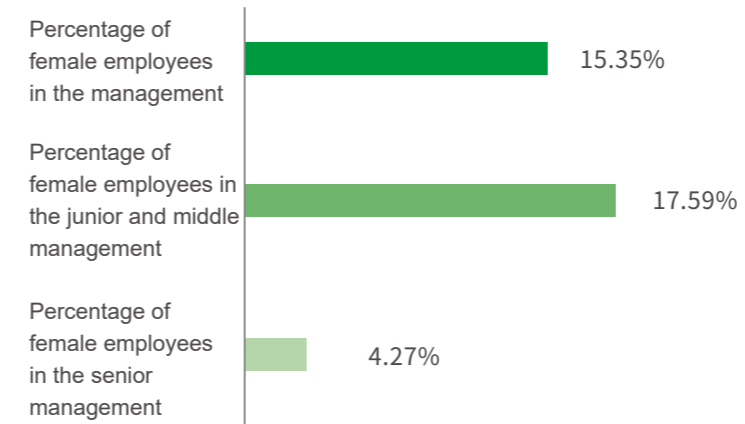
Total number of employees by region



Total number of employees by ethnic group



Percentage of female employees at different management levels



Increasing Care for Employees

On the basis of total remuneration and welfare, the Group continuously carries out diverse activities such as employee care and humanistic care to implement democratic management and realise the staff's right to information, participation and expression, and to intensify employees' sense of belonging and well-being.

Remuneration and Welfare

In strict compliance with the *Labor Law of the PRC*, the Group fully protects employees' health, and has established remuneration-linked allowances for professional positions to give full play to the compensation role of remuneration.

Basic welfare

Pay endowment insurance, medical insurance, unemployment insurance, personal accident insurance and housing provident fund for employees, organize regular health checkups and, distribute labor protection articles to provide basic protection for employees' health and safety at work. In 2022, the coverage of supplementary insurances was up to **100%**.

Living allowances

Provide employees with meal allowance, traffic allowance, allowance for work in high temperature in summers, nutrition allowance for employees' children, wedding gifts, birthday gifts, funeral subsidy, nutrition subsidy for voluntary blood donation and other benefits to satisfy employees' living needs.

Care for expatriates

Provide expatriates with housing allowance and spouses' living allowance, home leave and travel expense reimbursement to satisfy expatriates' needs and support expatriates' work.

Holiday care

Provide holiday benefits to all employees on traditional holidays such as Chinese New Year and Mid-Autumn Festival, so that employees can experience the care and warmth from Youran Family.



Caring for Employees

To practically care for employees, the Group has established a labor union and formulated the *Constitution and Working System of the Labor Union*, the *Administrative Measures for the Use of the Fees for the Labor Union*, the *Management Plan on Grassroots Trade Union Organizations* 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 labor union management platform. Labor 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.



Care for female employees

Build caring mommy hut; set childcare leave and breastfeeding leave, and allow breastfeeding mothers to enjoy one-hour breastfeeding time in the morning and afternoon every day; pay sanitation fees for female employees; carry out activities and give gifts for female employees on the Women's Day; arrange annual exclusive physical examination for female employees to improve their well-being.



Care for ethnic minority employees

Pay festival bonus and offer **one**-day paid leave for Hui employees on the Eid al-Fitr.



Cultural and sports activities

Carry out a series of activities such as the Chinese New Year activity, Women's Day activity, Dragon Boat Festival activity, "Delivering Coolness" activity, Party's Day activity, and National Chess Championship; organize skills competitions and knowledge competitions to improve the professional skills of employees, and carry out more than **200** cultural activities; distribute warm-hearted epidemic prevention packages during the outbreak to inspire employees' confidence; build staff library, innovation studio, model staff home and sports facilities, thereby further strengthening the sound and positive atmosphere of solidarity and friendship among employees while enriching the spiritual life of employees.



Skills Competition



Lantern Festival Activity



Women's Day Activity

Democratic Management

The Group puts into practice the concept of whole-process democracy, constantly promotes its democratic management to improve quality and efficiency, and makes great efforts to effectively protect the democratic rights of all employees. We have established a labor union according to law, and constantly improved the governance structure of the labor union and enhanced the standardized operation in strict compliance with the *Trade Union Law of the PRC*, the *Constitution of the All-China Federation of Trade Unions* and other laws and regulations and relevant documents of the All-China Federation of Trade Unions.

We arrange for employees and company representatives to negotiate on an equal footing on matters such as wage distribution system, wage distribution form and wage income level, and sign a *Collective Wage Contract* on the basis of consensus every year, so as to protect the legitimate rights and interests of both parties in labor relations and maintain harmonious and stable labor relations. In 2022, the coverage of collective bargaining agreements reached 100%.

The Company attaches great importance to opinions and feedbacks of employees, constantly improves the democratic management system focused on the labor union and workers' congress, actively establishes a platform of communication with employees and implements employee communication plans to understand the front-line working environment and listen to employees' voices, encourages employees to make suggestions, and protects employees' right to know, to participate, to express and to oversee, so as to jointly establish an equal and democratic corporate atmosphere.



Holding workers' congresses

Conducting satisfaction surveys

Zero-distance communication platform and cultural talk plan A

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 labor relations.

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. The employee satisfaction should reach **90%**.

We carry out the activities of "zero-distance communication" and "cultural talk plan A" to build a face-to-face and heart-to-heart practical communication platform for employees and company heads, listen to the opinions and suggestions of front-line employees on various jobs at zero distance and address employees' personal demands in a timely and effective manner.



Facilitating Employees' Growth and Development

Talent Training

We have formulated training systems such as the *Management and Training System of Youran Dairy*, the *System on Internal Trainers of Youran Dairy*, the *Administrative Measures for Training Credits of Inner Mongolia Youran Dairy Co., Ltd.* and the *Administrative Measures for Going Abroad* to empower talent development.

The Group has a strong talent pool, an excellent talent training mechanism, an internal and external expert system, and forms an industry-leading reserve of talents. At present, we have 22 employees with doctor's degree, 158 employees with master's degree, and over 30 employees with overseas study experience. Meanwhile, we have established long-term strategic cooperation with global top experts in the cow farming industry and feed processing and manufacturing industry, and built an empowerment system of domestic and overseas exchange and interaction. We build a hierarchical, branded and digital talent training system to establish "Excellence" talent training programs, adhere to cultural value empowerment, strengthen the talent training model "combining training with practice" and facilitate the output of high-quality talents.

At present,

we have **22** employees with doctor's degree

158 employees with master's degree

over **30** employees with overseas study experience

Optimizing the learning platform

- Building a course system, planning learning resource matching and test evaluation for management position promotion in advance, and establishing a *List of Required Competence and Skills* for managers; realizing the combination of employees' professional position promotion with learning map, and running it on a platform; continuing to develop the learning topics of cloud learning platform, and setting up 4,800 specialized courses and general courses for employees, so as to facilitate the fragmented learning of employees at different levels.
- Making the construction plan for internal trainer team, defining the authorities of internal trainers at all levels, improving the ability of lecturers and realizing the progressive development of lecturers; carrying out lecturer competition activities, cultivating excellent lecturers by combining training with competition, and develop excellent courses.

"Excellence" talent program

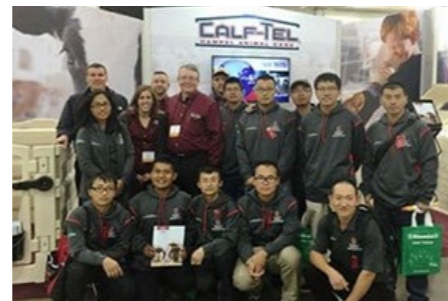
- Based on the "Qihang 6+1" course system, developing learning path maps for employees at different levels and planning training courses and training mechanisms at different levels, while strengthening the leadership construction of managers.
- Qihang Program: applicable to new employees. Developing the special training camp themed by "Building a Dream, Running into the Future" so as to help new employees to better fit in with the corporate culture and team, have a full understanding of the business operation model, achieve rapid empowerment, understand the knowledge required in the workplace and the corporate culture, and realize the role transformation into working people.
- Yuanhang Program: applicable to the reserve personnel for managers and based on the special class training mechanism. Setting up regional special classes + systematic special classes, and improving the capacity of reserve personnel through professional knowledge + management knowledge + debriefing + benchmarking + topic improvement.
- Linghang Program: applicable to the reserve personnel for farm heads/branch managers, and based on the model of training camp. Improving the professional and management capability of reserve personnel for farm heads/branch managers, meeting the business needs and realizing their rapid personal growth and development through professional knowledge (Best Practices of High-yield Dairy Farms) + required competence and courses for farm heads/branch managers + leadership courses + internal benchmarking learning + management review.

Case | Developing an MBA Seminar

For dairy farm heads, branch managers and senior managers above the director level, we arranged the MBA Program of Renmin University of China to develop the systematic management thoughts of senior managers and train their ability of analysis, decision-making and team management in complex scenarios. This project won the “Best Education Award of RUC Business School EE Project”.


Case | Fostering Cutting-edge Talents through Overseas Study

The Group is committed to building the most competitive talent team in the industry, and attaches great importance to the reserve and cultivation of core talents. In the in-depth cooperation with Ohio State University, the Group assigned high-potential employees to study in large dairy farms in the United States for one year. The learning content includes the comprehensive knowledge about breeding and management of large dairy farms at abroad. At present, many outstanding employees have returned home after overseas study and held important posts in the Company.


Case | Ding Rui, an employee of the Group, was nominated for the “Annual Character of Big Country Craftsman” in 2022

Ding Rui, director of Saikexing Production Center of the Group, has been rooted in the front line of elite breeding for 18 years. In order to put an end to the dependence of high-quality breeding stocks on imports, Ding has devoted himself to the production of “frozen bovine semen”, improved more than ten frozen semen production technologies, participated in the formulation of three local standards for frozen semen industry, and bred 1.2 million elite dairy cows. Ding overcame numerous technological difficulties under the spirit of craftsmanship, thus significantly improving the production performance of dairy cows, helping domestic dairy farmers to increase their income, and boosting the technological breakthroughs of domestic (cow) breeding stock industry. In 2022, he was nominated for the “Annual Character of Big Country Craftsman”, and won the first prize of S&T Progress Award of Inner Mongolia Autonomous Region, the May 1st Labor Medal of Inner Mongolia Autonomous Region and the Title of Craftsman in Northern Xinjiang.

Our key performance data on training and development in 2022 is as follows:

| Indicators | Unit | 2022 |
|---|------------------------------|---------------------|
| Amount of training expenses | RMB'0,000 | 123.86 |
| Total training sessions | Time | 7,490 |
| Total number of trainees | Person-time | 178,068 |
| Percentage of trainees by gender | Male | % 99.93 |
| | Female | % 99.87 |
| Percentage of trainees by employment type | Ordinary employee | % 97.21 |
| | Junior and middle management | % 99.89 |
| | Senior management | % 99.57 |
| Average training hours of employees by gender | Male | Hours/person 112.43 |
| | Female | Hours/person 92.16 |
| Average training hours of employees by age | Under 30 years old | Hours/person 132.4 |
| | 31-50 years old | Hours/person 105.5 |
| | Over 51 years old | Hours/person 68.96 |
| Average training hours of employees by ethnic group | Ethnic Han | Hours/person 102.3 |
| | Ethnic minorities | Hours/person 102.3 |
| Average training hours of employees by rank | Ordinary employee | Hours/person 129.48 |
| | Junior and middle management | Hours/person 112.65 |
| | Senior management | Hours/person 64.74 |

Talent Promotion

The Group is committed to building the most competitive talent team in the industry and providing employees with diverse and all-round promotion channels. On the basis of the promotion of management positions, we open up a new channel for promotion of professional positions, encourage employees to conduct further and advanced studies in professional fields, create equal promotion conditions and opportunities, clarify the career development path of employees, and stimulate the development potential of talents. During the Reporting Period, 340 employees were promoted internally.

During the Reporting Period,

340 employees were promoted internally

Talent Retention

In order to effectively implement its development strategy and improve the win-win cooperation and benefit sharing mechanism with employees, the Group has established remuneration and performance management strategies that adapt to both external market and internal demand, fully inspiring the enthusiasm and initiative of employees at all levels.

Personnel situation analysis

- We have analyzed the competitiveness of internal and external environment with SWOT method, and carried out overall analysis by identifying the opportunities and industry pressures under the digital trends to promote talent retention and acquisition.
- We have issued the annual *Analysis Report on Turnover Rate of Key Positions* to make statistics on the turnover data of all staff and key positions and analyze the reasons for turnover, taken corrective measures, released the control plan for turnover rate of key positions, defined the incentive principle, released the implementation plan, and tracked and analyzed the improvements.

Remuneration incentive

- Establishing remuneration systems: Based on the "4P" payroll concept, the Group 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.
- Improving remuneration competitiveness: We have established the *Remuneration Management System*, defined the remuneration standards and accounting requirements in different scenarios, and created a performance-oriented and fairly competitive remuneration management environment. We ensure that the total salary paid to employees who work as required and have perfect attendance will not be lower than the local minimum wage in the workplace.

Performance management

- In order to form a good work orientation, we have formulated the *Employee Performance Management System*, and established a performance analysis mechanism to evaluate employees' performance through multi-dimensional feedback (360° feedback). For individuals or departments that fail to achieve their performance targets or whose performance deviates from standards, we provide guidance and develop targeted improvement plans; for matters that need support, we actively provide support. In order to strengthen the recognition and incentive system, we have set up several awards such as Cultural Construction Benchmark Award, Excellence Award on Cultural Heritage, Most Outstanding Individual of Youran Dairy and Most Outstanding Team of Youran Dairy to provide employees with diverse incentives.

Our key performance data on employee turnover in 2022 is as follows:

| Indicators | Unit | 2022 |
|---|--|-------|
| Annual employee turnover rate | % | 16.22 |
| Annual employee turnover rate by gender | Male | 14.94 |
| | Female | 19.54 |
| Annual employee turnover rate by age | Under 24 years old | 18.31 |
| | 25-29 years old | 20.82 |
| | 30-34 years old | 15.55 |
| | 35-39 years old | 13.46 |
| | 40-44 years old | 11.18 |
| | 45-49 years old | 12.93 |
| | 50-54 years old | 29.74 |
| Annual employee turnover rate by rank | Over 55 years old | 29.84 |
| | Senior management | 11.97 |
| Annual employee turnover rate by education background | Junior and middle management | 11.44 |
| | Employees below bachelor's degree | 16.15 |
| | Employees with bachelor's degree | 16.47 |
| Annual employee turnover rate by region | Employees with master's degree or above | 16.20 |
| | Inner Mongolia Autonomous Region | 18.63 |
| | Outside the Inner Mongolia Autonomous Region | 13.83 |

Occupational Health and Safety

The Group regards safety as the top priority of enterprise work, establishing a long-term control mechanism, and setting a safety management benchmark for the industry. Attaching great importance to the protection of employees' occupational health, we carry out employee health management on the basis of strengthening the prevention and control of occupational diseases, so as to create a healthy, safe, environmentally friendly and comfortable working environment for employees. As of the Reporting Period, our seven units have passed the national level 3 safety standardization system certification.

