



四川德康農牧食品集團股份有限公司

DEKON FOOD AND AGRICULTURE GROUP

(A joint stock company incorporated in the People's Republic of China with limited liability)

STOCK CODE : 2419



2023

Environmental, social and governance report

CONTENTS

About This Report	2
Board Statement	3
Message from the Management	4
About Us	5
ESG Strategy and Management	10
Topic 1: Invigorating Agriculture through Industrial Development, Drawing a New Picture of Rural Development	13
Topic 2: Technology Empowering, Writing a New Chapter of Agriculture and Animal Husbandry Industry	16
I. Governance: Building a solid foundation for development	19
1.1 Optimising governance structure	19
1.2 Risk Management System	21
1.3 Integrity-based and Law-based Operation	23
1.4 Science-based Production Management	25
1.5 Value Chain Management	26
II Environment: Protecting a Green Future	29
2.1 Strengthening Environmental Protection	29
2.2 Promoting Green Operation	31
2.3 Promoting the Planting and Farming Cycle	34
2.4 Addressing Climate Change	35
2.5 Safeguarding Animal Welfare	37
2.6 Biodiversity Conservation	38
III Social: Creating Prosperity and Abundance	38
3.1 Food Safety and Quality	38
3.2 Respect and Protection of Staff	44
3.3 Occupational Safety and Health	45
3.4 Talent Training and Development	47
3.5 Public Welfare and Community Contribution	51
Hong Kong Stock Exchange “Environmental, Social and Governance Reporting Guide” Content Index	52
Readers’ Feedback	58

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This report is the first Environmental, Social and Governance (ESG) report published by Dekon Food and Agriculture Group (“Dekon”, the “Group”, “the Company” or “we”). It provides the Company’s efforts in environmental protection, social responsibility and corporate governance in 2023, and responds to the expectations and concerns of stakeholders.

Time Scope

This report mainly includes our ESG performance from 1 January to 31 December 2023, while some information is out of this period.

Organisational Scope

This report covers Dekon Food and Agriculture Group and its branches and subsidiaries.

Preparation Standards

This report is prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

Reporting Principles

This report follows the principles of materiality, quantitative, balance and consistency in accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange:

- **Materiality:** Identify key issues of the ESG Report through communication with stakeholders and disclose them in this report;
- **Quantitative:** Objectively evaluate the Company’s ESG report through quantitative information;
- **Balance:** Demonstrate our ESG management status in a fair and objective manner;
- **Consistency:** The disclosure standards and statistical methods used in the preparation of the ESG Report are consistent.

Data and Currency

The ESG Report gives a true view of our ESG activities. The information and data in this report are derived from our official documents and statistical reports, as well as the compilation and analysis of data from our subsidiaries.

Part of the financial data in this report is extracted from the 2023 annual financial report. Unless otherwise specified, the monetary figures presented in this report is denominated in RMB.

Availability of the Report

This report is published in both printed and electronic versions, and the electronic version is available on the Company’s website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

The Board of the Company makes the following statements in accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange.

The board of directors (the “Board”) of Dekon undertakes that we and the Board follow the requirements of the Corporate Governance Code and the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange. We continue to advance the environmental, social and governance (“ESG”) governance system, strengthen the Board’s efforts in supervision and participation in the Company’s ESG affairs, and actively integrate ESG into the Company’s development strategy, major decisions and operational activities.

As the highest governing body responsible for ESG governance at Dekon, the Board assumes ultimate accountability for the Company’s ESG governance. It establishes sustainable development strategies, objectives, frameworks, and major policies. The Board also reviews and monitors the Company’s performance and commitments regarding vital issues such as safety management, environmental protection, climate change, and business ethics, as well as the annual ESG report.

The Board places significant emphasis on ESG management and conducts analyses of ESG-related risks and opportunities by considering macroeconomic policies, the social and economic environment, corporate strategic planning, production and operations, and stakeholder communication. The Board identifies and prioritizes focus areas and material ESG issues, continuously enhancing ESG management through stakeholder analysis and the identification of material issues.

MESSAGE FROM THE MANAGEMENT

Dear Stakeholders,

Thank you for your interest in our first ESG Report. We are pleased to share Dekon's sustainable development endeavors through the publication of this report. In December 2023, Dekon was officially listed on the Main Board of the Hong Kong Stock Exchange, marking the beginning of a new phase in our growth journey. As a publicly listed company, we fully acknowledge our mission and responsibility. Our aim is to foster mutually beneficial collaborations with shareholders, customers, employees, partners, and other stakeholders. Together, we strive to uphold our commitment to achieving high-quality and sustainable development, establishing a strong foundation for our long-term progress.

We adhere to integrity and ensure robust operations. We continuously enhance our corporate governance structure, ensuring standardization and effectiveness, while strengthening risk prevention and control measures. Our operations are guided by integrity, regulatory compliance, and scientific production management. We are dedicated to creating a fair, just, and transparent business environment and promoting high-quality development through good corporate governance.

We pay attention to the environment and deepen green development. We closely align ourselves with the national strategic direction and integrate “carbon peaking and carbon neutrality” into our development plans. Our sustainable development path prioritizes ecology, embracing green and low-carbon practices. We actively respond to the challenges posed by climate change, adopting environmentally friendly operational methods and implementing professional environmental protection measures. By improving our own environmental performance, we contribute to the construction of a clean and beautiful world, fostering a harmonious community of all life on Earth.

We care about the society and strive for harmonious development together. We actively respond to the national call, implement comprehensive policies for rural revitalization. Through initiatives such as deepening the practice on cycling of planting and farming, working with farm owners to help them escape poverty and become prosperous, we aim to create a benchmark for sustainable agricultural development. By taking concrete actions to boost farmers' income and wealth, we contribute to the effective implementation of the national rural revitalization strategy. Product quality remains our top priority, and we shoulder social responsibilities by addressing the needs of our employees, supporting community development, and striving to improve people's livelihoods, thereby giving back to our community.

Moving forward, we will remain steadfast in our original aspirations. As we look ahead, we will seize new opportunities and confront emerging challenges, comprehensively enhancing the Company's core competitiveness. By deepening our commitment to sustainable development, we will fulfill our social responsibilities more effectively, creating greater value for sustainable economic, social, and environmental progress. Our aim is to become an even more sustainable enterprise, working hand in hand with all stakeholders as we strive towards a brighter future.

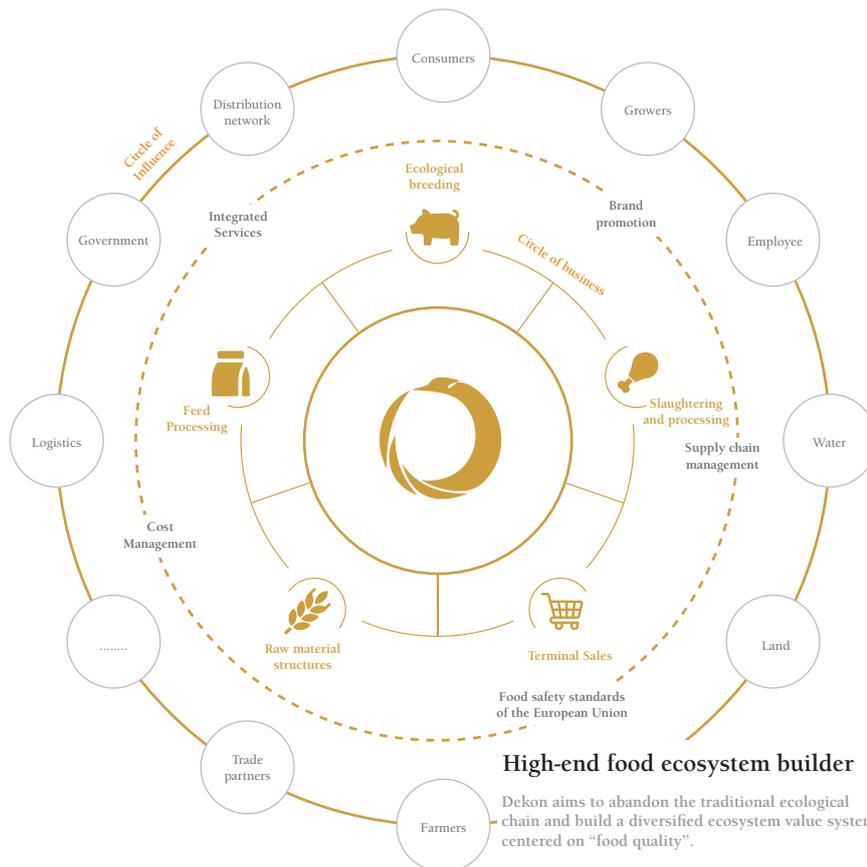
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT US

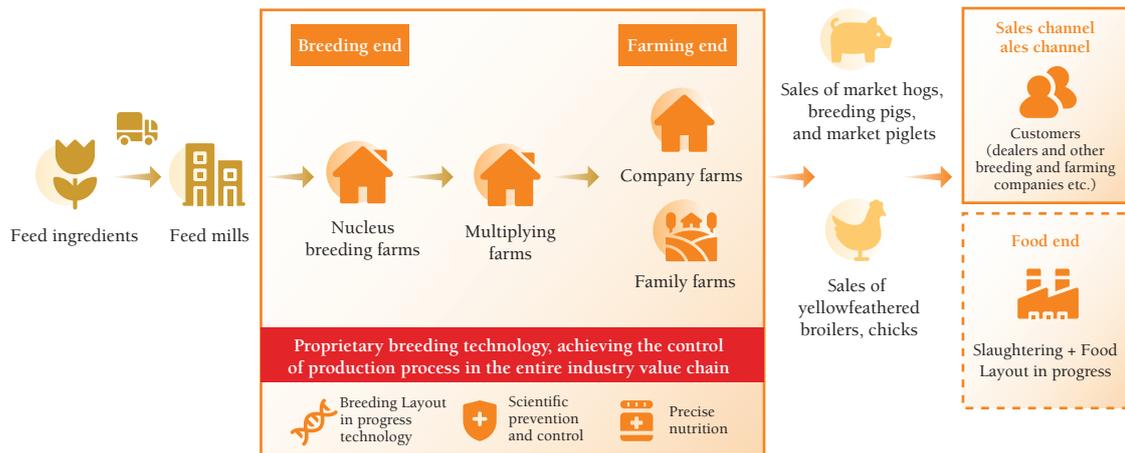
Dekon Food and Agriculture Group is one of the leading livestock and poultry breeding and farming enterprise in China, focusing on the breeding and farming of pigs and yellow-feathered broilers. Since its establishment, we have always adhered to the principle of “operating with a mindset of farming for food and producing food for health”, deeply cultivated in the modern agricultural and livestock industry and high-end food industry, and has a vertically integrated industry chain in the breeding and farming of pigs and yellow-feathered broilers and feed production, striving to becoming a quality food manufacturing enterprise with full industry chain capabilities and leading position in China.

As of the end of 2023, we had two national key leading enterprises in agricultural industrialization (農業產業化國家重點龍頭企業), involving pig farming, high-quality broilers breeding, food processing and digital agriculture, with more than 120 enterprises in 13 provinces, cities and autonomous regions across the country. We have become a highly competitive and high-growth agricultural and livestock enterprise in China.

We are determined to build a “high-end food ecosystem” with “food quality” as the core. We are steadfast in our efforts to deepen and penetrate the food industry, providing consumers with high-quality livestock and poultry products. Through standardized advancements in efficient breeding and farming practices, we aim to deliver high-quality food, ultimately positioning ourselves as pioneers in the realm of high-end food. Moreover, we adhere to an ecosystem-driven industrial layout model, embracing the development concept of “integrating farming and breeding with enclosed management” and adopting the operational framework of “company + family farm.” Concurrently, we are dedicated to increasing our investments in the ESG field. By nurturing a virtuous cycle within the industrial ecosystem and ensuring food safety, we actively mitigate our environmental footprint, fueling the development of rural areas, and striving to create a benchmark for sustainable agricultural development.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Our Business Model

Our Strategies

- By leveraging our No. 2 Family Farm model and the integration of our self-operated farms and family farms, we intend to achieve cost-effective and efficient expansion of our pig and yellow-feathered broiler farming business
- Continue to increase investment in R&D to improve breeding and farming technology, and further improve breeding efficiency and cost-effectiveness
- Expand our business into the production and processing of meat products to achieve upstream and downstream integration
- Enhance competitiveness through domestic and foreign investment, acquisitions and cooperation opportunities around our industry value chain
- Continue to attract, train and motivate talents, strengthen cooperation with worldclass talents in R&D
- Increase ESG investment, including carrying out the “Million villages” project, responding to the national fertiliser reduction action plan, etc., to realise the planting and breeding cycle, and create a benchmark for sustainable agricultural development

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our Culture

Dekon's Mission	Doing real work to provide high-quality food for consumers
Dekon's Vision	Become a high-end food ecosystem builder

Development History

Year	Event
September 2011	Mr. Wang Degen acquired a 42% equity interest in Chongqing Tequ to continue to develop pig and poultry business.
May 2013	We established the No. 1 Family Farm model.
March 2013	We imported 868 breeding pigs from a Canadian pig genetics company specialising in pig breeding to build our own pig breeding system.
April 2014	The Company was established with the equity of Chongqing Dekon and cash capital contribution.
September 2015	Our farming projects of 500,000 heads of pigs in Hechuan District, Chongqing City were executed and implemented to develop our whole industry chain in Hechuan area.
November 2015	We acquired 50.5% of the equity interest of Guangdong Wizagricultural Science & Technology Co., Ltd. (廣東智威農業科技股份有限公司), an Agriculture Industrialisation National Key Leading Enterprise (農業產業化國家重點龍頭企業), which equipped us with a key laboratory of poultry genetic breeding under MARA and a new matching system for national livestock and poultry validation for the “Lingnanhuang” series.
December 2015	We established the No. 2 Family Farm model.
Nov 2018	Our Jianshan Nucleus Breeding Pig Farm in Zigong City, Sichuan Province was awarded the “National Nucleus Pig Breeding Farm” (國家生豬核心育種場) qualification certificate by the MARA, making us one of the 100 Nucleus breeding pig farms in China.
Jul 2019	Our gene bank and breeding base for yellow-feathered broilers located in Yingde City, Guangdong Province has been completed and put into production, which provides a solid basis to our quality chicken breeders and broilers product structure.
October 2020	We signed a cooperation agreement with Tönnies, one of the largest integrated meat product enterprise in Germany. We will establish a slaughterhouse with a target initial annual slaughtering capacity of two million heads of pigs in Meishan City, Sichuan Province.
January 2021	We became one of the first enterprises in China to introduce and implement pig futures. Our pigs slaughtering and refined meat product processing project with an annual capacity of 3 million pigs in Nanxi District, Yibin City, Sichuan Province was officially launched.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Year	Event
February 2021	Our farm in Taiping, Sihong County, Jiangsu Province passed the evaluation for National African Swine Fever Free Zone. Three of our pig farms were accredited as demonstration farms for livestock and poultry farming standardisation recognised by the MARA, indicating that standardisation of our livestock and poultry farming management had reached the advanced level of industry development.
April 2022	Guiyang Dekang Animal Husbandry Co., Ltd. (Zhongzhai breeding pig farm) was selected as a national core pig breeding farm.
February 2023	Wanzhou Dekon, Hechuan Dekon and Pengan Dekon were listed as national-level African Swine Fever Free Zones (國家級無非洲豬瘟養殖小區)
May 2023	With validation by the Ministry of Agriculture and Rural Affairs, the National Development and Reform Commission, the Ministry of Commerce, the People's Bank of China, the China Securities Regulatory Commission and the All China Federation of Supply and Marketing Cooperatives, Sichuan Dekon and Guangdong Wiz have been awarded as key leading enterprises in agricultural industrialization (農業產業化國家重點龍頭企業).
July 2023	Zheng Chun Xiao, an employee of Dekon was awarded the title of "National Agricultural and Rural Labour Model" (全國農業農村勞動模範).
November 2023	The Taiping nucleus breeding farms, Erlang nucleus breeding farms, Tongyi Raising and Fattening Farm, Lede nucleus breeding farms and Xingwang nucleus breeding farms managed by Dekon were rated as national-level demonstration farms for livestock and poultry farming standardization (國家級畜禽養殖標準化示范場).
December 2023	Dekon Food and Agriculture Group was officially listed on the Main Board of the Hong Kong Stock Exchange (stock short name: Dekon Agri; stock code: 2419), being the first pig farming enterprise in Sichuan Province that seeks listing.
December 2023	Dekon ranked 78th among the Top 500 Chinese Agricultural Enterprises (中國農業企業500強) in 2023, and 8th among the Top 20 Chinese Agricultural Enterprises in Animal Husbandry (中國農業企業畜牧行業20強). Dekon Group ranked 48th among the Top 100 Enterprises in Sichuan (四川企業100強) and 13th among the Top 100 Tertiary Enterprises (服務業企業100強).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social recognition