Safety Management System

The Group has established a safety management system with characteristics of the pastoral industry according to ISO 45001 occupational health and safety management system standards, and based on the safety organization system, risk management and control system, technical standards on safety and safety culture system, achieved the goal of zero accidents by strengthening secure execution verification, dual control system construction, and control of core safety risks such as fire risk and vehicle damage.



Vision

to become a model of safety management on agriculture and husbandry

Policy

- put safety first and improve safety culture;
- give priority to prevention and ensure essential safety;
- keep full participation for mutual guarantee;
- carry out comprehensive management and build safety culture

Safety responsibility system

- We established the Production Safety Management Committee, improved the all-staff production safety responsibility system, and fulfilled the health and safety responsibilities; held regular production safety meetings to share warnings about the safety performance and industrial accidents and summarize and analyze the problems found in the safety management process.
- According to the principle that "the person who is responsible for the business or the territory is responsible for production safety", we defined the work safety responsibilities of employees at different levels, and established a production safety responsibility system which covers all staff from senior management to front-line employees.
- On a quarterly basis, the Safety Committee Office checked and tracked the fulfillment of production safety responsibilities, reported major nonconformities and made corrections.

Risk control system

- We built a risk database, controlled prohibited, flammable, combustible and other risk materials, and set up a safety test and access mechanism for newly developed raw materials to control the spontaneous combustion risk of logistics in advance.
- We identified the weaknesses in risk control, and continuously managed the core risks such as fire safety, dust explosion, hazardous operations, key equipment, vehicle safety and electrical safety through intensified management and technological transformation.

Safety technology system

- We formulated the technical specifications for management on electrical safety, fire safety, vehicle safety and dust explosion prevention, specified the responsibilities of all departments, as well as the equipment configuration and maintenance standards, personnel operation standards, and emergency response requirements, and guided all units to carry out management on electrical safety, fire safety, vehicle safety and dust explosion prevention.

Safety culture system

- We carried out diverse safety activities such as safety credits for all staff, "three-safety" activity, safety month, fire control month, pre-shift "three ones" and grid management of production safety, established a safety management mechanism requiring all staff participation, and guided all employees to pay attention to safety management, enhance safety awareness and abide by safety rules and regulations through safety activities.

Goal of Safety Management

In 2022, the Group achieved the goal of safety management as scheduled, that is, an accident rate of less than 0.3 per million working hours. Meanwhile, we further evaluated and improved the corresponding safety procedures, configured special tools, put forward more detailed requirements for the separation of people from vehicles, strengthened supervision, increased the frequency of safety inspection and training, and further reduced the accident rate related to production safety.

Measures for Production Safety

The Group has formulated management systems such as *Management Measures for Safety Goals*, *Management for Safety Review*, *Promotion Plan for Independent Investigation and Treatment of Potential Safety Hazards*, *Fire Risk Management and Control Plan*, *In-House Vehicle Management and Control Plan*, *Implementation Plan for Grid Management of Production Safety*, and *Improvement Plan for Professional Safety Ability*, so as to provide strict safety guidelines for all employees in production and operation activities. During the Reporting Period, the Group invested RMB 10,122,200 in production safety.

In 2022,

the Group achieved the goal of safety management as scheduled, that is, an accident rate of **less than 0.3** per million working hours

During the Reporting Period,

the Group invested RMB **10,122,200** in production safety.

Key Practices in Safety Management in 2022

Carrying out system audit

- We improved the *Safety Review Plan and Review Rules*, and upgraded the "excellence + star" review mechanism from four dimensions: system construction, mechanism implementation, core risk control, and safety capability enhancement. By the end of 2022, the proportion of outstanding units in management at the level of "excellence + three star" or above increased by **45%**.

Enhancing professional capability

- We improved the health and safety awareness and skills of all staff, and adhered to the concept of health and safety development; organized the development of more than **50** safety training courses, involving safety management, safety technology, operation risk control, etc.; required key managers of grassroots units to implement the quarterly safety capability testing mechanism, and personnel in production positions to follow the pre-shift "three ones" safety training mechanism to continuously improve the operating procedures and risk response ability of operators.
- We provided key support for weak units, and helped weak units to quickly improve their safety management through direct support, remote guidance, on-site guidance, etc.
- In 2022, the Headquarters organized **3** trainings for managers with **1,207** participants, and **27** trainings for safety managers with **2,214** participants; trained **1** management lecturer, **19** intermediate internal trainers, **21** junior internal trainers.

Intensifying the identification of potential hazards

- According to the requirements of hierarchical and classified management, we defined the "key areas", "key personnel" and "key operations" that must be covered by the safety inspection of the heads of grassroots units.
- We continued to identify potential hazards related to seven core risks, namely fire safety, dust explosion prevention, electrical safety, hazardous operations, vehicle safety, related safety and occupational health.
- The head of each unit should track the rectification of potential hazards, until hazards are eliminated. In case that immediate rectification is impossible, temporary safety measures must be taken to prevent hazard escalation.
- We established a weekly rating mechanism of potential safety hazard identification by heads and ranking, and provided positive and negative incentives based on the ranking.

Improving performance management

- On the basis of the four accident levels specified by the State, namely extraordinarily major accidents, major accidents, serious accidents and general accidents, we added **6** accident levels, such as minor general accidents, minor accidents and extremely minor accidents, defined the appraisal standards from the dimensions of accident casualties and economic losses, and provided performance incentives for employees at different levels such as the heads of grassroots units and senior management in the forms of fines, monthly performance, annual performance and business incentives.
- We set the annual production safety targets and process targets at the group level and individual level, signed the *Letter of Production Safety Responsibility*, provided annual and quarterly incentives according to the achievement of safety targets, and gave certain negative incentives to those who fail to achieve the targets.

Establishing an information-based system

- We have established a safety management information system according to the ISO 45001 system framework to comprehensively control our production safety risks. The system has been fully popularized and put into operation throughout the Group, which improved the data timeliness, data accuracy and work efficiency and reduced the production safety costs.
- In order to ensure the good operation of the system, we issued the *Management Specifications for the Application of EHSQ Information System* to clarify the requirements for use of the system, and established promotion mechanisms such as weekly empowerment and monthly ranking to evaluate and guide all units.

Contractor Safety

The Group focuses on improving contractors' safety skills and safety awareness and strengthening the management of business subcontracting. We evaluate the on-site safety management of contractors by formulating supplier evaluation standards, so as to improve contractors' safety management and prevent safety accidents.

Safety agreement signing

- We clarified the safety management responsibilities, job duties, work contents and risk control measures of related parties to prevent safety accidents. The coverage of safety agreements was up to 100%.

Contractor audit

- We audited the safety qualifications and professional qualifications of contractors. Only contractors that pass the audit can be shortlisted.
- We required contractors to sign the letter of safety responsibility, and defined the safety management targets and tasks.
- We enhanced the four contractor audit mechanisms of "safety deposit", "health and age", "special qualification" and "redline suspension" to avoid the safety risks in the operation process of contractors and prevent and control the safety accidents of related parties.

Contractor safety training

- We organized safety training for contractors to improve their management ability and practical training.

Contractor safety supervision

- We strictly checked the proof of training of contractors' key personnel, and verified the validity of the special work permits of contractors' special operation personnel and special equipment operators; required units to inspect and supervise contractors' on-site operations, and record and feed back the inspection and supervision results.
- We strictly implemented the work ticket filing mechanism, and required all hazardous operations to be reported to the safety system.

Contractor safety assessment

- We carried out quantitative assessment on the credits of contractor units and individuals, and gave rewards and punishments according to the credits.

Safety Culture Construction

The Group has carried out a series of activities such as "Zero Accident Pep Rally", "Three-Safety Activity", "Fire Safety Day", "Production Safety Month" and "Fire Control Propaganda Month" to build up consistent safety values among managers, and has created a safety culture atmosphere in which managers fulfill their duties and employees take an active part.

Zero Accident Pep Rally:



Fire Safety Day:



Fire Control Propaganda Month:



"Production, Quality and Crisis" Safety Day:



Production Safety Month:



Occupational Health

The Group abides by the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other relevant laws and regulations, and has internally formulated the *Management Measures for Occupational Health* to prevent, control and eliminate occupational hazards and thereby protect the physical health and related rights and interests of all employees.

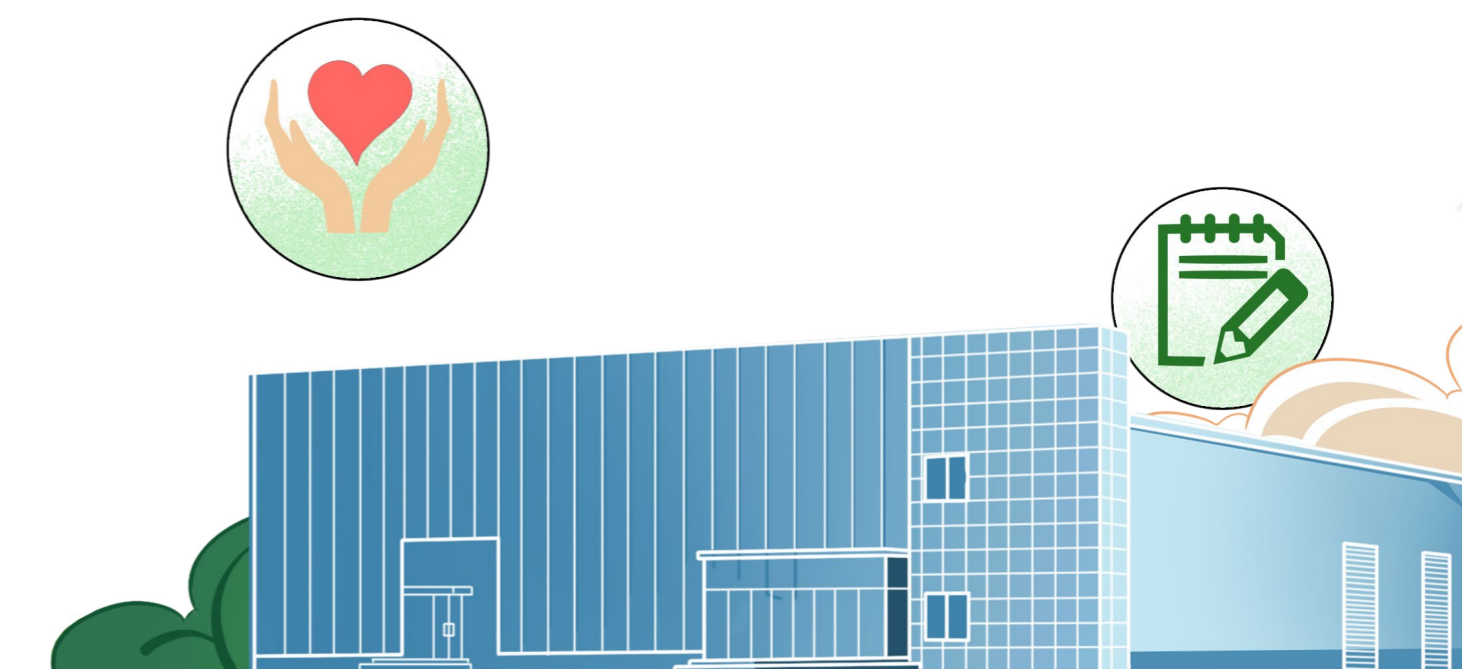
| | |
|---|--|
| <p>Zoonosis management</p> | <ul style="list-style-type: none"> • Isolation and prevention: carry out zoning management to isolate living quarters from production areas and avoid cross-infection. • Disinfection: strengthen the standardized management of disinfection and ensure good personal hygiene to cut off the transmission route of pathogens. • Epidemic prevention of herds: adhere to the principle of "self-breeding" and strictly prohibit the import of new cows from epidemic areas or risk areas. If new cow import is really required, a strict quarantine of infectious diseases must be carried out. |
| <p>Production environment management</p> | <ul style="list-style-type: none"> • Strictly control dust and noise, eliminate the sources of pollution in terms of equipment and facilities, and carry out management with focus on operator protection. |
| <p>Hazard information communication</p> | <ul style="list-style-type: none"> • Managers of production and operation facilities should take effective actions, and inform operators of the information about occupational hazard factors in the operation process by making and posting relevant warning signs, giving operating instructions and publicizing the results of workplace testing. |
| <p>Training management</p> | <ul style="list-style-type: none"> • Enable relevant operators to understand the knowledge about occupational hazards and avoid damage, through knowledge training, skills training and formulation of operating procedures. |
| <p>Monitoring and early warning</p> | <ul style="list-style-type: none"> • Test the control of occupational hazard factors such as dust, noise and high temperature once a year, and organize special physical examination for occupational health and occupational health evaluation according to the test results. |



Our key performance data on health and safety in 2022 is as follows:

| | | | |
|--|--------------------------|--------------------------|--------------------------|
| <p>Number of work-related fatalities in the past three years¹⁰</p> | <p>2020 2 person</p> | <p>2021 0 person</p> | <p>2022 0 person</p> |
| <p>Rate of work-related fatalities in the past three years</p> | <p>2020 0.03%</p> | <p>2021 0%</p> | <p>2022 0%</p> |

| Indicators | Unit | 2022 |
|--|---|------|
| Number of days lost due to work-related injuries | Number of days lost per 200,000 working hours | 14 |



¹⁰ In 2020, 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 accidents, the Company promptly applied for work-related injury insurance and commercial insurance and comprehensively and properly handled them.

04

Putting Quality First with the Support of Digital Intelligence



The Group adheres to the business development strategy of the whole industry chain and the mission of “creating the source power of human healthy life by its high-quality products” to control product quality from the source. We constantly strive for excellence, innovation, and technology-driven business upgrading, and collaborate with value chain partners to create and share value for a win-win future, with an aim to leading the high-quality development of the industry.

Creating Top Quality Products

The Group strictly controls the quality and safety of products, continuously improves the quality and output of raw milk by improving feed and breeding technology, and creates a collaborated business model of the whole industry chain, thus forming a positive cycle model of “good breeding of good cows, good feed to raise good cows, and good cows to product good milk”.