Award	Year	Awarding Organisation(s)
Shennong China Agricultural Science and Technology Award, First Prize (神農中華農業科技獎一等獎)	2021	Ministry of Agriculture and Rural Affairs
Sichuan “Thousands of Enterprises Helping Thousands of Villages” Targeted Poverty Alleviation Action Advanced Collective (四川省「萬企幫萬村」精準扶貧行動先進集體)	2021	Leading group of the Sichuan “Thousands of Enterprises Helping Thousands of Villages” Targeted Poverty Alleviation Action (四川省“萬企幫萬村”精準扶貧行動領導小組)
Guangdong Seed Industry Science and Technology Innovation Competition Gold Star Award, Champion (廣東種業科創大比武「金星獎」冠軍)	2021	Department of Agriculture and Rural Affairs of Guangdong Province (廣東省農業農村廳)
African Swine Fever Free Zone (非洲豬瘟無疫小區)	2021, 2022	Ministry of Agriculture and Rural Affairs
National Livestock and Poultry Agriculture Constituent Enterprises (國家畜禽種業陣型企業)	2022	Ministry of Agriculture and Rural Affairs
2022 Sichuan Top 100 Enterprises (2022四川百強企業), Sichuan Top Tertiary Enterprises (四川服務業百強企業)	2022	Sichuan Enterprises Confederation (四川省企業聯合會), Sichuan Entrepreneurs Association (四川省企業家協會)
National-level African Swine Fever Free Zone (國家級無非洲豬瘟養殖小區)	2023	Ministry of Agriculture and Rural Affairs
First batch of National Demonstration Bases for the Whole Industrial Chain of Modern Agriculture (首批國家現代農業全產業鏈標準化示範基地)	2023	Ministry of Agriculture and Rural Affairs
National-level Demonstration Farms for Livestock and Poultry Farming Standardisation (國家級畜禽養殖標準化示範場)	2023	Ministry of Agriculture and Rural Affairs



ESG STRATEGY AND MANAGEMENT

We are committed to adhering to “the path of green and sustainable development” and becoming a highly competitive green enterprise. We will embrace our environmental, social and governance responsibilities and build a “sustainable and efficient ecological model for agriculture and animal husbandry development, which leads to outcomes that benefit multiple parties and create win-win situations”.

ESG Governance Structure

We are aware that ESG and climate change risks may have an impact on our business, and have established an ESG governance system aligned with ESG-related listing requirements and industry best practices. The Board is required to participate in the formulation of ESG strategies and goals, and coordinate the management to jointly identify and manage ESG-related risks and opportunities. To continually enhance our ESG performance, we remain vigilant in monitoring ESG standards, and take the initiative to collect, analyse and disclose ESG performance indicators. Moreover, we actively communicate our progress in ESG practices to stakeholders.

The Board	Its responsibilities include supervising and actively engaging in ESG matters, identifying and evaluating the Company’s ESG risks and opportunities, formulating the Company’s ESG strategies, policies and targets, monitoring and evaluating the Company’s ESG practices, reviewing ESG reports and evaluating the effectiveness of ESG initiatives.
ESG Working Group	<p>Its responsibilities include coordinating and developing the ESG agenda, identifying and managing ESG risks, leading the preparation of ESG reports, and presenting relevant matters as proposals to the Board for deliberation and discussion.</p> <p>The ESG Working Group, headed by the Chairman and assisted by the Vice Chairman and the Board Secretary, is responsible for managing ESG initiatives. The ESG Working Group maintains regular communication with the Board, keeps the Board informed about significant ESG matters, actively participates in discussions, and provides annual progress reports to the Board at least once a year to report to the Board of Directors.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Focus Areas

Focus areas	Key action items	2024 Target
Food Safety and Quality	Strictly complying with laws and regulations related to food safety; establishing a multi-level food safety management system to ensure food safety.	Continue to maintain food safety with “zero accidents” and “zero recalls”.
Occupational health and safety	Abiding by the principle of “people-oriented, safe development” through continuous improvement in the occupational health and safety assurance system and prevention and avoidance of potential accidents.	Strive to achieve the safety management target of zero fatality and zero injury.
Integrated resources utilisation	Enhancing the cycling of planting and farming of “breedingbiogas fertiliser-ecological agriculture”; recycling animal manure resources.	Achieve innocuous treatment rate of 100%.
Climate change	Actively monitoring carbon emission; enhancing efficiency of energy utilisation; supporting the national “carbon peaking and carbon neutrality” while exploring low-carbon farming.	Plan to achieve a decrease in energy consumption intensity by 2.8% from 2022 to 2025, and a decrease in greenhouse gas emissions intensity by 2.8% from 2022 to 2025.

Communication with stakeholders

We continue to pay attention to the demands of stakeholders, insist on establishing a diversified communication mechanism, and maintain close contact with stakeholders. Based on the characteristics of the Company, industry trends and corporate development, we have identified several key stakeholder groups, including shareholders and investors, government and regulators, customers, employees, suppliers and partners, as well as local communities. We engage with stakeholders through various channels, respect and listen to their opinions, and proactively address their feedback to drink continuous improvement.

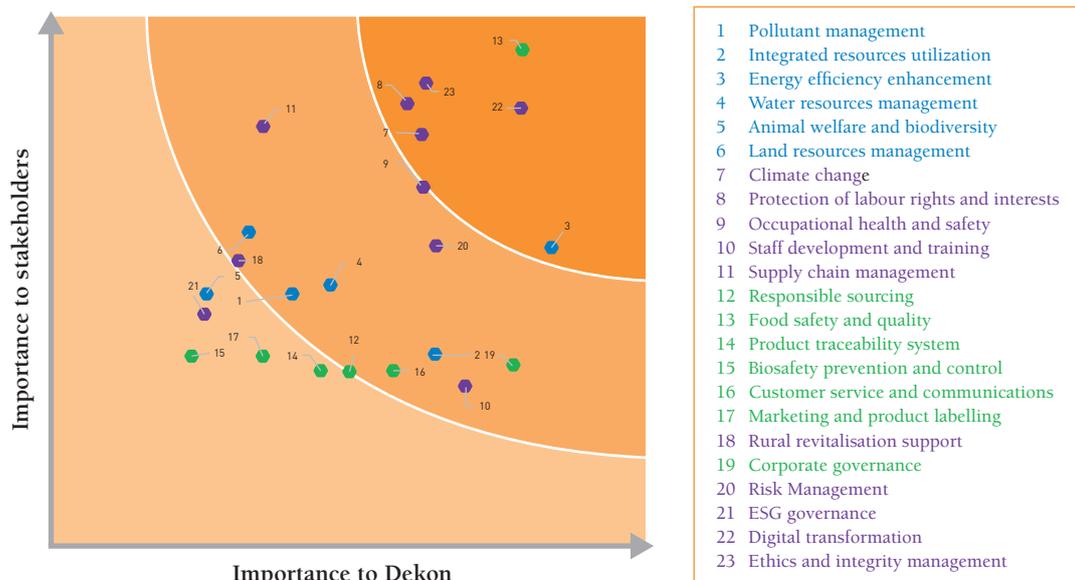
Stakeholders	Communication Channels
Shareholders and investors	<ul style="list-style-type: none"> • General meetings • Conducting surveys and communications with investors • Daily communication and feedback
Government and regulators	<ul style="list-style-type: none"> • Studying and implementing relevant policies • Daily reporting and approval • Relevant research and discussion meetings • Regular information disclosure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Communication Channels
Customers	<ul style="list-style-type: none"> Official website, WeChat and other interactive platforms Customer Complaint Hotline Product promotion and services Daily communication
Employees	<ul style="list-style-type: none"> Interviews with employees Communication on employees' performance Suggestions and complaints from employees
Suppliers and Partners	<ul style="list-style-type: none"> Procurement and tendering Supplier inspection Holding meetings to facilitate communication Daily communication
Local communities	<ul style="list-style-type: none"> Charity Construction of community projects Volunteer service activities

Identification of Material Issues

We have identified ESG issues that are closely related to our daily operations and formulated a list of material issues to evaluate key issues that have a significant impact on our business development. By considering macroeconomic policy development, industry focus trends and ESG-related standards, we have identified 23 ESG issues that are closely related to the Company's daily operations to determine the Company's practice and key actions in the ESG field in the future.