Quality Management Strategy

With a purpose of building a first-class quality team and a learning-oriented professional team, and a goal of “zero” food safety incidents and constant improvement of product quality, the Group continuously implements the “3210 Quality Management Strategy” focusing on the quality leading system, quality assurance system and food safety risk prevention and control system, with the support of all-round quality evaluation ability and digital intelligence-based quality assurance ability.

3210 Quality Management Strategy



Quality Management Objectives

The Group has formulated such systems as *Quality Management Outline*, *Management Measures for Quality Targets*, *Change Management Measures*, *QACP Promotion Plan*, *Supplier Management Measures*, *Guidance on Standardized Operation*, *Process Control Inspection Plan*, and *Management Measures for Inspection of Milk Transportation Vehicles* to fully control the quality of raw milk in all links from the source of supply to production and transportation, and provide customers with high-quality raw milk.

We have set the quality control indicators of raw milk, namely somatic cell content and microorganism content, far below the EU standard and national standard. During the Reporting Period, the Group had no quality safety accidents, achieved a product passing rate of 100% in the spot checks conducted by national supervision and inspection institutions at all levels, and won the title of “Excellent Dairy Processing Enterprise in 2022”.

Quality Management System

The Group has established a comprehensive quality management system and structure, and formed a quality management system with full staff, full processes and full directions to further enhance the capability on product quality and safety control. The quality management system covers the daily operations of all business lines and functional departments. Each business line has a special quality control department, which is responsible for planning, managing and supervising the implementation of the quality control system.

Based on the advanced international standards, the Group has constantly upgraded its quality management system, and carried out certifications under management systems such as SQF (Safe Quality Food), ISO 9001 (Quality Management System), ISO 22000 (Food Safety Management System), China GAP (China Good Agricultural Practices) and ISO 17025 (CNAS Laboratory Management System). Further, the Group has become the first comprehensive animal husbandry and feed processing enterprise in China that passes the SQF system audit, leading the construction and development of the industry quality management system.



CNAS Laboratory Accreditation Certificate



SQF Food Safety and Quality Management System



GAP (Good Agricultural Practices) Certification Certificate



ISO 9001 Quality Management System Certification Certificate



ISO 22000 Food Safety Management System

Quality management of the whole industry chain

With a whole industry chain extending from the upstream forage industry, feed, and breeding to dairy farming, we attach top priority to product quality. Therefore we follow the development strategies of the whole industry chain to secure the optimal product quality from the origin.

Optimum breeding

The Group is committed to leading the breeding technology in China and striving to be a global breeding powerhouse for the livestock industry. We follow such rules, laws, and technical standards as *Administrative Measures for the Implementation of the Genetic Improvement Program on National Livestock and Poultry*, the *Technical Specifications for the Import of Cattle Genetic Materials*, the *Procedures for Determination of Young Holstein Bull Offspring (NY/T 1246)*, the *Procedures for Determination of Beef Cattle Offspring (NY/T 2660-2014)* to 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.

As a member unit of the Cow Breeding and Dairy Farming Technology Research Center, we are committed to solving the key technical bottlenecks of “Growing good forage grass, breeding superior cattle, and producing optimal milk.” We focus on such cow breeding and reproduction technologies as sire cultivation, sex control, and embryo engineering, and delve into the biotechnological breeding research relevant to reproduction techniques, stem cells, cloning, and gene editing to attack the critical bottleneck technologies of provenance and reproduction. We strive to provide high-end provenance and edgy technologies, enhance the industry competitiveness of cow provenance and key technologies in China and upgrade the clout of China’s animal husbandry industry through technological innovation and commercializing the results of technical research.

By far, we have built three key breeding bases in Wisconsin, the United States, and Horinger and Qingshuihe, China, among which the National Dairy Core Breeding Farm in Qingshuihe and Academician workstation of Inner Mongolian Saikexing Germplasm Resources and Embryonic Bioengineering Technology in Domestic Animal prove both world-class high-standard systems and platforms of cow breeding technologies. Through the technologies of the Saikexing Breeding platform, we impose superovulation or ovulation in vivo on high-yielding dairy cows as the donor cows, and make them fertilized in vitro or in vivo with the frozen sperm from top-ranking foreign sires to obtain quality embryos and then transplant them into the uteruses of lower-performing cows. By doing this, we breed quality sires rapidly and expand the herds of higher-performing core cows to accelerate the improvement of dairy farm herd structure. January 2023 saw an encouraging new record on the Group Wuwei Ranch: the unit yield of the whole herd of cows reached 46 kg, a world-leading level.



Scientific feeding

We have formulated the *Administrative System of Raw and Ancillary Materials*, the *Administrative Measures for the Use of Inputs*, the *Procedures for Formula Changes*, and the *Administrative Measures for Formula Development* to ensure cows are fed with compliant forage to realize healthy herds and quality milk.

We, with the sound synergy between our cow breeding business and feed business, have built a near-infra-red reflectance (NIR) feed database to provide comprehensive nutritional indicator data for precision formula. During the Reporting Period, we revealed the fact that our calibration samples of the near-infrared database of major cow raw materials in China had exceeded 1 million at the 6th China Health and Food Safety Conference, winning extensive praise from industry experts. The creation of this database stands out as a milestone to enhance the precision nutrition and detection efficiency of the cow breeding industry.

Forage & feed quality management

In terms of the feed business, we, as one of the first Chinese players to pass ISO 9001 certification, have introduced a whole package of top-ranking feed processing equipment and a central-control operating system to realize automatic and intelligent production for stable product quality. We performed GMP upgrades in our feed processing workshops for better product sanitation management. Moreover, we introduced the QACP quality management system to harness 220 key quality control points and inspect 167 points before delivery, entailing 225 methods. By doing this, we guarantee effective product quality management. In terms of the forage business, our home-grown forage grass lives up to the standards of the USA, a strong driver for the high-quality development of the whole industry chain in the dairy trade.

Different feed formulas are designed for the cattle based on the different characteristics of the growth stage to provide the nutrition required. For calves, we adopt non-resistant culture techniques to strengthen their gut immunity and develop additive packages in place of monensin to prevent diarrhea and enhance their gut health. We provide low-energy and high-protein formulas for the grown cattle to spur their growth for quicker breeding and minimize postpartum diseases. During the dry or peripartum period, we add more organic trace minerals to increase the anti-stress ability of cows. For the cows at the lactation stage, we apply rumen-protected techniques, make the premix feed more organic, and add more quality protein and energy to improve their productivity and well-being.

Nutrition management of raw and auxiliary materials

Quality management of raw and auxiliary materials

We have established a supplier quality safety risk assessment mechanism and prefer the top 5 suppliers capable to guarantee the quality and optimal raw material origins for all the raw and auxiliary materials. The equipment to process core raw materials shall be armed with GPS functions. Before the collaboration, compliance review, on-the-spot audit, and sample evaluation are performed. We do not collaborate with any non-conforming supplier. Through unannounced inspections of partner suppliers, we eliminate the ones with lackluster performance to tighten the access threshold for suppliers to maintain their competitiveness in the long term. We have formulated acceptance standards stricter than the 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. Nonconforming raw materials will not be accepted to ensure the quality conformity of cattle feed intake. Moreover, we have created groundbreaking techniques to detect the adulteration of raw materials, keep developing new approaches to detect raw material abnormalities and create a quality evaluation system for raw materials to ensure the high quality of feed raw materials.

Quality raw milk

We have formulated such internal quality management policies as *Milk Risk Detection Program*, *Quality Audit Mechanism*, *Quality Early Warning System*, *Microbial Control Scheme*, *Somatic Cell Control Scheme*, and *Control Procedures for Raw Milk* to harness the whole chain quality of raw and auxiliary materials of ranches, breeding & reproduction processes, inspection & delivery, and product transportation. By far, our standards of major nutrient indicators and hygiene indicators for raw milk are higher than the EU standards.

Breeding Process Control

Breeding process

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 175 standard operating procedures (SOP) for dairy cows. We feed cattle as per customized formulas to offer the nutrients required by the cows at different stages with varied conditions. Such intelligent units as automatic milking, automatic nipple disinfection, cleaning, and feed-pushing devices have been introduced for refined cultivation. We detect and improve 17 health indicators and build a big data platform that covers such core data as cow performance, herd formula nutrition, oestrus, treatment, and milking conditions for real-time monitoring, abnormality warning, and pre-management to promote the quality guarantee system applicable to the industry. The headquarters performs quality audits to drive continuous improvement.

Hygiene indicator improvement

We have established and acted on the mechanisms of detection, analysis, and improvement of microbiological & somatic cell data and formulated mind maps. During the reporting period, we upgraded the CIP system, optimized cleaning parameters, and regulated the operations of manual cleaning and milking to prevent, detect and treat mastitis in cattle, control environmental hygiene, manage comfort levels for cattle, manage special herds, and perform delivery management. On the premises to fulfill the EU quality standards, we strive to update the new low microbial number and somatic cell content and keep improving raw milk quality.

Supervision and validation

We have established a quality early warning mechanism and a quality audit mechanism to monitor and measure the achievements and fluctuations of food safety indicators and implement pre-management through timely early warning. We have formulated evaluation standards and evaluation plans on internal quality management. We assist dairy farms through evaluation to facilitate the enhancement of quality management and strengthen the capability of dairy farms in quality management and control.

We have installed video surveillance in key management links such as the barns, milking halls, CIP rooms, and laboratories on the dairy farms and supervise the standardization of the production and operation procedures of all dairy farms by making the best of video systems to improve the compliance of standards.

Inspection & Delivery Control

Delivery Inspection

Boasting the first CNAS-certified laboratory in China's animal husbandry industry, we are armed with such world-class edgy detection facilities as ICP-MS, PCR, and LC-MS/MS that are capable to detect more than 300 items at a leading level. The related indicators and physical and chemical indicators are tested before milk is shipped. The milk can be delivered for sale only when passing all the inspections to secure food safety and zero-defect delivery.



Transportation & Delivery Control

Milk truck management

We have established archives of milk trucks and keep records of the structure, maintenance, transportation, heat-retaining capacity, and drivers of milk trucks to secure smooth transportation. Milk trucks shall be cleaned in strict accordance with the frequency and cleaning acceptance inspection standards. The Milk Truck Checking Day regime is performed once a month on every milk truck and only the trucks that pass the cleaning inspection are allowed for milk shipment. We perform real-time GPS monitoring on the transportation routes of milk trucks through the control platform of raw milk logistics transportation. Every inlet of milk transportation is sealed with lead to keep the milk temperature below or equal to 6°C throughout the journey. From finishing milking to collecting the milk at the dairy farm, it shall take less than 24 hours to complete the whole process to keep milk fresh and secure food safety.

Analysis & Improvement

Quality improvement

We have established a mechanism for quality improvement and implemented 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, the group found 2 employees completed the Black Belt Training Courses of Six Sigma and 11, Green Belt Training Courses. We also solved 26 quality improvement issues to keep refining milk quality.

Control and prevention of food safety risks

In terms of food safety and quality management, we abide by such international standards as SQF, ISO 9001, ISO 22000, and GLOBAL-GAP to build a quality risk control and prevention system. We have built and maintained the 7D model of risk control and prevention on seven dimensions: risk identification, risk detection, risk early warning, early warning elimination, risk control, tracing & recall, and risk exchange to reduce food safety risks. We follow three relevant standards to guarantee food safety: the national standards of China, more rigid company quality control standards, and the most demanding internal control standard of all. Based on such a quality assurance system and risk prevention & control system, we motivate every part of the whole industry chain to fulfill their duties to curb quality risks. Efforts are made to sort and check for hidden defects for pre-management in addition to “one-vote veto” and “red line management” mechanisms, to drive risk elimination. We have also built a three-level food safety risk detection system with the first CNAS-certified laboratory ever seen in China’s animal husbandry industry, armed with advanced detection equipment, an intelligent quality information system, and a professional inspector team. Our food safety risk detection covers raw & auxiliary materials, feed products, and milk, in which conventional chemical indicators, nutritive indicators, and hygiene indicators will be measured, a pioneering effort to realize whole-chain food safety risk monitoring and prevention. During the Reporting Period, the Group found no food safety issues.

Product recall management

In accordance with the *Food Safety Law of the People's Republic of China* and *Administrative Measures for Food Recalls*, we have formulated the *Product Recall Management System* to stipulate the requirements of conditions for, circumstances, and procedures of product recalls. A food safety team has been established to perform annual simulation drills, in which the recall targets would be set, recall plans would be implemented the recall results would be validated. When the recalled products are disposed of and filed, we would summarize the food recall event to strengthen the compliance and timeliness of our response to address quality abnormality. During the Reporting Period, we found no material complaints about our product quality or product dispute or recall that might cause any significant adverse effect on our financial standing or operating performance.

Nutrition and health

As the world’s largest raw milk provider and the biggest supplier of featured fresh milk in China, the Group remains dedicated to improving raw milk quality, upgrading the nutritive value of raw milk, and ramping up investments in innovative development to provide more options for nutritional supplements for consumers. In 2022, we formulated and issued such quality control measures as *Work Plans to Increase Organic Milk Protein 2022*, the *Management Measures for Early Warning of Milk DHA Content*, and the *Administrative Measures for the Storage and Usage of the Key Raw Materials and Finished Feed Products for DHA Milk Production* to further enhance the nutrition and wholesomeness of our raw milk.

The Group boasts a product matrix of featured fresh milk with nation-leading large-scale and diverse categories. In 2022, on top of our current portfolio of organic milk, A2 milk, DHA milk, jersey milk, organic A2 milk, and selenium-rich milk, a new product was launched—organic jersey milk, making us the first company to develop raw milk products of organic jersey milk in China. During the reporting period, organic milk accounted for 24% of our raw milk business.

During the Reporting Period,

organic milk accounted for
24% of our raw milk business

With exclusive systems and platforms, we have built a management system that covers technical development, hands-on operation, supervision, and control work by internally preparing improvement schemes, rounding off operation procedures, and formulating such quality control methods as the Management Measures for Early Warning of Milk DHA Content and the Administrative Measures for the Storage and Usage of the Key Raw Materials and Finished Feed Products for DHA Milk Production. Workers of all links of the production chain have been engaged to form a nutrition and health consultation team to instruct and manage raw milk for better nutrition and wholesomeness.

Establishing a management system

We build R&D laboratories and work hand in hand with such scientific research units as China Agricultural University, Chinese Academy of Agricultural Sciences, and Inner Mongolia Agricultural University for researches on nutrition, healthcare, and breeding.