TOPIC 1: INVIGORATING AGRICULTURE THROUGH INDUSTRIAL DEVELOPMENT, DRAWING A NEW PICTURE OF RURAL DEVELOPMENT

We continue to increase investment in rural revitalisation, carry out the “Hundred Villages and Million Pigs (百村百萬)” project, observe the national action plan for fertiliser reduction, put into practice the cycling of planting and farming, and create a benchmark for sustainable agricultural development. In response to the national initiatives on scaled farming and “homecoming farm owners (返鄉農民創業)”, we deepen the family farm model, work with farmers to get rid of poverty and become better off while continuing to expand business scale, contributing to rural revitalisation.

Promoting the “Hundred Villages and Million Pigs” Project

In response to the “Opinions on Comprehensively Promoting Rural Revitalisation and Accelerating the Modernisation of Agriculture and Rural Areas” (《關於全面推進鄉村振興加快農業農村現代化的意見》), we have actively integrated our development into the national rural revitalisation strategy and observe the guiding principle of “accelerating the construction of a modern farming system, protecting the basic production capacity of pigs, and improving the long-term mechanism for the stable and orderly development of the pig industry” to explore innovative development models for the livestock and poultry farming and planting industries. We are committed to practicing our strategy of promoting rural revitalisation and contributing to the construction of a strong agricultural country (推進鄉村振興，建設農業強國), working with the government to create a benchmark for sustainable agricultural development and vigorously promoting the “Hundred Villages and Million Pigs” project.

We have set the goal of “Six Ones (六個一)”:

Benefiting 100 villages in one county, employing 10,000 people, annual production of 1 million pigs, construction of slaughtering and processing plants with an annual capacity of 1 million pigs, annual production of 100,000 mu of organic vegetables and fruits, and construction of one feed mill with an annual capacity of 360,000 tonnes.

We will actively observe the national policy of fertilisers and pesticides reduction, and will continue to create an environmentally friendly and sustainable farming model in accordance with stringent requirements and the following strategies, so as to put into practice the integration and cycling of planting and farming, and create a benchmark for sustainable agricultural development in line with the national agricultural and animal husbandry policy:

- leverage our technical advantages to develop and provide better environmentally friendly technologies to our family farms, and improve soil fertility through environmentally friendly farming processes, thereby creating an organic growth environment for healthy food;
- continue to implement energy-saving and carbon-reduction programmes, and develop carbon emission reduction measures in our upstream and downstream businesses, such as encouraging the use of biogas and manure as fuel and fertilisers to reduce carbon emission. We will also encourage our peers to assume social responsibility and jointly reduce carbon emissions to create a green ecology;
- closely cooperate with the government, other enterprises and research institutions to promote sustainable development of planting and farming, drive the development of high-quality rural revitalisation through our family farm models to help alleviate poverty in rural China, and complement China’s strategy to build an agriculturally strong country.

Supporting the Revitalisation of Rural Industry

The rural areas prosper when the industry thrives. As a large-scale agricultural industrialisation enterprise, by leveraging our industrial advantages and rich resource, and by increasing our support for family farms, we have developed our core business into a pillar for rural revitalisation, striving to become an important entity to drive the high-quality development of rural industries, and making positive contributions to the sustainable development of regional economy, society and environment.

Mutually Beneficial Family Farm Models

Family farm, as an important part of new types of agricultural operating entities, is a vital power to promote a balanced growth between urban and rural areas, to stimulate rural economic growth and to realise agricultural and rural modernisation. We believe that on the basis of guaranteed returns, family farm owners will have the incentive to invest in the long term, strive to improve their farming technology and management, and bring greater contributions to agricultural and rural economy while increasing our livestock output.

Under the family farm models, we cooperate with independent individual farm owners, who are responsible for the investment of fixed assets such as lands and factory areas, and provide them with production materials such as pigs, feed, medicines and vaccines on open account terms subject to farm owners' payment of deposits, which reduces the capital requirement for daily farming process and alleviates the financial pressure on farm owners.

- No. 1 Family Farm model: refers to the model under which farm owners fatten our weaned piglets.
- No. 2 Family Farm model: refers to the model under which we cooperate with farm owners to raise sows and to produce weaned piglets that are fattened either in the No. 2 Family Farm or nearby No. 1 Family Farms.

We provide farm owners with technical support and guidance, provide them with comprehensive trainings, share farming experience with them and enhance their farming knowledge. We have dedicated technical personnel who regularly monitor and visit farm owners to help resolve problems they encounter in the farming process and veterinarians who provide technical advice on animal diseases prevention and control to them, so as to help them achieve assured farming.

By establishing mutually beneficial business models, we develop a close and long-standing cooperation relationship with farm owners, earning us a good reputation among farm owners. We have a close and long-standing cooperation relationship with farm owners. By the end of 2023, family farms with whom we had more than three years of cooperation accounted for more than 40% of our family farms.

Case

Ten years of working together, Dekon has helped family farm owners increase their income and become better off

Around 2014, Dekon began to lay out the pig business in Guiyang and Anshun areas and develop family farms. At this time, Wan Qian and his parents also returned to their hometown, ready to do a career. Through referral by the government, they got acquainted with Dekon and initially learned about Dekon's "Company + Farmers" model. Wan Qian and his parents put their heart at rest and planned to "give it a try" with Dekon after seeing the large-scale breeding farms that Dekon built and operated locally.

"From the site selection to the construction of the pig farm, including the subsequent operation, Dekon carefully taught us and helped us acquire government subsidies and loans, which solved our financial problems." Wan Qian recalled the scene then and praised Dekon's "nanny-style" services. He had never seen a company that was so wholeheartedly considerate of its partners as Dekon. The cooperation in the following ten years has been steadily improved as promised by Dekon, including the quality of service. In a settlement of finisher output at the end of 2023, 2,067 of the 2,086 finishers raised by Wan Qian were launched to the market, with a market hog rate of 99.09%, and feed conversion ratio of 133.5 kg was only 2.48%, achieving good results.

In the past ten years, contract farming fees have always been settled based on the contract, and no default or delay occurred. The long-term, stable and continuous settlement of contract farming fees laid a solid foundation for Wan Qian's two consecutive expansions, which not only made him and his parents professional farm owners, but also realised their goals to buy a car and a house in the urban city and live a happy life.



"Ten years of cooperation with Dekon, the change is visible and tangible, thanks to Dekang for helping us get rich."

— said Wan Qian

TOPIC 2: TECHNOLOGY EMPOWERING, WRITING A NEW CHAPTER OF AGRICULTURE AND ANIMAL HUSBANDRY INDUSTRY

Technology and innovation are crucial to driving transformation and upgrading of enterprises and achieving high-quality development. Dekon upholds the philosophy of “a mindset of farming for food and producing food for health”, actively responds to the trend of industrial transformation and upgrading, carries out in-depth digital transformation, promotes the visualisation of the whole process from production to marketing through a high degree of integration with digital technology and advanced management, so as to realise the full traceability, safety and controllability of food. Meanwhile, the Company adheres to “building a world-class genetic resource and breeding system”, constantly optimizes our breeding and farming system, in order to boost the overall improvement of farming, facilitate the Company to build a food ecosystem and march towards the high-quality development of agriculture and animal husbandry industry.

Smart Farming, Exploring a New Path for Smart Agriculture

We are committed to the practical exploration of AI-empowered farming, applying advanced big data, cloud computing, and artificial intelligence technologies to the production of safe meat products and constructively carrying out digital and intelligent transformation in food intelligent manufacturing, “Dekon Smart Farming” for pig system, poultry production service system, Dekon IoT platform, ERP core system upgrade, logistics system, IT shared service centre, making a number of achievements in digital transformation.

Our Achievements in Digital Transformation

of “Dekon Smart Farming” for pig system	A whole-process intelligent farming system covering from breeding to breeding farms and farms was developed to realise the digitalisation of pig farming, and assist the Group in implementing “rural revitalisation”.
CRM project for pig online sales	CRM project for pig sales has achieved price negotiation and comprehensive online sales, and process control of pig price negotiation and delivery, driving the Group’s total revenue from pig sales to exceed RMB130 million.
Poultry production service system	A whole-process intelligent farming system covering from breeding to breeding farms and farms was developed to remove the bottlenecks and obstacles to the whole process, support the standardized production of poultry production and create a highly competitive production management service system.
Dekon automotive safety system	A leading and unique logistics system in the agriculture and animal husbandry industry was developed to realise the digital management of the whole process logistics from raw material sourcing, feed transportation to pig transportation and food operation, ensuring the safety and efficiency of the Company’s final food.
SRM (德雲採) platform	After the launch of SRM (德雲採) platform, self-service procurement of employees is realized, which greatly improves the work efficiency of procurement staff.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Group-wide DHR system	<p>DHR system provides organisational structure and personnel master data for all software systems of the Group, and completes the construction of personnel master data system.</p> <p>The development of the whole process business management from pre-employment-personnel deployment-contract/agreement electronic signature-attendance to performance-linked compensation calculation was completed to form a closed loop of human resources business, laying the foundation for talent review and organizational efficiency, and constantly stimulating organizational efficiency.</p>
Self-developed enterprise management application software	<p>We independently developed a number of daily business management application softwares such as Dekon Portal, Biosafety Supervision, Farm Information Collection, and Dekon Kitchen Meal Ordering, which help the Group implement the lean management.</p>

Our Pig Farming Platform

We apply AI-empowered pig raising techniques to replace the standardised content with AI system, improving the overall efficiency. The workloads of our staff have changed from routine work to managerial work, and the timeliness of abnormalities handling has been remarkably improved. AI system and mobile terminal are essential tools for our work, which help improve efficiency and accuracy of work, and realise business interaction and effective feedback.

Our “Pig Farming Platform” employs a range of advanced technologies, including image, video, and acoustic feature recognition technology, intelligent sensor, Internet of Things, cloud computing and big data technology, to automate and facilitate various workflows across our production process.

Feeding	<p>The platform uses big data and AI technology to record status, including ages, growth stage and oestrus rate of individual pigs, and generate feeding instructions to the staff accordingly.</p>
Mating	<p>The platform leverages image, video and acoustic feature recognition technology and thermal imaging to monitor the oestrus cycles of pigs and tracks and analyses historical production information to generate recommendations on mating and insemination.</p>
Epidemic prevention	<p>The platform monitors health conditions of pigs by tracking metrics including their heart rate, breathing rate and body temperature to identify pigs with symptoms of diseases and alerts the relevant staff of any abnormalities in a timely manner.</p>

Guided by Breeding, Nurturing New Momentum for Industrial Development

We continue to increase R&D investment, enhance scientific and technological support and innovation capabilities, and have well-established agricultural technology R&D capabilities. By the end of 2023, we have two national key leading enterprises in agricultural industrialisation and two national-level core pig breeding farms. In addition, we have established the Key Laboratory for Poultry Genetics and Breeding of the Ministry of Agriculture, the Leading Enterprise Technology Innovation Centre of the National Spark Programme, two national-level core pig breeding farms, the National Huiyang Bearded Chicken Breeding Farm, the “Guangdong Biological Germplasm Resource Bank — Domestic Livestock & Poultry Germplasm Resource Bank”, and was selected as one of the National Livestock and Poultry Agriculture Constituent Enterprises. In 2021, 2022 and 2023, our R&D investment reached RMB132.8 million, RMB196.6 million and RMB219.1 million.

Breeding resources	We have well-established agricultural technology R&D capabilities, including two national key leading enterprises in agricultural industrialisation and two national-level core pig breeding farms and have established rich breeding resources such as the Key Laboratory for Poultry Genetics and Breeding of the Ministry of Agriculture, the Leading Enterprise Technology Innovation Centre of the National Spark Programme, two national-level core pig breeding farms, the National Huiyang Bearded Chicken Breeding Farm, the “Guangdong Biological Germplasm Resource Bank — Domestic Livestock & Poultry Germplasm Resource Bank”.
R&D team	We have set up a R&D team of more than 100 people, and we are committed to the preservation and exploration of livestock and poultry breeding resources, the selection and breeding of new varieties of livestock and poultry, precision nutrition technology, livestock and poultry health management, food safety control, and optimisation of production.
Experimental platform	We have worked with research institutions to build a number of national and ministerial breeding platforms and key laboratories, including the National Pig Technology Innovation Centre — Breeding R&D Centre. We focus on the R&D of the following core technologies: breeding technology, nutrition and feeding technology, disease control technology, food safety control technology, optimisation in the R&D of production technology, Technology for forecasting optimal sales time, and data management and analysis technology.

In recent years, by leveraging our strong R&D capabilities, excellent genetic resources and breeding system, we have conducted more than 50 national, provincial and ministerial R&D projects, including multiple National High-tech R&D Programs of China (863 Programme), achieved a number of scientific and technological achievements and obtained numerous awards and recognitions. In February 2023, the project “Construction, Promotion and Application of National Pig Joint Breeding System” that we participated in won the first prize of Agricultural Technology Promotion Achievement Award. In June 2023, our “MARA Pig Breeding and Multiplication Key Laboratory in Southwest China” was selected as the “MARA Enterprise Key Laboratory”. In May 2023, among the 93 national core breeding farms in China, the growth performance (the adjusted days to 100 kilograms) of Large White and Landrace of Dekon’s National Pig Core Breeding Farm ranked first in China, according to the Annual Genetic Assessment Report of National Core Pig Breeding Farm issued by the National Pig Genetic Evaluation Centre.

I. GOVERNANCE: BUILDING A SOLID FOUNDATION FOR DEVELOPMENT

A sound and robust governance system is the fundamental foundation for the sustainable development of modern enterprises. Dekang devotes its continuous efforts in improving the level of corporate governance by monitoring the key factors in corporate governance, refining the compliance operation mechanism on all fronts, strengthening risk management and control, enhancing corporate governance, with aim to achieve high-standard corporate governance that is crucial to our development and protecting the rights and interests of shareholders, and secure the high-quality development of Dekang with robust operation.

1.1 Optimising the Governance Structure

We constantly improve the corporate governance structure, and promote the standardization and effectiveness of corporate governance. We have established a governance structure composed of the General Meeting, the Board of Directors, the Board of Supervisors, and senior management, which perform their own duties under respective terms of reference, take full responsibility for their own responsibilities and operate in coordination, and the units at all levels perform their respective responsibilities fairly to protect the interests of the Company and shareholders as a whole.

Board of Directors	The Board of Directors is accountable to the General Meeting, assumes the ultimate responsibility for the operation and management of the Company, and convenes meetings in accordance with legal procedures to exercise its functions and powers.	It consists of nine directors, including five executive Directors, one non-executive Director and three independent non-executive Directors.
Board of Supervisors	The Board of Supervisors maintains close contact and communication with the Board of Directors and the management with an attitude of being accountable to all shareholders, conducts the appraisal on the duty performance of Directors and Supervisors, and effectively fulfills their powers and obligations to supervise.	It consists of three Supervisors.
Senior management	It performs its duties and conducts business operation and management in accordance with the decisions of the Board of Directors, and is responsible for managing our daily operations.	It consists of four members.

Board Committees

The Board of Directors of the Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each special committee strictly performs its duties, puts forward opinions and suggestions on relevant work, and assists the Board of Directors in making scientific decisions.

Audit Committee	The Audit Committee consists of three members, the primary duties of which are to assist the Board by providing independent views on the effectiveness of our financial reporting system, risk management and internal control system, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the Board.
Remuneration Committee	The Remuneration Committee consists of three members, the primary duties of which are to establish and review the policy and structure of the remuneration of our Directors and senior management, and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.
Nomination Committee	The Nomination Committee consists of three members, the primary duties of which are to make recommendations to our Board on the appointment of Board members.

Board Diversity

We maintain and constantly promote diversity on the Board. All appointments of members of the Board shall be based on meritocracy, and the candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. We has developed a board diversity policy which set out the approach to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge. We will select potential Board candidates based on merit and his/her potential contribution to the Board while taking into account our board diversity policy and other factors. We will also take into consideration our own business model and specific needs from time to time. Meanwhile, we will continue to implement measures and steps to promote and enhance gender diversity at all levels of the Company.

Board Independence

The Board of Director includes a balanced composition of executive Directors and independent non-executive Directors, which enable the Board of Director to have strong element of independence to make independent judgments effectively.

1.2 Risk Management System

We insist on promoting the construction of a risk management system, improving the effectiveness of risk management, identifying emerging risks, and enhancing the ability to respond to various risks, so as to ensure the sound operation and sustainable development of the Company. We have formulated and implemented the Business Risk Management System of Dekang Group (《德康集團企業風險管理制度》), which clearly sets out the risk control points of the Group headquarters, regional companies and corporate companies, and clearly demarcates all departments of the Company as the first line of defense for risk control, the Audit and Supervision Department as the second line of defense for risk control, and the Board of Directors and the General Meeting as the third line of defense for risk control.

Our risk management system sets out procedures for identifying, analyzing, classifying, mitigating and monitoring various types of risks and reporting levels related to the risks identified in our operations. Each business unit and functional department is responsible for identifying and assessing risks related to its business scope and implementing risk management and internal control systems. Our Audit Committee is responsible for overseeing the implementation of the overall risk management and internal control system by overseeing the management and evaluating the risk management and internal control system.