Building R&D platforms

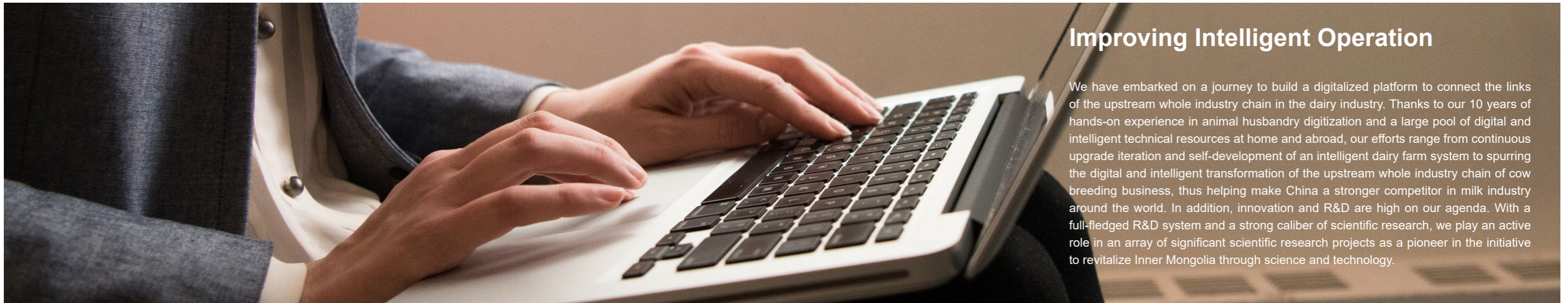
We focus on the nutrition and formula for cows, new technologies, and new raw materials or additives to increase the content of basic nutrition components in raw milk and cut back the count of microorganisms and somatic cells. Through heat control in summer and cold-proof & ventilation in winter, we reduce the cold and heat stress of cows to minimize the annual fluctuations of milk fat and milk protein. We actively expand the list of new raw materials of quality protein to ensure the continuous increase of milk protein from the origin. We also develop the raw ingredients of additives relevant to the utilization and conversion of protein to facilitate the efficient conversion of protein into milk. In addition, we focus on the development of featured fresh milk to launch raw milk products that can make a difference in terms of nutritional value.

Key R&D fields

Providing quality services

Compliance publicity

The Group actively abides by the *Advertising Law of the PRC* and other laws and regulations, strictly carries out compliance publicity, and resolutely eradicates the spreading of false information. We treat customers and consumers with a sincere attitude and comprehensively review the ads launched or to be launched. In case of any compliance risk, the advertising will be terminated promptly to avoid the economic loss caused by the administrative punishment against advertising non-compliance. We organize advertising compliance training regularly for marketing people and other relevant personnel to promote rules and laws of advertising, and advertising compliance systems. By doing this, we enhance the awareness of advertising compliance and act on the idea of compliance operation.



Improving Intelligent Operation

We have embarked on a journey to build a digitalized platform to connect the links of the upstream whole industry chain in the dairy industry. Thanks to our 10 years of hands-on experience in animal husbandry digitization and a large pool of digital and intelligent technical resources at home and abroad, our efforts range from continuous upgrade iteration and self-development of an intelligent dairy farm system to spurring the digital and intelligent transformation of the upstream whole industry chain of cow breeding business, thus helping make China a stronger competitor in milk industry around the world. In addition, innovation and R&D are high on our agenda. With a full-fledged R&D system and a strong caliber of scientific research, we play an active role in an array of significant scientific research projects as a pioneer in the initiative to revitalize Inner Mongolia through science and technology.

Customer complaint management

We put customers at the center of our business and establish a customer service system oriented towards customer satisfaction. To this end, we have established an independent department to receive and address customer complaints and a host of complaints channels, including a hotline and an e-mail address to ensure service quality. Instead of serving customers passively, we choose to provide proactive services and perform annual customer satisfaction surveys to help the Company understand and fulfill customers' demands and expectations at present and future. We improve our management system based on the survey results to enhance customer satisfaction continuously. We have formulated *Customer Satisfaction Measurement Procedures* to collect customer opinions in terms of product quality, product price, delivery punctuality, and service quality. All departments would solve the problems reported by customers, and formulate and implement the corrective or preventive measures. The results would be properly tracked and supervised.



Procedures for Customer Complaint Management

In 2022, our key performance of customer services is shown as follows:

Complaints about raw milk products and services

0 case

The percentage of the sold or delivered feed products withdrawn due to safety and health issues

0%

Complaints about feed products

2 cases

The percentage of the sold or delivered raw milk products withdrawn due to safety and health issues

0%

Customer satisfaction with feed products¹⁰

99.6%

¹⁰ Customer service satisfaction only involves Feed Business Unit.

Digital transformation

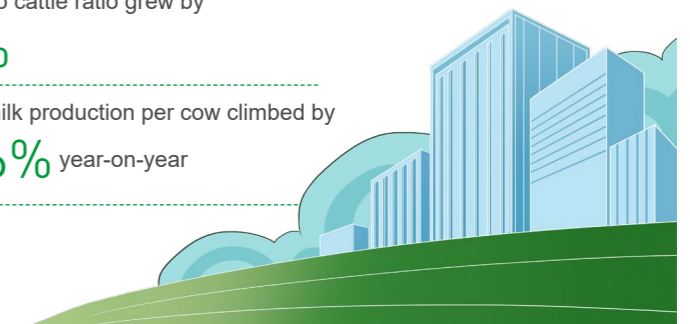
The Group has set the construction target of information technology and digital transformation by building an innovative research and development team, enhancing core business services and introducing and applying cutting-edge technologies. During the Reporting Period, our financial and HR sharing platforms were put into service, which was estimated to save RMB 55 million in labor costs in 5 years. We leveraged the technology of intelligent farming for a remarkable rise in digital operation efficiency: man to cattle ratio grew by 4% and milk production per cow climbed by 4.6% year-on-year.

During the period of reporting,

our financial and HR sharing platforms were put into service, which was estimated to save RMB **55** million in labor costs in 5 years

man to cattle ratio grew by **4%**

and milk production per cow climbed by **4.6%** year-on-year



Setting the strategic goals of digitalized ecological animal husbandry industry

Committed to the vision of "Lead China's Animal Husbandry to March Forward to the Most Trustworthy World-class Animal Husbandry Technology Group" and the goal to "create another Youran Dairy in five years", we have prepared a master plan for digital transformation that is oriented to upgrading the development of the whole industry chain, based on value creation and centered on user experience.

Building a top-notch global digital center of the animal husbandry industry

The Group has created the biggest professional digitalization team in the industry, which gives priority to securing the digital progress, management, and services of the Company. We collaborate with and support the partners in the industry chain on digitalization to integrate our business with production & research.

Building cutting-edge digitalization capability on five business segments

Leading intelligent cow breeding:

We have designed and developed a dairy farm operation management system with proprietary intellectual property rights. Based on our information center, this system serves to build cow breeding big data platforms and intelligent management. Through the combination of automatic equipment, information systems, and big data platforms, all the production data of 78 dairy farms around China were transmitted to this platform for concentrated and systematic analysis. By doing this, we can harness the whole process, from breeding and calving to feeding and milking, as well as disease prevention and treatment for every cattle, on a data-intensive basis.

Providing digital and systematic solutions:

Leveraging our current production size and the advantages of nearly 4 decades of production experience and ruminant feed R&D, we have built the largest ruminant raw material nutrition database in China and provide quality natural products and pioneering solutions for systematic breeding. From raw material procurement to production & process, from breeding big data analysis for customers to evaluation of formula designs, the Group excels at improving dairy farm productivity and profitability thanks to its mighty digital system.

Making forage grass planting more intelligent:

We perform continuous and dynamic real-time detections on soil moisture and temperature with monitoring equipment of soil moisture content, carry out smart analysis of the soil water content at varied depths and the environment climate to probe the soil conditions and water consumption of crop roots. During the refined management of seeding, for example, electronic control precision fertilizing & sowing technology is adopted, in which seeds and fertilizers will be put into the soil at the same time to ensure uniform distribution of plants, efficient land utilization, and high and stable yields. We use UAV crop protection and intelligent irrigation system to curb diseases, insect pests, and weeds and secure efficient utilization of water and fertilizers for the precise management and protection of forage grass during the whole growth period. In addition, we make the best of the harvest window and leverage our mechanization resources to fully harvest high-quality forage grass without waste.

Building the first breeding big data platform in China:

One of our subsidiaries, Saikexing Breeding, has created the first big data platform for genetic improvement & selection. With this system, we can analyze the cattle pedigree for every dairy farm to eliminate the potential hazards of inbreeding, thus laying a foundation for the selection and assortative mating of individual cattle. Through genealogical evaluation, production assessment, and inbreeding analysis, the system works out the DRS ranking of cow value and calculates each cow's comprehensive value, thereby accelerating the building and upgrading of cow core herds and lowering the inbreeding coefficient of the dairy farms. By doing this, we can formulate more scientific and sensible assortative mating plans to enhance the economic benefits of our dairy farms. By far, this system has provided 1.5 million cows with remarkable digital services from more than 800 dairy farms and helped them realize efficient operation and scientific management.

Building the largest transaction center of the animal husbandry industry chain in China:

WHOLE-FAIR, the leading animal husbandry industry chain sharing platform, provides all-around dairy farm operation solutions such as full-category purchase service, cultivation technical service, supply chain financial service, efficient distribution service, and information service.

Leading capabilities of big data and technological application

Following the principle of "driving business innovation with data and empowering business value addition with technology" to make our business more valuable through digitalization; Keeping improving the digitalized top-level design, introducing and landing new technologies of a digitalized network, and upgrading existing digital assets such as Huimu Cloud, WHOLE-FAIR, Financial Sharing Platform, and HR Sharing Platform through business transformation and digitalization strategic planning to accumulate business experience and respond to market changes aptly. Speeding up the development and applications of innovative animal husbandry IoT intelligent equipment and facilities, accelerating the precise digital empowering from business decision-making to on-site work, and beefing up building industry big data service center. In addition, the digital literacy of the staff should be enhanced to cultivate more digital talent with a good command of business and management knowledge to help boost the Company's digital competitiveness and business operation capabilities.

Through integration and governance mechanisms, giving full play to the data value of such platforms as CNAS-certified labs, Huimu Cloud, and WHOLE-FAIR to secure the accuracy of basic data and performing data-based full life circle management of cows to upgrade business management and operation models through such edgy digital technologies as blockchain, cloud computing, AI, IoT, and 5G. After the launching of financial sharing functions, efforts are made to empower platforms of HR sharing and purchase sharing to integrate the business functions compatible with standardized processing for procedure reengineering and unification. Moreover, we leverage intensive production, a specialized division of labour, and standard operating procedure to realize a full-automatic processing model and benefits of scale and facilitate rational resource allocation, regulate the management, prevent risks, and enhance the satisfaction of employees and partners in our business ecosystem.

Plans of Youran Dairy Intelligent Dairy Farms

| | | | | | | | |
|-----------------------------------|---|---|---|---|---|---|---|
| Presentation layer | Visualization Cloud + Device stereoscopic intelligent dairy farm platform reports | | | | | | |
| Business application layer | Cattle management | | Equipment & facilitate management | | | Internal management | |
| | Breeding management An intellectualized breed management platform integrated with pedometers, activity detection, and body condition monitoring for full closed-loop scientific breeding management | Feeding management Feed inlets and outlets are armed with NIR composition analysis instruments for automatic input quantity control Providing an automatic calf feeding system | Healthcare management Using Wearable devices and an implantable sensor recognition system to detect behaviors automatically and alert the users in case of any abnormality. | Equipment & facilitate management Equipment management control center and Cloud platform for remote monitoring and remote technical advisory services from experts Integrated Cattle enclosure safety, barn management, heat dispersion system, feed mixing system and sink cleaning | Real-time monitoring Based on an "Internet Plus" intelligent monitoring platform, location technologies, and an intelligent dairy farm geographic information system are integrated with cow profiles to realize overall dynamic monitoring | Material management All digital inbound and outbound records Intelligent analysis of material consumption Intelligent classification of material categories | Operation management Contract control platform and full life cycle monitoring Operation analysis system, analysis engine, and visual presentation ability to enable visualizable and analyzable operation management |
| Cross-business risk control layer | Customers' preference | Monitoring management | Cow health assessment | Contract management | Procedure management | Model management | Cost management |
| Model layer | Cow identification models Milk yield prediction models | Intelligent automatic feeding strategy Raw milk pricing models | Health analysis models Early warning of abnormal behaviors | Big data analysis models Cow identification models | Raw milk pricing models ... | Internal operation analysis models ... | |
| Data integration layer | Multi-dimensional data support of external cloud Meteorological environment data Behavioral data Enclosing environment data Cow profile Dairy association data Supplier collaboration data | | | Big data information platform of intelligent dairy farms | | Dairy farm internal data access automation Meteorological environment data Behavior characteristics data Cattle enclosure environment data Cow profile Dairy association data Supplier collaboration data | |
| Core intelligent technology | 3S Technology | | Robotic procedure automation | Big data & AI | | Blockchain | 5G& IoT |

Case | Transaction Center of Digitalized Animal Husbandry Industry Chain—WHOLE-FAIR

WHOLE-FAIR provides quality, multi-dimensional and in-depth services for customers by creating a digitalized technology and application architecture highlighting "four-precise + in-depth services" and employing such cutting-edge technologies as big data, OCR, and deep learning. This business, with more than 2,000 items for sale, has served more than 1.5 million ruminants across China.

Smart search and precise location: Discerning use intents precisely by means of unique approaches to industry search segmentation to rapidly match the target information for users, thus bridging the distance between users and target information. By doing this, the search conversion rate could be enhanced while improving users' search experience.

Precise matching for varied customers: Suitable commodities are recommended based on users' historical behaviors and features. As an advanced business intelligence platform based on user behavior data mining, it provides personalized information service and decision-making support for every user.

Global acquisition and precise governance: A unique platform of big data collection, analysis, and application for animal husbandry has been established through global data acquisition (online behaviors & purchase habits and offline dairy farm operation management data), in addition to such services as data management & governance, data quality control, data modelling, and big data management platform.

Intelligent selection and precise delivery: By pooling quality supplier resources in the industry, we provide a quality, effective, and carefree supply chain system for numerous dairy farms across china. Based on the purchase behaviors of dairy farm users and dairy farm supply consumption data, the platform intelligently recommends purchase strategies to customers. When a customer places an order online, the system will automatically distribute the purchasing demands to suppliers. The whole shipping process will be automatically monitored to secure the fastest sign-in at the spot.

AI deep learning for multi-dimensional services: AI deep learning model covers such fields as WHOLE-FAIR Technology (searching, recommending, and reviewing supplier contents) and dairy farm technological services to create an AI deep learning platform in line with animal husbandry business scenarios to provide technical services for customers on such subdivision scenarios as intelligent diagnosis, health warning, and safety monitoring.

Full-category supply chain

The efficient delivery service of finished feed, raw materials, drugs, additives, devices, consumables frozen semen, detection products, seeds, agricultural materials, and ensiling.

Software service

Production process management, operation process management, data analysis & decision-making suggestion, and hardware equipment integration

Efficient delivery service

Covering offline distribution branches nationwide and a self-built logistics system with around-the-clock all-in-one purchase experience



Technical service

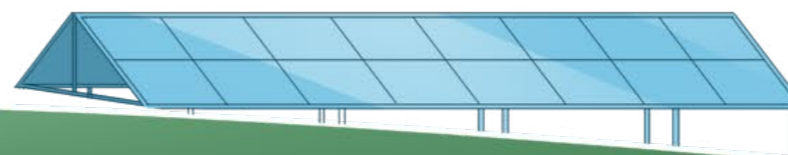
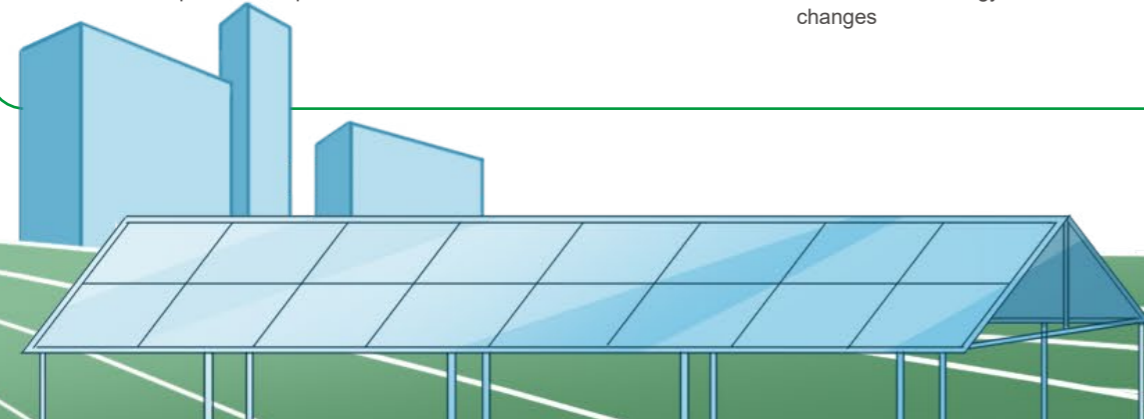
Online/remote technical service of experts, technical training, technical outsourcing, and systematic consultation

Finance service

Building a precise risk control system for dairy farms, providing custom-made financial services, and meeting the fund demands for daily operation and business expansion of dairy farms

Information service

Providing a wealth of know-how and real-time information on operation management, cultivation technology, market trends, and policy changes

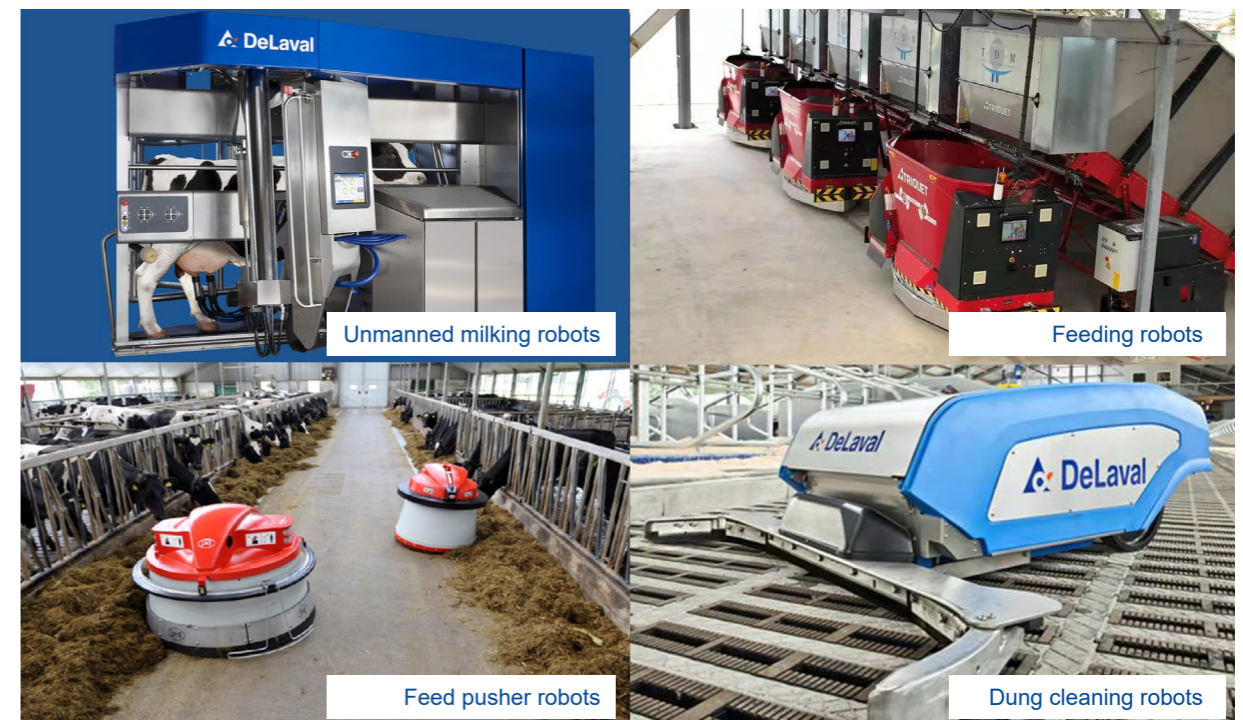


Case | The most intelligent digital breeding base—Chilechuan Ecological Intelligent Pasture

The Group a pioneer in digital and intelligent breeding mode, invests in the construction of a digitalized breed base that crowns the world with its high intelligence—Chilechuan Ecological Intelligent Pasture. It is armed with the most advanced unmanned milking robots, feeding robots, feed pusher robots, and dung cleaning robots.

Application IoT + big data: By means of IoT technology, the temperature, moisture, gas, and lighting can be adjusted in barns to make cows more comfortable. It means that cows can enjoy air-conditioning, showers, and pleasant lighting. Thanks to the intelligent farm system, we can keep abreast of the milk yield, feed intake, amount of exercise, and the conditions of oestrus and health to perform precise management throughout the lifecycle of cows and monitor all links in the dairy farm on a real-time basis. A round of big data analysis will be performed for each milking as a physical check-up for the cows, solid evidence of optimal animal welfare.

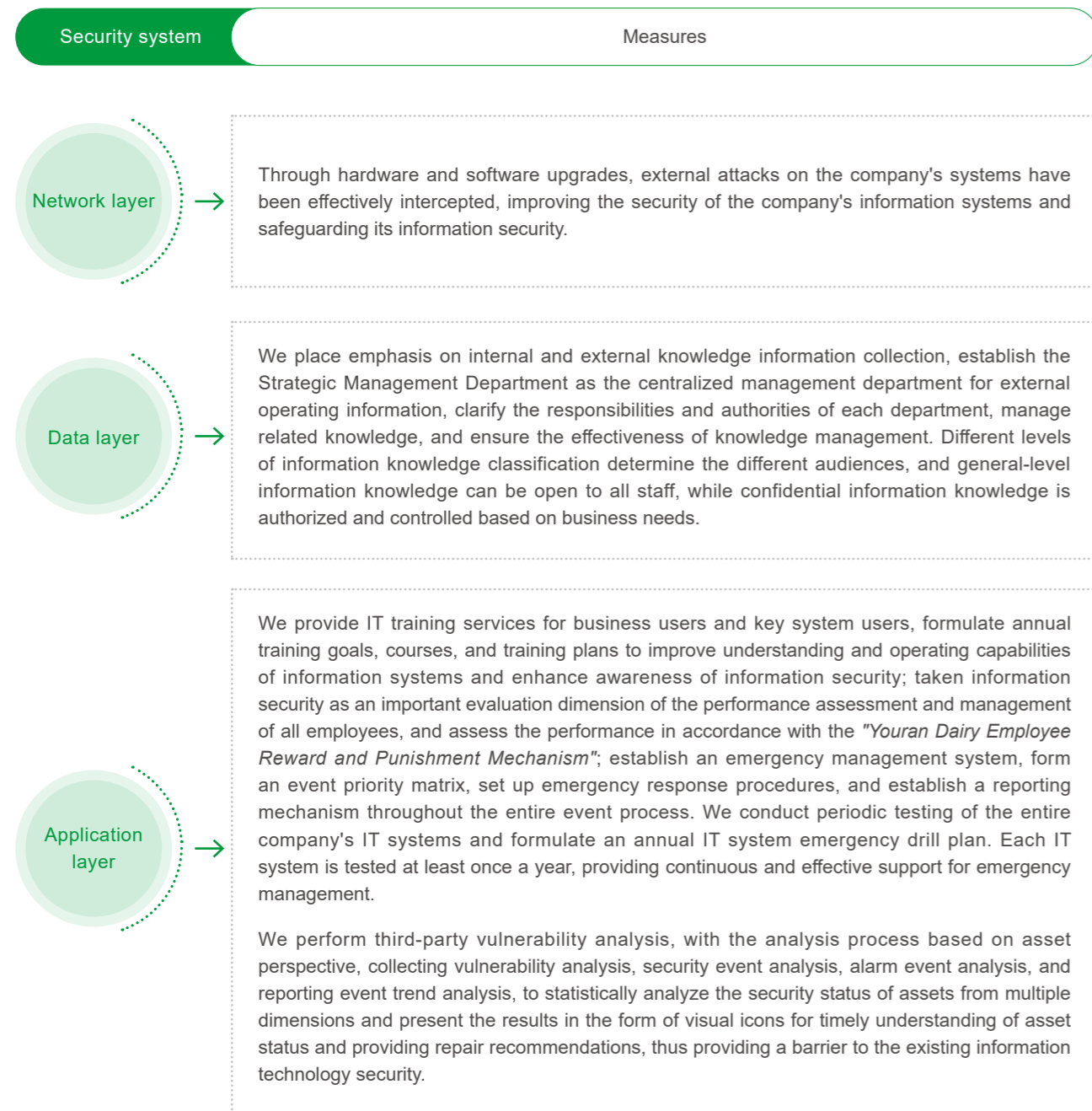
Precise environment control of barns: In a dairy farm armed with AI video-guided intelligent spray system, when it exceeds 22 °C in a barn, the intelligent system will accurately locate the cows and spray them with water, cutting 70% water consumption compared with other common spray systems. A gas monitoring system is used to control roller blinds and fans in barns to purify the air and reduce respiratory diseases in cattle. In addition, an array of intelligent environment management systems are provided, including an automatic lighting control system, automatic roller blind & fan control system, and water tank automatic heating system. Such utilization of intelligent facilities enhances the precision and efficiency of dairy farm management for better energy conservation and emission reduction.



Information security and privacy protection

The Group complies with legal requirements such as the *Law of the People's Republic of China the Protection of Consumer Rights and Interests* to safeguard customer rights. We have formulated the *Information Management System* to strictly protect customer information security, prevent privacy information leakage, and ensure the continuous suitability and effectiveness of information security management.

Our information security protection is guided by the principle of "centralized control, hierarchical protection; technology management combination, and continuous improvement." Our goal is to prevent information leakage incidents and minimize the interruption time and frequency of core business due to non-objective reasons. To achieve this, we have established a three-layer security system for network, data, and application layers and included information security audits in our daily management activities.



Innovation and R&D

The Group actively implements the *Opinions of the Central Committee of the Communist Party of China and the State Council on Key Tasks of Comprehensive Rural Revitalization in 2023*, driven by "technological innovation," strengthening agricultural technology and equipment support, promoting key core agricultural technology R&D, deepening the implementation of seed industry revitalization actions, promoting green agricultural development, and exploring a road of creating value through technological innovation to promote modernization of the dairy cow breeding industry.

The Group attaches great importance to the reserve and cultivation of innovative talents, with a self-developed R&D team of more than 400 members, all of whom have rich experience in the relevant industry. We take multiple measures to fully stimulate employees' potential, continuously promote innovative improvement projects, micro-project evaluation mechanisms, and excellent case selection and promotion mechanisms. By selecting excellent cases monthly, micro-projects quarterly, and innovative projects annually, we continuously improve team participation.

During the Reporting Period, the Group invested RMB 58.691 million. Our independently developed "No Antibiotics" series of calf feed products improved calf growth and health by adding natural plant extracts for intestinal health improvement. In terms of anti-heat stress, our developed functional new product for dairy cows during the perinatal period (anti-heat stress perinatal feed) and Eritel 121M (digestibility improvement product) improve digestibility of starch and cellulose in the diet, promoting the health and longevity of cattle through energy supply system optimization and organic trace element application. In terms of yield improvement, our developed Yuanxing 50 product has helped increase milk yield to over 40 kg per cow, forming a comprehensive innovative product system and promoting industry progress.



Continuous technological innovation to build core competitiveness in dairy cow feeding



Establishing a professional team to develop a series of products for ruminant animals throughout their life cycle

The Group continues to enrich the systematic solutions for ruminant animal breeding and has independently developed core technology products such as structural calf feed, rumen protected soybean meal, and premix. In addition, we have also built China's leading ruminant animal nutrition database and developed leading cattle genetic improvement and sex control technologies.



Seeking cooperation to jointly create international quality feed

We have cooperated with NASEM in the United States, relying on the five technical advantages of our subsidiaries that Yuanxing feed, and the experience of Mike F. Hutjens in ruminant animal nutrition and the latest nutritional research results in the United States. We have further created new breakthroughs in precise nutrition, immune enhancement, health, longevity, and milk production potential for ruminant animal feed products.