Three lines of defense for risk management and control

The first line of defense	All departments of the Company
The second line of defense	Audit and Supervision Department
The third line of defense	Board of Directors and General Meetings

ESG Risks

We recognise complexity and diversity of ESG risks, and has established the process of ESG risks identification and management that require its departments and subsidiaries to highlight environmental and social risks during the course of their operations, identify events that may cause effects and the corresponding risk factors, and adopt appropriate risk mitigation measures. For key areas such as safety production and environmental protection, we clearly specify levels, classification standards, flows of reporting and criteria of punishment for these events/incidents. We have also exercised effective control on the causes of ESG risks through various measures such as specific trainings and hazard screening.

In assessing the materiality of ESG risk factors, we have taken aspects and extents of impacts of the ESG matters on our daily operation as a major consideration. These impacts include but are not limited to impairment and depreciation of assets, increase/decrease in operating costs, increase/decrease in sales revenue and enhancement/impairment of reputation. These impacts may have further effects on realisation of our strategies and financial performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Risk Management

Risk factors	Potential impact	Actions taken
Climate change	Physical risks (such as rainstorms, floods and other extreme weathers) may lead to loss of breeding facilities and biological assets and trigger secondary disasters such as environmental pollution, occupational safety and other incidents. Transition risks including “limiting electricity and limiting production” measures and rising energy prices may also lead to higher energy expenses or business interruptions.	Strengthen monitoring and early warning of extreme weathers, and prepare updated emergency response plans for disasters; improve our energy mix, and promote synchronisation to the grid with methane-fired generation; explore possibilities of developing photovoltaic power generation projects in breeding farms.
Use of Water Resources	Strengthened control by the government over the total amount and intensity of water use may result in the increase in water consumption quota or higher water use costs.	Strengthen monitoring and analysis of water use, strengthen efforts in assessing the fulfilment of water-saving targets; increase the use of wastewater by reusing purified wastewater for various techniques such as spraying deodorants.
Waste & pollution	Improper or delayed treatment or leakage of odour, biogas and wastes biogas slurry may cause adverse impacts on surrounding environment, resulting in complaints and environmental penalties.	All breeding farms are equipped with diversion system that segregates rainwater from wastewater, which segregates pollutants from wastewater for resource utilisation; by adopting various measures such as “source control, process control and end treatment”, we have reduced the extent of environmental impact of odors; ensure innocuous treatment of sick and dead livestock and poultry is fully implemented and resource utilisation of livestock dung.
Antibiotics misuse	Incompliant use of antibiotics and veterinary drugs may have an impact on public health and subject us to regulatory penalties and consumer resistance.	Strictly follow management on ear tags for epidemic prevention and the medicine withdrawal period management system; complete testing of drug residues; improve the pig health test plan together with testing of drug residues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk factors	Potential impact	Actions taken
Work conditions	Our production process involves occupational hazards risks such as poisoning and suffocation in confined spaces, biogas safety, fire, and mechanical injury. Failure to improve work conditions or a low awareness among employees of protection that led to a lack of protective gears may cause occupational hazards.	We conduct testing and routine monitoring of factors of occupational diseases and hazards on a regular basis, provide adequate protective gears for workers and employees, and conduct annual health check of employees; we enhance occupational safety and protection through various means such as hierarchical management, hazard screening and trainings for occupational hazards.
Business ethics and compliance	Violation of business ethics by our employees or suppliers may damage our business interests and image.	We improved the anti-corruption and compliance systems, by which our employees are not allowed to obtain or receive unjust enrichment from suppliers and offering bribes to the related personnel; we provided corruption and anti-bribery trainings to enhance the awareness of ethics among employees and suppliers.

1.3 Integrity-based and Law-based Operation

We strictly comply with applicable laws and regulations, insist on regulating our own production and business practices, foster a culture of risk awareness and compliance across the Group, fully practice business ethics during the course of business transactions, and conduct business activities in a fair, honest, trustworthy and transparent manner. In 2023, we have complied with relevant laws and regulations, and there were no non-compliance incidents that have a material impact on our operational or financial conditions.

Internal Control

The Board is responsible for ensuring that we maintain sound and effective internal controls to safeguard the Shareholders' investments and our assets. We have adopted a series of internal control policies, procedures and plans designated to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, including the following:

- Internal control manual. We have formulated an internal control manual, which includes the corresponding systems and standards, flow charts, risk control matrix, etc. for key business procedures of our various business segments and elaborates on the risk and control points of the key procedures. Internal control standards for business operations are formed based on the above and executed and promoted via training on the internal control manual.
- Authority system. We have developed a manual of rights and responsibilities, which clearly specifies the authorised persons, conditions, scopes and limits, etc. for various posts involved in our internal controls. No organisation or individual is allowed to make any risk decision which exceeds the relevant limits of authority.
- Internal audit. Our internal audit department regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The internal audit department is also responsible for monitoring the reporting management. The audit committee under our Board is responsible for supervising our internal audit function.
- Compliance with the Listing Rules. Our various policies are compliance with the Listing Rules, including but not limited to the aspects related to corporate governance, connected transactions and securities transactions by our Directors.
- Compliance adviser. We have engaged professional compliance adviser to advise on our ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

Integrity and Anti-corruption

We strictly follow the laws and regulations of the place where we operate, and after taking into account operation practices of the Company, established a sound anti-corruption, anti money laundering and compliance system, and have formulated the Audit and Supervision Reporting System of Dekang Group (《德康集團審計監察舉報制度》), the Business Risk Management System of Dekang Group (《德康集團企業風險管理制度》) and the Measures for Whistleblowing Management of Dekang Group (《德康集團舉報管理辦法》) and other relevant systems, which set out the obligations and rights of the headquarters and its subsidiaries in terms of anti-corruption, and the supervision mechanism.

We require our employees to sign integrity regulations, which explicitly prohibit them from soliciting or accepting undue benefits from suppliers and offering bribes to related personnel. We have signed anti-corruption and integrity commitment letters with general managers and above executives of purchasing, sales, engineering, finance, and regional companies, and all matters involving anti-corruption cases will be reported to the regional companies and the board of directors at the first time after they are verified. We regularly conduct business ethics and anti-corruption training for board members, management, employees and suppliers, and require suppliers to similarly comply with integrity requirements.

In 2023, we focused on anti-corruption in departments related to materials and treasury, such as procurement and supply chain department, sales department, engineering department. For the cases reported through telephone, email and QR code platform, as well as the cases founded in our daily business audits and special audits, which involve any corruption, we will make in-depth investigation thereon and have final results feedback.

We will strictly investigate and deal with employees' behaviors such as privately accepting gifts from suppliers, privately accepting benefits from customers, and over-reimbursing expenses, and impose punishments and terminate labor contracts depending on the severity of the cases. In 2023, the Company had no corruption lawsuits filed and concluded against employees.

Whistleblower Protection

We have set forth the principle of confidentiality for all whistleblowing information in the Audit and Supervision Reporting System of Dekang Group (《德康集團審計監察舉報制度》) to ensure the personal safety of whistleblowers, and meanwhile, the system also clearly set out the entire operation process of reporting and feedback, investigation, processing and recording. The Company allows anonymous reporting, stipulates that the personal information of the whistleblower shall not be verified without authorisation for the anonymous reports. For the intentional leaking of the whistleblower's information or retaliating against the whistleblower, we will take serious actions once verified.

Intellectual Property Protection

The Company strictly complies with the Civil Code of the People's Republic of China, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China and other relevant laws and regulations relating to the protection of intellectual property rights, fully implements the protection of intellectual property rights, attaches importance to the establishment of intellectual property rights management norms, and strictly protects our intellectual property rights. In 2023, we are not aware of any intellectual property rights infringement that has a significant impact on us.

1.4 Science-based Production Management

We emphasise the science-based management of production. Through a series of management measures such as intelligence-enabled approach and lean management, we strive to improve the efficiency and quality of breeding production. We stay focused to the key links of production, make key control over the source of feed and the operation of family farms in all respects and in a strict manner, to ensure the safety and efficiency of production.

Control over the Source of Feed

To ensure food safety of the source of feed, we have established stringent quality standards and inspection and control procedures covering the whole feed production process from procurement of feed ingredients, feed production and processing to feed transportation to ensure that the feed we produce meets our quality requirement.