The "double-seed industry improvement" strategy injects new momentum into the quality and efficiency improvement of the dairy industry

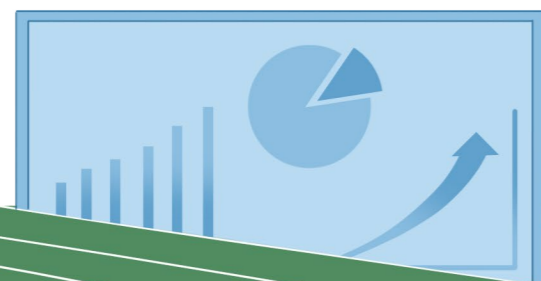
Seed industry is the "chip" of the development of agriculture and animal husbandry. As the only enterprise undertaking dairy cow breeding and alfalfa breeding research projects in China, the Group has created a core advantage of "double-seed industry improvement" in dairy cow breeding and forage breeding, with industry-leading independent genetic improvement and sex control technology for dairy cows, and bred the No. 1 registered genomic selection (NAAB) breeding cattle in the country. We have also built a core breeding farm in Qingshuihe, Hohhot, cultivating more than 50,000 high-yield controlled embryos weighing over 14 tonnes annually and breeding 500 breeding cows, becoming the largest domestic output base of high-quality germplasm and breaking through the current situation of relying on imported dairy cow germplasm in China to effectively solve the bottleneck of dairy cow germplasm in China.

From a blade of grass to a glass of milk, forage is known as the "first workshop" of the dairy industry, and high-quality alfalfa is an important source of nutrition for dairy cows. Domestic alfalfa has always relied on imports. In order to effectively solve this problem, the Group has increased research investment in alfalfa breeding, focusing on high-yield, high-quality, and high-conversion rate research of alfalfa. We have undertaken projects such as "the Inner Mongolia Science and Technology Promotion of Mongolia", *Key Production and Processing Technologies for Large-scale High-quality Alfalfa*, and have led the *Breeding and Industrialization Demonstration of High-quality Alfalfa New Varieties* and the Hohhot City High-quality Pasture Technology Research and Development projects. We have output first-class alfalfa breeding technologies and application achievements to the industry, breaking through the bottleneck of pasture in China.

Integration of industry, academia and research to promote industry development

As a leading enterprise in the upstream dairy industry, the Group relies on strong research capabilities and has actively undertaken 6 major scientific research projects, including:

-  *Innovative Application of Efficient Breeding of Core Herds of High-yield Holsteins* to solve the bottleneck technology in China's breeding of Holstein breeding cows;
-  *Research on Key Technologies on the Integration of Plantation and Feed of Dairy Cow-Farmland System* to achieve green and sustainable development in the pastoral industry through the study of the "crop-livestock integration" model;
-  *Research and Application of Whole-process Nutrition Regulation on Calves, Reserve Cows and Milkable Cows* to improve the overall breeding level of the industry;
-  *Integration of Development of New Technologies on Dairy Cow Biological Breeding and Innovation of Key Technologies on Breeding and Reproduction* to improve the milk production level at the source of the breeding industry;
-  *Research and Integrated Demonstration of Key Production, Processing and Utilization Technology on Scaled High Quality Alfalfa Hay* to increase the yield and quality of high-quality alfalfa hay and solve the problem of alfalfa hay dependence on imports;
-  *Research and Application of Comprehensive Technologies on Carbon Neutrality and Carbon Emission Reduction in the Breeding Process on Scaled Dairy Farms* to lead the research on low-carbon reduction and promote carbon neutrality in livestock farming.



Protection of intellectual property rights

The Group follows the requirements of the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China* and has established an *Intellectual Property Management Method* to strengthen the management of intellectual property, protect the timely results of intellectual property achievements, and prevent infringement. We have assigned dedicated personnel to taken care of intellectual property related affairs, and regularly monitor the registration and authorization status of trademarks, patents, trade names, and other intellectual property, and conduct relevant internal training on laws and systems.

In 2022, we applied for 14 patents, including 12 utility model patents and 2 invention patents, and were granted 17 patents, including 15 utility model patents and 2 invention patents. As of 2022, the Group holds 75 registered patents in China, including 38 invention patents and 37 utility model patents.

| Newly granted patents in 2022 | | | |
|-------------------------------|---|---------------|-------------------|
| S/N | Patent Titles | Patent Type | Patent No. |
| 1 | A drying shoe cabinet | Utility model | ZL202120889670.9 |
| 2 | A limiting bracket | Utility model | ZL202121791052.7 |
| 3 | A ground groove device | Utility model | ZL202122018637.1 |
| 4 | A four-partition sampling device | Utility model | ZL202122574402.0 |
| 5 | A safety protection device for a mechanical arm stacking production line | Utility model | ZL202123250992.8 |
| 6 | A throwing machine | Utility model | ZL202221144210.4 |
| 7 | A transportation device for calf islands | Utility model | ZL202221440112.5 |
| 8 | A rotating device for partition doors | Utility model | ZL202221461272.8 |
| 9 | A buffering device for silage bag landing | Utility model | ZL202221537859.2 |
| 10 | A cleaning device | Utility model | ZL202221867872.4 |
| 11 | A spraying device | Utility model | ZL202222051875.7 |
| 12 | A storage box for controlling odor during natural storage of liquid manure | Utility model | ZL2022220371099.6 |
| 13 | An anaerobic device for harmless treatment of liquid manure | Utility model | ZL202220369954.X |
| 14 | A heatable breeding operation box | Utility model | ZL202220596037.5 |
| 15 | A fixing frame for live cattle | Utility model | ZL202221144475.4 |
| 16 | Application of hyaluronic acid | Innovation | ZL201811577160.7 |
| 17 | A functional compound, feed, and its application for reducing trans fatty acid content in ruminant milk | Innovation | ZL201911130451.6 |

05

**Responsible Operations for
Mutual Integration and Symbiosis**



The Group is committed to working together with industry partners along the supply chain to practice social and environmental responsibility. We aim to achieve responsible operations through sustainable agriculture and a sustainable supply chain. At the same time, we strive to fulfill our social responsibility and create a socially responsible enterprise, working together to achieve sustainable development of the industry ecosystem.

Creating Sustainable Agriculture

Welfare of Dairy Cows

The Group has always adhered to the breeding philosophy of "health and long-life" and regards animal welfare as an important part of our corporate social responsibility system. We participated in the development of the *Welfare of Farm Animal - Cow* group standard, actively promoting animal welfare and continuously advancing the concept and technology of welfare breeding to enhance our competitiveness from the source. In 2022, the Group was awarded the "Animal Welfare Science Promotion Award" at the 6th China Animal Health and Food Safety Conference hosted by the China Animal Health and Food Safety Alliance, becoming the only upstream dairy enterprise to receive this award.

Welfare Principles of Dairy Cows

We follow the international *welfare principles of dairy cows* and has released our Welfare Principles of Dairy Cows to further realize harmonious and sustainable development:

- Ensure cows maintain their health and vitality by providing them with water and food at any time, free from hunger and thirst;
- Provide cows with an appropriate environment, including shelter and a comfortable rest area, to prevent discomfort;
- Prevent or promptly diagnose and treat cows to keep them free from pain, injury, and disease;
- Provide cows with sufficient space, appropriate facilities, and appropriate animal companions to express their normal behavior freely;
- Ensure that cows are free from mental suffering and treated with care to avoid fear and pain;
- Guarantee the freedom of growth for cows without the use of growth-promoting substances;
- Regularly audit animal production operations to ensure that they are carried out in an orderly manner;
- Minimize the routine use of preventive antibiotics in animal production operations.

Management system of Welfare of Dairy Cows

We have established a management system of Welfare of Dairy Cows with more than 100 key control points, and continuously optimize breeding environments, improve production conditions, strengthen epidemic prevention and security, scientifically design breeding technologies, and comprehensively improve Welfare of Dairy Cows.

Comfortable breeding environment suitable for dairy cows' life

The dairy farm is designed to take into account the living habits of dairy cows at different stages of their lives. Starting from the front-end design of the barn structure, height, and material selection, a comfortable living environment is created for the cows. The temperature, humidity, gas, and lighting of the barn are adjusted according to the physiological characteristics of the cows and the environmental variables of the dairy farm. Facilities such as heatstroke prevention and cooling and cold prevention and warmth are improved in a timely manner according to climate change to ensure that the barn is warm in winter and cool in summer and to create a suitable living environment for the cows.

Ensuring rest, entertainment, socialization, and free activity space for dairy cows

The barn is designed with a space of more than 25 square meters per cow, with reasonable planning of the herd density and an outdoor cow exercise field. According to the physical condition of the cows, neck clamps and bedding of appropriate sizes are designed to provide ample space for the cows to move around and ensure their resting and social needs.

Digitized wearable devices monitor the health of dairy cows and provide early preventive care

The independently-developed dairy farm management system, "Smart Dairy Farm Cloud", is the first to use IoT cloud technology in the industry, which monitors and analyzes big data for each link in dairy farm production, and provides more scientific, standardized, and effective management of the cow living environment. The digital management system manages the entire life cycle of cows. By wearing smart devices such as collars and ear tags, cows' milk production, feed intake, and exercise can be monitored in real-time, and early preventive care can be taken. At the same time, precise breeding management, milk production forecasting, and milk production potential can be realized through the full utilization of big data.

Free access to nutritious and fresh feed, and water quality meets human drinking standards

Exclusive nutrition formulas are developed for the cows based on their nutritional needs at different physiological stages and milk production levels. The dairy farm is equipped with advanced automatic calf feeding systems and TMR precise feeding systems to improve feeding efficiency. For water intake, the dairy farm ensures water source quality according to human drinking water standards and configures constant temperature drinking troughs to maintain a water temperature of above 15°C, ensuring that cows drink water at an appropriate temperature.

Application of unmanned intelligent devices to reduce stress in dairy cows

The new smart dairy farm introduces the world's most advanced fully intelligent unmanned milking robots, feeding robots, material pushing robots, and manure cleaning robots, minimizing cow stress caused by human intervention.

To reduce cow stress responses, heatstroke prevention and cooling and cold prevention and warmth facilities and equipment are improved and promoted in barns and milking parlors. Real-time dynamic monitoring of environmental indicators such as temperature, humidity, and wind speed is ensured by equipping monitoring instruments to continuously improve and enhance the effects of heatstroke prevention and cooling. In cold stress management, detailed scientific ventilation and air exchange standards are formulated, and barn designs conducive to ventilation are adopted. All dairy farms increase water trough heating systems.

Incorporating Welfare of Dairy Cows standards into staff breeding concepts and operational processes

The Welfare of Dairy Cows standards are included in the standardized SOP manual for dairy cow farming and employees are systematically trained to enable them to provide accurate and detailed care for cows in daily operations.

Case | Comfortable living environment, assisting happy production

Farms operated by the Group pay attention to every detail to provide environmental welfare for cows, making them feel more comfortable and secure:

Bedding management: ensuring that the size of the bed matches the size of the cow, the thickness of the bed is not less than 20cm; deep tilling is carried out at least twice a day, with a depth of no less than 20cm;

Cow exercise yard: each cow is provided with 6 m², and the looseness of the exercise yard is no less than 20cm;

Ventilation in barn: adding fans (with a 6m interval) in summer, with a wind speed of 3m/s in the barn. In winter, the windward side is blocked to prevent cold wind, while the leeward side is ventilated and exhausted;

Lighting in barns: the pasture is required to provide lighting for 16-18 hours per day with illumination not less than 200 Lux, and a dark period of no more than 8 hours per day with illumination not exceeding 50 Lux;

Safety in barns: the ground and aisle of the barn are cleaned and spread with cushioning material to prevent slipping.


Case | Exclusive care facility to guarantee cow production

The Group adheres to the "cow-oriented" modern farming concept and implements meticulous management of cow production. In calf breeding, the Group has built a "waterless production room", a sterile "nursery", and a sterile "conservation pen". The "4+2" model is applied to feed colostrum to newborn calves within 12 hours of birth. The Group has also set up "luxury single rooms" for calf islands as a transitional stage before collective living, and strictly conducts bacteriological tests on milk every week to ensure that the colony count after pasteurization is within a reasonable range. In reserve cow feeding, a small pen transition mode is used after weaning to minimize weaning stress. During the growing period, the Group regularly evaluates reserve cow feeding management work based on the implementation of the *First-calving Cow High-yield and Long-life Program* to ensure the reserve cows' high yield and long life. In perinatal cow feeding, a three-stage (15-21 days, 14-8 days, 0-7 days) management mode is used to achieve all-in and all-out management. During the "postpartum center" period, the company provides a dedicated nutritionist, soft and sterile SIMMONS pads provided by the CTB pad recycling intelligent system, clean and hygienic drinking water provided by a constant-temperature water trough, and a dedicated doctor during delivery to meet the "expectant mother's" body needs.

Cow safety and health

The Group strictly complies with the national *Animal Epidemic Prevention Law* and publicly commits to minimizing the routine use of prophylactic antibiotics in animal production operations. To strengthen the use of vaccines, disinfection, and other alternatives to antibiotics, the Group has established a sound health care system for cows and internal guidelines, including *Administrative Measures for Optimization of Herds, Guidance on Standardized Operation and Epidemic Prevention Management Measures*. In the fields of cow disease prevention and control, vaccine administration, and environmental disinfection, we have established effective technical standards and operating procedures to effectively improve the overall health of the herd while reducing the use of antibiotics, laying a solid foundation for the quality of milk.

Daily health management

- The dairy farm area is disinfected against larvae, muddy areas are cleaned, and the manure pit is cleaned daily. After rain, the entire area is disinfected, and weeds are cleared regularly. The barn is disinfected twice a week, and special barns are disinfected daily.
- A self-developed big data system monitors real-time dairy farm management, inventory management, nutrition feeding, dairy farm equipment, and heat detection, among other aspects. It automatically analyzes cow's diet and health and generates reports. The information system helps dairy farm management personnel to timely grasp the situation of the dairy farm and cows.

Disease prevention and control through immunization

- Measure urine pH values of calving cows and ketone values of newly produced cows every week.
- Formulate an annual vaccination plan, and strengthen prevention and treatment during dry-milk periods to effectively control the incidence of mastitis.
- Implement a quarantine ticket management system for curled cattle. Official veterinarians issue quarantine tickets on-site during each cattle herd optimization. At the same time, the finance department monitors the implementation on-site.
- To respond promptly to the occurrence of epidemics, establish a dual-line reporting mechanism with information and telephone, which effectively improves the efficiency of information dissemination during emergencies.

Strengthening management and control of veterinary antibiotics

- Strengthen the construction of the regulatory system, establish an animal drug residue monitoring system, promote pollution-free production certification, and comprehensively promote the HACCP system.
- Strictly implement regulations, such as the use of prescription drugs for animals and withdrawal periods, follow the instructions on the label of the animal medicine for targeted treatment, use the correct method and accurate dosage. Conduct regular and irregular tests on cow feed, vigorously advocate and feed uncontaminated feed.
- Analyze the national and company's drug resistance situation, improve the monitoring system of bacterial drug resistance of animal origin, formulate and implement an annual plan for monitoring bacterial drug resistance of animal origin, organize and carry out drug resistance monitoring, and improve the risk control ability of drug resistance. Develop medication guidelines, conduct clinical trials for targeted medication and replicate and promote them to improve the cure rate of mastitis in the dairy farm.
- Actively promote the application of animal Chinese medicine, microecological preparations, and other green animal drugs without residue. A combination of additives is tested and developed to replace the antibiotic Moronin to prevent calf diarrhea and promote calf intestinal health.

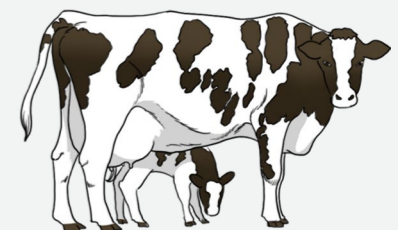
Our key performance in Welfare of Dairy Cows in 2022 is as follows:

Quarantine inspection rate of curled cattle

100%

Coverage rate of foot-and-mouth disease vaccination for cows

100%







Building a Sustainable Industry Chain

Based on the internationally leading supplier management theory, the Group has developed the *Youran Dairy's Full Lifecycle Supplier Management System* in combination with the Group's specific situation. Sustainable development is an important part of the purchasing strategy, and the stability and standardization of the entire supply chain are comprehensively evaluated in the process of supplier admission, audit, selection, performance evaluation and portfolio management, to reduce procurement risks and promote procurement value-added.

Supplier management system

Based on the OECD Guidelines for Responsible Business Conduct and the Corporate Social Responsibility Management System Standard (IPC-1401), the Group has established a procurement ESG management system, integrating ESG concepts into procurement strategies and business processes. We have formulated the *Supplier Code of Conduct* based on the Ten Principles of UNGC of Sustainable Development, which requires all suppliers to sign and implement, including labor standards, health and safety, environmental protection, and business ethics.

| Supplier Code of Conduct | |
|---|--|
|  Environmental protection | <ul style="list-style-type: none"> • Compliance with relevant laws, regulations and international recognized standards • Environmental management • Resource conservation • Climate change • Sustainability certification |
|  Labor standards | <ul style="list-style-type: none"> • Freedom of employment • Child labor and juvenile labor • Working hours • Compensation and benefits • Humane treatment and non-discrimination • Freedom of association |
|  Health and safety | <ul style="list-style-type: none"> • Workplace environment • Product quality and safety |
|  Business ethics | <ul style="list-style-type: none"> • Integrity and honesty • Intellectual property • Fair trade, advertising, and competition |

In addition, we have also formulated the *ESG Red Lines for Supplier Management*, which includes issues such as prohibition of forced labor, prohibition of child labor, and anti-discrimination. The company adopts a zero-tolerance policy towards violations of ESG red lines in supplier management.

ESG Red Lines for Supplier Management

1. Prohibition of all forms of forced or compulsory labor.
2. Suppliers shall comply with all applicable laws and regulations regarding the minimum working age and shall not use any form of child labor, and shall effectively verify the age of all employees during recruitment, and minors under the age of 18 shall not engage in work that may endanger their health or safety.
3. Suppliers shall comply with all applicable laws and regulations related to working hours and rest, and working hours and overtime must comply with applicable laws and regulations on working hours, overtime, wages, and benefits, and local labor agreements.
4. The wages paid by suppliers to employees shall comply with all applicable wage laws. Suppliers shall pay wages in full and on time to employees and provide clear and understandable pay slips.
5. Suppliers shall not use violence, including but not limited to verbal abuse, threats, corporal punishment, sexual harassment, or physical coercion of employees, and shall not conduct illegal searches or opposite-sex searches, nor shall they threaten to engage in such behavior.
6. Suppliers may not discriminate against employees on the basis of race, color, religion, gender, age, disability, nationality, or sexual orientation in hiring and employment matters.
7. Suppliers shall respect the rights of all employees to voluntarily form and join unions, engage in collective bargaining and peaceful assembly, and refuse to participate in such activities according to local laws. Suppliers shall establish effective labor-management communication mechanisms and regularly communicate with employees or employee representatives.
8. Suppliers shall provide employees with a safe and healthy working environment and living environment (in the case of providing employee accommodation), including suitable drinking water, adequate sanitation conditions, fire evacuation channels and basic safety equipment, emergency medical aid, and workstations with appropriate lighting and equipment. In addition, facilities must be constructed and maintained in accordance with standards established by applicable regulations.
9. All products and services provided by suppliers must meet the quality and safety standards required by applicable laws, and suppliers must meet quality requirements when conducting business with or on behalf of the Group.
10. Suppliers shall comply with or even exceed local environmental protection laws and regulations.
11. Suppliers shall take conservation and alternative measures to reduce consumption of energy, water, and natural resources, to reduce greenhouse gas emissions.
12. Our suppliers are encouraged to provide products with forest certification, and we will work with our suppliers to address sustainability issues.
13. We prohibit suppliers from engaging in corruption and dishonesty, and achieve "no bribery, no gift-giving, no association, no falsification, no cutting corners, no commercial fraud, and honoring commitments".
14. Suppliers shall respect intellectual property rights and protect customer information when transferring technology, experience, knowledge, or information.
15. Suppliers shall uphold fair trade, advertising, and competition standards.

Supplier admission

The Group has formulated the *Development and Management Measures for Youran Dairy's Suppliers*, which determines the supplier admission standards and audit certification methods based on the type of demand for goods and services, industry characteristics, and cooperation content. Strict and standardized admission audits are required for new suppliers before they can participate in procurement activities. In addition, we conduct evaluations of contractors and suppliers through means such as Tianyancha and Qichacha to verify whether there are labor disputes or other issues with suppliers and contractors.

In the procurement process, we follow the principles of "openness, fairness, impartiality, thrift, and integrity", establish an independent review committee, implement accountability, and rely on the SRM-supplier relationship management system to increase transparency in the procurement process from pricing to procurement. At the same time, we also require suppliers to sign the *Sunshine Agreement* against commercial bribery to strengthen the awareness of clean procurement, standardize commercial cooperation behavior, and create a clean procurement environment. In 2022, the signing rate of the *Sunshine Agreement* with our suppliers reached 100%.

Identification of key suppliers

Our company has formulated the *Supplier Quality Management Measures* and identified suppliers that account for more than 60% of the procurement amount and have a significant impact on our production and operation as first-level key suppliers. Our first-level key suppliers include manufacturers of organic raw materials, ordinary raw materials, frozen semen, vaccines, veterinary drugs, medicated baths, cleaning liquids, and import agents for dairy cows. During the Reporting Period, the number of our first-level key suppliers totaled 858.

ESG risk assessment and audit of suppliers

The Group attaches great importance to ESG risks of suppliers. During the Reporting Period, we further optimized the performance of ESG risk assessment of suppliers and included environmental impact, water risk management, carbon neutrality progress, factory design, operation status, fire-fighting equipment, pest management, illegal addition, management system, internal audit, drug management, etc. as ESG risk factors, which were included in the evaluation and audit of key first-tier suppliers. Based on the results of ESG risk assessment, we conduct semi-annual evaluation for high-risk ESG suppliers, annual evaluation for medium-risk ESG suppliers, and biennial evaluation for low-risk ESG suppliers among key first-tier suppliers. Specific evaluation methods include online audit, on-site inspection, document review, etc., and improvement suggestions and targeted improvement measures are proposed for the identified issues. During the Reporting Period, we evaluated 34 high-risk ESG suppliers, accounting for 3.96% of the total number of key first-tier suppliers.

In 2022,

the signing rate of the Sunshine Agreement with our suppliers reached

100%

During the Reporting Period,

The number of ESG High Risk Providers Assessed

34

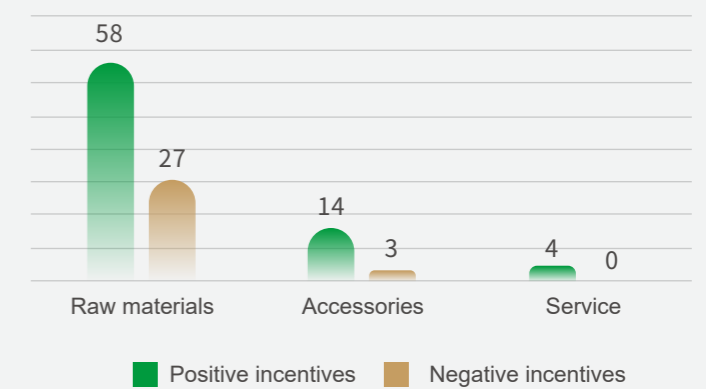
accounting for **3.96%** of the total number of key first-tier suppliers

Supplier performance management

The Group has developed the Supplier Performance Management System, which includes ESG performance of suppliers in the multidimensional comprehensive performance evaluation system, and conducts sustainable development performance evaluations of suppliers based on on-site audit results and their improvement status. We divide suppliers into A (excellent), B (good), C (qualified), D (improvement required), and E (exit), and issue supplier performance results and grades annually. The results of supplier performance are made public through letters or public meetings. During the Reporting Period, 10 suppliers were exited.

In 2022, we conducted performance evaluations for 47 important category suppliers. For high-performance suppliers, we provide positive incentives such as honor incentives, more cooperation opportunities, and more favorable payment conditions. For low-performance suppliers, we promote their self-improvement or implementation of the exit strategy. During the Reporting Period, we introduced 13 strategic suppliers, replaced 187 suppliers, and helped 4 suppliers to improve. At the same time, we developed 106 supplier performance incentive plans, including 76 positive incentives and 30 negative incentives, to promote the development of a sustainable supply chain.

Incentives for various categories of suppliers



Supplier capability enhancement

The Group regularly hold supplier performance communication meetings and provide supplier capability training to drive suppliers to improve their performance and enhance their management level and risk resistance ability. We invite benchmark companies in the domestic forage industry and corn compression equipment manufacturers to give lectures and share experiences on production processes and quality control key points for suppliers, and advocate for suppliers to learn from each other in peer benchmarking, complement each other's strengths and weaknesses, and make progress together.

In 2022, we developed supplier capability enhancement plans for a total of 10 sub-projects in 2 categories, and organized benchmarking exchanges and technical training for 22 suppliers, forming close communication and support with suppliers to promote their sustainable development.



Training for Organic Raw Material Suppliers

Responsible procurement

The Group fully considers factors such as environmental protection, resource conservation, safety and health, circular economy, etc., and promotes the priority procurement of raw materials, products, and services that are environmentally friendly, energy-saving, low-consumption, and easy to recycle and utilize resources in our procurement.

The Group is committed to enhancing suppliers' sense of responsibility. We encourage raw material suppliers to establish organic agriculture production systems, ensure that the processing, packaging, transportation, storage, and sales processes are not contaminated, and improve quality control and tracking review systems to minimize ecological damage and environmental pollution during the production process.



The Group drives the green and sustainable development concept in the upstream and downstream of the industry chain, seeking high-quality development of the enterprise while promoting win-win cooperation in the industry chain. We have launched a first-tier supplier carbon reduction plan, and signed a strategic framework agreement with strategic suppliers such as Cargill and Bunge, committing to sourcing relevant raw materials from Bunge and Cargill's green or low-carbon factories, actively exploring and promoting carbon reduction throughout the entire supply chain. In the future, we will collaborate with suppliers on more sustainable agriculture issues, such as reducing water consumption and protecting soil.

Green procurement

In addition, the Group takes promoting green procurement as the core, continuously improves supplier management, and promotes the transformation and upgrading of the entire industry chain management towards a green supply chain.

Purchasing environmentally friendly equipment

- When purchasing production equipment, prioritize low-energy consumption equipment, and develop electric equipment to replace fuel-powered equipment in operation;
- When constructing barns, prioritize suppliers of environmentally friendly and renewable materials, and plan to use solar panels to replace the existing color steel panels on the roofs of the barns.

Suppliers' green production

- Choose suppliers that isolate the production line of ruminant animal additive premix feed from other production lines that contain animal-sourced or antibiotic ingredients;
- Choose suppliers whose wastewater and waste disposal meet legal requirements and are properly handled;
- Choose suppliers that provide facilities such as buffer rooms, airlocks, or air showers to prevent contamination between clean and non-clean areas;
- Require suppliers to have environmental impact assessment procedures (environmental impact assessment report or form, environmental impact assessment approval, and environmental protection acceptance opinion), and prioritize products and suppliers certified or recognized for energy conservation, water conservation, environmental labeling, etc.



Driving strategic cooperation to create a sustainable supply ecosystem

In order to effectively support the development vision of "leading China's livestock industry to become the most trusted world-class livestock technology group", the Group fully explores value-added business that can be carried out with strategic partners, upgrades relationships with business partners, and integrates corporate value and social value to build a mutually beneficial business model with all stakeholders and promote green and sustainable development, creating a source of energy for healthy human living.

We have established 96 strategic collaborative projects with 44 strategic suppliers in 2022. The business collaboration focuses on product agency, application of new technologies, technology sharing, and enhancement of industry influence. The strategic collaboration projects cover various categories in the industry chain, totaling 29 categories. In 2023, we will deepen our cooperation with strategic suppliers on sustainable development of animal husbandry, achieving mutual benefits and creating a more sustainable future.

In 2022, our key performance in supply chain management is as follows:

Total number of suppliers

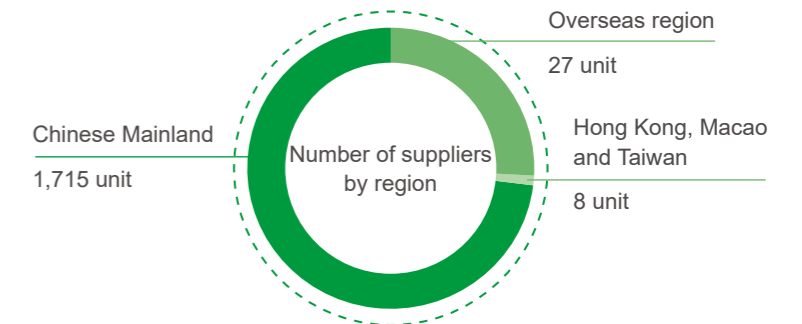
1,750 unit

Number of cases implementing relevant practices to suppliers

1,750 unit

Annual evaluation rate of suppliers implementing relevant practices

100%



Practicing Corporate Citizenship

The Group has been committed to social welfare and charity for a long time, incorporating social responsibility into our development strategy, leveraging our industrial strengths, empowering rural revitalization, and promoting harmonious social development.