- We conduct on-site inspections of the main production areas of our suppliers and select quality and reliable suppliers. We have also established a comprehensive system of raw material evaluation, acceptance and use.
- We have stringent feed quality control standards in place to ensure that the feed quality meets national standards as well as the needs of our pig and broiler farms. We have implemented feed quality and safety management standards and developed a traceable system covering source control, process control and raw material procurement management.
- We regularly maintain and repair feed production equipment to ensure that the equipment is in good operating condition and improve utilisation rate of the equipment. In addition to quality control measures, we also focus on enhancing the formula design of our feed with precision nutrition technology. For example, for pig feed, we analyse the composition of raw materials for formula design, so as to meet the nutritional needs of pigs at different growth stages and achieve precise nutrition and cost control.

Family Farm Operation and Management

We have a complete, efficient and standardised family farm operation system, which affords us a high degree of control over the entire production process, ensures stable product quality, reduces overall operating costs and improves production efficiency. The system covers various aspects of our business operation, spanning from farm site selection, farm construction, animal safety management, feeding and production, training and supervision of farm owners, product quality control of pigs and broilers to environmental protection.

Selection of farm owners	We select farm owners with reference to their financial resources, education background, integrity as well as conditions of the family farms.
Batch production	Our pig farms adopt a batch production model. We set the production of the pig farms to a regular schedule of mating, farrowing, weaning and immunisation within a fixed period of time to ensure more regular production and allow to efficiently raise the per capita feeding capacity.
Medicine withdrawal period management	We strictly implement the medicine withdrawal period management system to ensure that all pigs and broilers reach the medicine withdrawal period before sampling for medicine residue testing. We have also established a special medicine residue testing system that trains and monitors the execution of testing personnel on a regular basis to ensure the accuracy of execution and stability of testing.
Environmental protection	We have established a sound environmental protection mechanism, we implement a grid-based management of headquarter personnel and a three-level management system for regional companies. Meanwhile, we have established noise, wastewater and solid waste treatment systems. We recycle biogas to use as fuel in pig farms, use a hazard-free high-temperature biodegradation machine to treat sick and dead pigs in pig houses, and use the by-products as raw materials for organic fertiliser.

1.5 Value Chain Management

A stable supply chain is the foundation for us to achieve continuous, stable and rapid supply of products. In order to strengthen the management and supervision of the supply chain, we have formulated and implemented the Administrative Measures for Material Suppliers and the List of Qualified Suppliers. Combined with the business structure, we conduct precise management in key directions such as procurement and farmers. As of the end of 2023, we had a total of 2,075 suppliers, all of which were located in mainland China.

Supplier qualification review

We actively integrate the concept of sustainable development into the procurement process. We strive to encourage suppliers to improve their comprehensive performance in quality, safety and environmental protection, so as to reduce the environmental and social risks of the supply chain. In the process of supplier qualification review, we classify supplier selection indicators into three tiers: mandatory indicators, key indicators and reference indicators.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Three-tier indicators for supplier selection

Mandatory indicator	The qualifications and materials supplied by the supplier must comply with the requirements of national laws and regulations. Those do not meet the requirements of this tier will be excluded.
Key indicators	Including technical advancement, quality stability, safety assurance, production safety and environmental protection, etc.
Reference indicator	Supplier's financial status, service capability, industry influence, business reputation, etc.

Procurement Management

Procurement of raw materials	Our raw materials mainly include feed, feed ingredients and veterinary drugs and vaccines. We adopt a centralized procurement strategy, where most of our raw materials are procured in bulk by our headquarters to achieve economies of scale and quality control. Meanwhile, the strategic cooperation framework agreements were entered into with the key partners for terms ranging from six months to two years.
Procurement of feed and feed ingredients	<p>We strictly select high-quality and stable feed and feed ingredients suppliers to control food safety in the upstream process. We have established a supplier admission system and maintained a list of qualified suppliers. We perform preliminary screening, laboratory testing and on-site inspection before admitting a supplier on the list. At the same time, annual performance evaluation is conducted according to the quality and service standards of suppliers.</p> <p>We require feed suppliers to implement the same control standards as our own feed mills, and have a dedicated supervision department to supervise feed suppliers through random inspections and on-site regular inspections, and implement rules and procedures covering all aspects of feed production.</p> <p>A comprehensive ingredients assessment, ingredients acceptance and ingredients processing system has been established. Suppliers are required to provide the required supporting documents for each batch of ingredients delivered, and send samples of ingredients to the factory for inspection and issue test reports.</p> <p>The procurement manager prepares monthly and weekly feed procurement plans, formulates procurement strategies according to the weekly procurement plan and market conditions, and submits procurement applications after conducting price inquiry, price comparison and negotiation with qualified suppliers, and signs procurement contracts after reporting and obtaining approval.</p>
Procurement of veterinary drugs and vaccines	Suppliers of veterinary drugs and vaccines are reviewed annually by the Animal Protection and Procurement Department and the List of Qualified Suppliers is determined. The required products will be purchased from qualified suppliers by means of procurement tenders, and the most cost-effective products will be selected into the Procurement Catalogue. The breeding subsidiaries formulate monthly procurement plans for veterinary drugs and vaccines and submit them to the headquarters for review.

Farm Owner Management

<p>Selection</p>	<ul style="list-style-type: none"> We have established comprehensive assessment criteria to select suitable farm owners. Through understanding the farm owners' financial resources, educational background, reputation and family farm conditions, farm owners are screened based on the criteria including whether they can become farm owners of No. 2 Family Farms by combining the farm owners' knowledge and technical capabilities.
<p>Management</p>	<ul style="list-style-type: none"> The Group closely cooperates with farmers in site selection and farm design, appoints production management personnel to visit family farms on a regular basis to supervise and guide farmers, and check on-site key production processes such as immunisation, mating, farrowing, weaning, sales and output, and define and confirm the number and conditions of pigs. When farm owners report that the pigs are culled or abnormal, the production management specialist will promptly provide feedback on treatment plan, check the pigs on-site, and issue a document for biosafety disposal upon signing and confirmation by the farm owners. We require farm owners to comply with applicable laws and regulations and advocate a compliance culture to farmers. With internal control measures, we support farm owners to ensure compliant operations.
<p>Supervision</p>	<ul style="list-style-type: none"> We maintain close supervision at all stages of farm owners' operations to ensure that they meet our standards. During regular inspections, we check whether the operations of family farms meet the required standards, and evaluate and record the conditions and quantities of the biological assets of family farms. The internal audit department maintains and regularly reviews records of biological assets, including biological assets held on family farms. Standard protocols are in place for all farms and every family farm is required to perform a full stock take on a monthly basis to ensure the relevant data is accurately reflected in our data management system and submit a stock take report to our internal audit department.
<p>Training</p>	<ul style="list-style-type: none"> Large-scale training seminars are held at least four times a year to provide farm owners with training on new production technologies and our management standards. We issue feeding management standards and manuals to farm owners, and assign regional technical administrators to provide small-scale and individual technical tutorial sessions to farm owners. The regional administrators will promptly correct the farm owners who deviate from our standards and report any anomalies.

II ENVIRONMENT: PROTECTING A GREEN FUTURE

The ecological environment provides the foundation for the survival and development of human society. Only by systematically, scientifically and comprehensively carrying out the construction of ecological environmental protection in economic development can we continuously cultivate ecological assets and ecological benefits, and provide continuous momentum for high-quality development. Following the national strategic direction, Dekon had incorporated “carbon peak and carbon neutrality” into our development plan. We adhered to the sustainable development path of ecology first, green and low-carbon, actively responded to the challenges of climate change, and committed to environmentally friendly operation methods. We also adopted professional environmental protection measures to improve our environmental performance. We contributed to building a community of all life on earth and creating a clean and beautiful world.

2.1 Strengthening Environmental Protection

We actively take preventive measures and strengthen environmental protection management and strive to minimize pollution and damage to the environment. We formulate relevant policies, guidelines and manuals, and standardize the environmental protection management system as well as the treatment process and procedures of pollutants and emissions. In 2021, 2022 and 2023, we incurred costs related to environmental protection of RMB184.3 million, RMB97.8 million and RMB85.8 million, respectively.

Environmental Management System

We strictly comply with the Law of People’s Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), the Measures for Public Participation in Environmental Impact Assessment (《環境影響評價公眾參與辦法》), the Classified Management Catalogue for Environmental Impact Assessment of Construction Projects (《建設專案環境影響評價分類管理名錄》) and other relevant laws and regulations, and implement a three-tier environmental protection management system in all regions of the Group. By establishing a three-tier environmental protection management system for regions, subsidiaries and pig farms, we further clarify the environmental protection management goals at all levels, promote the standardization of the Group’s environmental protection management, and improve the environmental protection management level of each region. We further achieve the goals of improving the quality of environmental protection work, increasing environmental protection efforts and maintaining the Group’s sustainable development. We strive to build the Group’s core competitiveness in environmental protection.