Solving employment issues for surrounding farmers and herders

The Group supports local employment, actively establishes stable local staff teams. The majority of our dairy farms are located in rural pastoral areas, and 70% of the dairy farm staff are from the local area. One of our dairy farm with ten thousand heads of cattle requires more than 200 employees. Nationwide, our dairy farms can solve employment issues for more than 10,000 farmers and herders. Working on our dairy farms, staff are provided with free board and lodging. The average annual income per person is up to RMB 60,000, which not only relieves local employment pressure but also effectively reduces social issues such as left-behind children by encouraging farmers and herders to work locally.

Boosting the development of surrounding agriculture and animal husbandry

We adopt a "company + qualified enterprise/cooperative + farmer" model to promote local farmers to grow crops such as oats, silage, and alfalfa, covering an area of up to 2.27 million mu, with an annual purchase volume of up to 3.25 million tonnes. This not only increases the income of farmers and herders but also drives the rapid development of surrounding agriculture and animal husbandry.

Industry assistance for common development of agriculture and animal husbandry

The Group actively leverages our industrial and technological advantages, formulating specialized assistance policies based on different regions. We have implemented silage poverty alleviation for three consecutive years in Tuzuoqi, and provided technical services and knowledge to farmers and herders in Ximeng, Chifeng, Ulanqab, and other areas. Technical services have helped a total of 769 farming and herding households, with 931 services provided in the year. Meanwhile, some dairy farms have given small bulls to surrounding poor households, further enhancing the self-development ability of local farmers and herders and achieving mutual benefit and development together.

In 2022, our key performance indicators for community investment are as follows:

Charitable donation amount

RMB **3.246** Million



Future Outlook

In 2023, all Youran people will adhere to the original quality concept, firmly believe in the ultimate success, and adopt the entrepreneurial spirit of "starting anew". Under the guidance of a new business philosophy, we will focus on six dimensions: "technology", "platform", "lean management", "digitalization", "talent development", and "green sustainability", to promote the high-quality development of the company's various businesses.

We will drive business upgrades with technology, combining lean management and digital management to solidify the certainty of high-quality development of the enterprise, and build a world-class efficient operating model; adhere to independent R&D, seize opportunities, embrace changes, and build smart farms (factories) and smart ecological value-sharing platforms, creating value through data for the entire staff and serving industry chain partners.

We will continue to build a professional and highly combat-effective career-oriented talent team, establish a development organization that combines combat training, and create a highly professional and highly vocational service model where everyone is a service provider and an excellent mechanism creator.

We will implement the construction of a professional and systematic green and sustainable development strategy system, accelerate the development and application of green energy, innovate energy-saving, emission-reduction, low-carbon and environmental protection technologies and processes, and achieve environmentally friendly and green sustainable development.

With the strong drive of the entire industry chain's organic collaboration, we will help the company move towards a path of high-speed development. Meanwhile, we will actively practice social responsibility, promote the rapid development of surrounding agriculture and animal husbandry by relying on the industry, and continue to contribute to the revitalization of the autonomous region's dairy industry, seed industry, and rural revitalization; and help Youran Dairy realize its new vision of "Leading China's Animal Husbandry to March Forward to the Most Trustworthy World-class Animal Husbandry Technology Group" as soon as possible.





Independent Assurance Report

To the Board of Directors of China Youran Dairy Group Limited (the "Board of Directors"):

We have been engaged by the Board of Directors of China Youran Dairy Group Limited ("Youran Dairy") to perform a limited assurance engagement on the *Youran Dairy 2022 Environmental, Social and Governance Report* ("ESG Report") for the period from 1 January 2022 to 31 December 2022.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing the ESG Report 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). The response to climate change is partly based on the recommendations provided by the Task Force on Climate-related Financial Disclosures (TCFD) and the *Guidance on Climate Disclosures* of the Hong Kong Stock Exchange. The Board of Directors is responsible for the presentation in the *ESG Report* (i.e., reporting guidelines, limitations, reporting data and relevant identification procedures) as well.

The Board of Directors is also responsible for determining Youran Dairy's objectives in respect of ESG performance and reporting, including identifying stakeholders and relevant major issues, establishing and maintaining appropriate ESG performance management system and internal control system for obtaining performance information in the report, and maintaining sufficient records.

Our Responsibilities

In accordance with the agreed terms with Youran Dairy, we are responsible for performing a limited level of assurance engagement in selected data and performance claims ("the Subject Matter Information") of the *ESG Report*. Besides this responsibility, we have no more others. We do not assume responsibility or accept liability to any other person or third party for our work or the contents of this report.

The Subject Matter Information include:

- NO_x emissions in waste gas
- SO₂ emissions in waste gas
- Soot emissions in waste gas
- Hazardous waste production
- Hazardous waste production per million yuan of revenues
- Non-hazardous waste production
- Non-hazardous waste production per million yuan of revenues
- Amount of plastic packaging materials used
- Amount of packaging materials used per million yuan of revenues
- Coal consumption
- Natural gas consumption
- Gasoline consumption
- Diesel consumption
- Total number of employees by ethnic group
 - Ethnic Han
 - Ethnic minorities
- Percentage of female employees at different management levels
 - Percentage of female employees in the management
 - Percentage of female employees in the junior and middle management
 - Percentage of female employees in the senior management
- Percentage of female employees in professional positions
- Percentage of female employees in management positions
- Annual employee turnover rate
- Annual employee turnover rate by gender
 - Male
 - Female

1

- Purchased electricity consumption
- Purchased heat consumption
- Purchased steam consumption
- Biomass fuel consumption
- Recycled biogas consumption
- Total comprehensive energy consumption
- Comprehensive energy consumption per million revenue
- Total number of full-time employees
- Total number of employees by gender
 - Male
 - Female
- Total number of employees by age
 - Under 24 years old
 - 25-29 years old
 - 30-34 years old
 - 35-39 years old
 - 40-44 years old
 - 45-49 years old
 - 50-54 years old
 - Over 55 years old
- Total number of employees by region
 - Inner Mongolia Autonomous Region
 - Outside the Inner Mongolia Autonomous Region
- Female
- Annual employee turnover rate by age
 - Under 24 years old
 - 25-29 years old
 - 30-34 years old
 - 35-39 years old
 - 40-44 years old
 - 45-49 years old
 - 50-54 years old
 - Over 55 years old
- Annual employee turnover rate by rank
 - Senior management
 - Junior and middle management
- Annual employee turnover rate by education background
 - Employees below bachelor's degree
 - Employees with bachelor's degree
 - Employees with master's degree or above
- Annual employee turnover rate by region
 - Inner Mongolia Autonomous Region
 - Outside the Inner Mongolia Autonomous Region
- Number of days lost due to work-related injuries
- Complaints about feed products
- Total amount of Newly granted patents

Our Independence and Quality Control

We conducted our engagement in accordance with the independence and other ethical requirements in the "Code of Ethics for Professional Accountants" issued by the International Ethics Standards Board for Accountants. We maintain a comprehensive system of quality control applying "International Standard on Quality Control 1".

Basis of Our Assurance Work

We conducted our work in accordance with "International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (Revised)" issued by the International Federation of Accountants. We planned and performed our engagement to obtain all the information and evidence which we considered necessary to form conclusions.

Procedures, Scopes and Limitations of Our Work

Our independent limited assurance engagements in the *ESG Report* include interviewing personnel responsible for the *ESG Report*, analyzing information, and proceeding other steps to collect evidence. Specifically, our procedures include:

- Establishing Subject Matter Information and relevant evaluation criteria of the *2022 ESG Report* together with Youran Dairy, which were included by the independent and limited assurance engagement.
- Sampling testing the consistency between Youran Dairy's Subject Matter Information in 2022 and our work results, assessing relevant control of the *ESG Report* preparation procedures.

Limitations of Assurance

The Limited assurance work aimed to ensure information reliability. The procedure scope was less than that of a reasonable assurance engagement. Our work performed and independent limited assurance report did not provide opinions on the effectiveness of Youran Dairy's systems and procedures.

We performed our limited assurance engagement in Youran Dairy. For this engagement, we did not carry out such engagement at any other branches and subsidiaries of Youran Dairy, nor interview external stakeholders. Historical comparison data were exclusive by this engagement.

Meanwhile the scope of the said limited assurance engagement excluded other information beyond Subject Matter Information disclosed in the *ESG Report* of Youran Dairy.

Conclusions

- Based on the above work performed, nothing has come to our attention that would lead us to believe that there is any material misstatement related to the Subject Matter Information in Youran Dairy's *ESG Report* prepared in accordance with reference to the standards.

Use of Independent Limited Assurance Report

This independent limited assurance report is only for the purpose of preparing the *ESG Report* of the Board of Directors, is not suitable and cannot be used for other purposes.

Deloitte Touche Tohmatsu Certified Public Accountants LLP



April 24, 2023

Appendix: ESG INDEX

| | ESG index | GRI Standard | Position |
|-----------------|--|---|---|
| A1 Emissions | 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. | GRI 307-1 Non-compliance with environmental laws and regulations | Emission management |
| | A1.1 The types of emissions and respective emissions data. | GRI 305-7 Nitrogen Oxides (NO _x), Sulfur Oxides (SO _x) and other significant air emissions | Emission management |
| | 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). | GRI 305-1 Direct (Scope 1) greenhouse gas (GHG) emissions GRI 305-2 Energy indirect (Scope 2) greenhouse gas (GHG) emissions GRI 305-4 GHG emission intensity | Measures for GHG emission reduction |
| | 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). | GRI 306-3 Waste generated | Emission management |
| | 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). | GRI 306-3 Waste generated | Emission management |
| | A1.5 Description of emission target(s) set and steps taken to achieve them. | GRI 305-5 GHG emission reduction | Climate action strategy Building recycling dairy farms |
| | 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. | GRI 306-1 Waste generation and significant impacts of waste GRI 306-2 Management of significant impacts of waste | Emission management |

| | ESG index | GRI Standard | Position |
|---|---|---|---|
| A2 Use of Resources | General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. | | Water resource management |
| | 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). | GRI 302-1 Energy consumption within the organization GRI 302-3 Energy intensity | Measures for GHG emission reduction |
| | A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). | GRI 303-5 Water consumption | Water resource management |
| | A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them. | GRI 302-4 Reduction of energy consumption GRI 302-5 Reduction in energy requirements of products and services | Measures for GHG emission reduction |
| | 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. | GRI 303-1 Organization's interactions with water (as a shared resource) GRI 303-2 Management of impacts related to water discharge | Water resource management |
| | A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | GRI 301-2 Materials used for recycling and reuse GRI 301-3 Recycled products and packaging materials | Reducing packaging and food waste |
| A3 The Environment and Natural Resources | General Disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources. | GRI 304-2 Significant impacts of activities, products, and services on biodiversity | Land use and biodiversity conservation |
| | General Disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources. | GRI 304-2 Significant impacts of activities, products, and services on biodiversity | Land use and biodiversity conservation |
| A4 Climate Change | A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | | Climate action strategy |
| | A 4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | | Climate governance Climate risk management Building recycling dairy farms |

| | ESG index | GRI Standard | Position |
|-------------------------------------|---|--|--|
| 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. | GRI 401-2 Benefits provided to full-time employees (excluding temporary or part-time employees) GRI 401-3 Parental leave GRI 405-1 Diversity of governance bodies and employees GRI 406-1 Incidents of discrimination and corrective actions taken GRI 412-2 Employee training on human rights policies or procedures | Equal and compliant employment Protection of employees' rights and interests Anti-discrimination and anti-harassment Compensation and benefits Employee care Talent promotion Talent retention |
| | B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | GRI 2-7 Employees GRI 405-1 Diversity of governance bodies and employees | Anti-discrimination and anti-harassment |
| | B1.2 Employee turnover rate by gender, age group and geographical region. | GRI 401-1 New employee and employee turnover rates | Talent retention |
| 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. | GRI 403-1 Occupational health and safety management system | Safety management system Safety management objectives Safety culture construction |
| | B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | GRI 403-9 Occupational injuries | Occupational health |
| | B2.2 Lost days due to work injury. | GRI 403-9 Occupational injuries | Occupational health |
| | B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored. | GRI 403-2 Hazard identification, risk assessment, and incident investigation GRI 403-3 Occupational health services GRI 403-5 Occupational health and safety training for workers GRI 403-6 Promotion of worker health GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly related to the company's business activities | Safety production measures Contractor safety Occupational health |

| ESG index | GRI Standard | Position |
|--|--|--|
| 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. | GRI 404-2 Employee skill enhancement and transition assistance programs Talent development |
| | B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.) | GRI 404-1 Average hours of training per employee per year Talent development |
| | B3.2 The average training hours completed per employee by gender and employee category. | GRI 404-1 Average hours of training per employee per year Talent development |
| B4 Labor 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 labor. | Equal and compliant employment |
| | B4.1 Description of measures to review employment practices to avoid child and forced labor. | Equal and compliant employment |
| | B4.2 Description of steps taken to eliminate such practices when discovered. | Equal and compliant employment Protection of employees' rights and interests |
| B5 Supply Chain Management | General Disclosure Policies on managing environmental and social risks of the supply chain. | Supplier management system Supplier risk assessment and audit |
| | B5.1 Number of suppliers by geographical region. | Supplier admission Identification of Key Suppliers |
| | 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. | Supplier risk assessment and audit Supplier performance management Supplier capability enhancement |
| | B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | GRI 308-1 Screening of new suppliers using environmental criteria GRI 414-1 Screening of new suppliers using social criteria Responsible procurement |
| | B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | GRI 308-1 Screening of new suppliers using environmental criteria Green procurement |

| ESG index | GRI Standard | Position |
|--|--|---|
| 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, labeling and privacy matters relating to products and services provided and methods of redress. | Quality management strategy Quality management objectives Quality management system Quality management across the entire industry chain |
| | B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons. | GRI 416-1 Assessment of the health and safety impacts of products and services categories Food safety risk prevention and control |
| | B6.2 Number of products and service related complaints received and how they are dealt with. | Providing quality services |
| | B6.3 Description of practices relating to observing and protecting intellectual property rights. | Protection of Intellectual Property Rights |
| | B6.4 Description of quality assurance process and recall procedures. | Product recall management |
| B7 Anti- corruption | B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Providing quality services |
| | 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 bribery, extortion, fraud and money laundering | Business ethics |
| | B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases. | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases. Business ethics |
| B8 Community Investment | B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | GRI205-3 Confirmed incidents of corruption and actions taken Business ethics |
| | B7.3 Description of anti-corruption training provided to directors and staff. | GRI 205-2 Communication and training on anti-corruption policies and procedures Business ethics |
| 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. | Practicing corporate citizenship |
| | B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport). | Practicing corporate citizenship |
| | B8.2 Resources contributed (e.g. money or time) to the focus area. | Practicing corporate citizenship |



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