Environmental Risk Management

We attach great importance to and pay close attention to the identification and management of environmental-related risks, and effectively control the impact of air, surface water, soil waste, ground water, soil and noise on production and operation activities.

Environmental Risk Management

Key impact on the environment	Monitoring and treatment
Impact on environment in terms of atmosphere	For pollutants such as ammonia (NH ₃) and hydrogen sulphide (H ₂ S) generated from pig houses, through scientific design of diets, EM preparation and dry manure cleaning process, spraying deodorants and greening around the factory area, the emission of pollutants is reduced, and we ensure that the relevant concentration does not exceed the reference limits under Technical Guidelines for Environmental Impact Assessment — Atmospheric Environment (《畜禽糞污土地承載力測算技術指南》).
Impacts on environment in terms of surface water	According to the Technical guidelines for assessment of land elimination capacity to livestock and poultry wastes, the land for consumption of fecal waste is allocated and constructed around each project. For the wastewater generated in the project, solid-liquid separation is conducted through the sewage treatment system, and the treated wastewater is used for greening the project site and irrigation of surrounding areas to realize the reuse of biogas slurry.
Impacts on environment in terms of solid wastes	For the pig manure generated in the project, following dry-wet separation and manual cleaning, pig manure will be transported to the third parties for use as raw materials of organic fertilisers; dead pigs will be treated through innocuous treatment with high-temperature biological fermentation and will be used as agricultural fertilisers.
Impacts on the environment in terms of ground water	We adopt source control, measures to prevent seepage in various areas, monitoring and test of underground water, and emergency response measures, to reduce the impact on underground water. We ensure the indicators meet Class III limit of groundwater in the Standard for Groundwater Quality (《地下水品質標準》) (GB/T14848-2017) through the monitoring and testing conducted by professional institutions.
Impacts on environment in terms of soil	We reduce the impact on soil in the region through reasonable deployment and various measures such as those applied for preventing seepage, monitoring and testing of soil quality by professional institutions, and assessment and monitoring of soil quality are carried out in accordance with the Soil Environmental Quality Risk Control Standard for Soil Contamination of Agricultural Land (《土壤環境品質農用地土壤污染風險管控標準》) (GB15618-2008).
Impacts on environment in terms of noise	Noises will be blocked or reduced by adopting low-noise facilities, conducting regular maintenance, establishing sound-deadening at pig houses and building walls, so as to ensure the noise at the boundary will meet the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境雜訊排放標準》) and minimise the impact on the environment.

Environmental Compliance Performance

We attach great importance to complying with laws and regulations related to environmental protection, including the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Regulations on Administration of Pollutant Discharge Permits (《排污許可管理條例》), the Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) and the Regulations on the Prevention and Control of Pollution from Large-scale Farming of Livestock and Poultry (《畜禽規模養殖污染防治條例》) to ensure our business activities meet the environmental protection requirements.

We engage third-party institutions to prepare environmental impact reports for all of our construction projects in order to identify key environmental issues and environmental impacts, and incorporate comprehensive prevention measures and emergency plans for environmental risks. Approvals and administrative permits from local environmental protection authorities are obtained. By the end of 2023, we have completed and published the environmental impact assessment reports for all our construction projects. The content of environmental impact assessment includes: types and sources of pollution sources, the impact of changes in wastewater, exhaust gas, noise and solid waste on the surrounding environment, the feasibility and reliability of the pollution prevention and control measures taken, solid waste reuse and hazardous waste disposal plans, total pollutant discharge control plan and environmental risk prevention measures and emergency plan.

We also include family farms in our scope of environmental protection management and have implemented environmental protection guidance system for family farms. The system comprehensively manages the environmental impact of family farms in various aspects, including project site selection and layout, management of environmental protection equipment and facilities, daily environmental protection supervision, and environmental protection training and publicity. We designate safety and environmental protection specialists to inspect and guide family farms in relation to safety and environmental protection. If we identify any issues, we may undertake a range of actions including issuing notices of criticism, and ordering the relevant family farms to limit production and rectify the issues within a prescribed period.

2.2 Promoting Green Operation

We attach great importance to energy conservation and environmental protection. We always adhere to the concept of green and low-carbon in the production process and continue to save energy and increase efficiency. We also continuously improve the efficiency of energy and resource use, integrate energy conservation and carbon reduction measures into all levels of production and operation, and accelerate the development of circular economy.

Energy Usage

The growth of our energy consumption mainly comes from the use of electricity and natural gas, while the use of fossil energy such as diesel, gasoline and coal remained stable or showed a downward trend. We plan to achieve a decrease in energy consumption intensity (energy consumption per unit of products produced) by 2.8% from 2022 to 2025. To achieve this target, the Group will continue to improve its energy mix, promote synchronization to the grid with methane-fired generation and accelerate the development of photovoltaic power generation projects in breeding farms.

Indicators	Unit	2023
Natural gas	ten thousand cubic metres	1,518.56
Diesel	tonnes	1,169.03
Gasoline	tonnes	33.37
Power acquired from external parties	thousand MWh	344,076
Intensive farming — Energy consumption	thousand MWh	523,310

Note:

- (1) The above figures only include our intensive farming, which is the Company's self-managed farms under the self-managed farm model.
- (2) Given the large number of our family farms, we have not gathered energy consumption statistics for all of them.

Waste Management

The wastes generated during our operation are mainly manure generated in production, as well as the remains of sick and dead livestock and poultry. We strictly follows the Discharge Standards of Pollutants for Livestock and Poultry Breeding Industry (《畜禽養殖業污染物排放標準》) and other local regulations in the discharge of waste. We actively implement the “planting and farming cycle model” (種養循環模式) and resource utilisation.

We achieve resources utilisation, reduction and ecological disposal of livestock and poultry manure by introducing the advanced biosafety disposal facilities of waste. The model includes, upon meeting the standard, using the purified tail water from animal waste for farmland irrigation; using the manure residue after composting, fermentation and biosafety disposal as fertiliser or raw material of organic fertiliser; processing sick and dead pigs by biosafety disposal, and thereafter putting them together with manure residue for fermentation for transforming such into organic fertiliser.

Indicators	Unit	2023
Livestock and poultry manure	tonnes	134,662
Domestic waste	tonnes	1,079

Note:

- (1) The above figures only include our intensive farming, which is the Company's self-managed farms under the self-managed farm model.
- (2) Given the large number of our family farms, we have not gathered energy consumption statistics for all of them.

Waste Gas Management

Our waste gas emissions, mainly being compound containing sulphur, nitrogen and oxygen and hydrocarbons, primarily come from the malodorous gases generated from pig houses, composting sites and sludge tanks. The Group strictly implements the Regulations on the Prevention and Control of Pollution from Large-scale Farming of Livestock and Poultry (《畜禽規模養殖污染防治條例》), the Discharge Standards of Pollutants for Livestock and Poultry Breeding Industry” (《畜禽養殖業污染物排放標準》), Odour Pollutant Discharge Standard” (《惡臭污染物排放標準》) and other relevant pollutant emission standards and local regulations, and optimise relevant processes and procedures to continuously improve the management of exhaust pollutants and promote the reduction or intensity reduction of exhaust emissions. By controlling the nutritional structure of feed and stocking density, cleaning and ventilating in a timely manner, and spraying deodorants etc., we are able to reduce waste gas emission and the impact of odour on the environment.

Indicators	Unit	2023
SO ₂ emissions	kg	1,787.04
Nitrogen oxide emissions	kg	11,258
Smoke and dust emissions	kg	4,289

Note:

- (1) The above figures only include our intensive farming, which is the Company’s self-managed farms under the self-managed farm model.
- (2) Given the large number of our family farms, we have not gathered energy consumption statistics for all of them.

Water resources management

Our water resources are mainly consumed as drinking water for animals, water for feed processing, water for washing livestock and poultry pens as well as water consumed by employees in factory areas. We have installed individual water meters in each key area to monitor water usage and have taken various water-saving measures starting at the source. All breeding farms are equipped with diversion system that segregates rainwater from wastewater and their sewage treatment system. We use drinking water facilities with water-saving functions to avoid pigs wasting water, adopt high-pressure washing systems at pens to reduce wastewater generation, and enable the recycling of water resources by reusing purified wastewater for wastewater and waste gas treatment process.

For the wastewater generated in the production process, we have established a water quality testing and reporting system to effectively monitor the real-time status of sewage treatment at each site. To ensure normal and stable operation of the sewage treatment system, we regularly test water samples from faecal sewage and the effluent from the sewage system, collect and analyse the data, monitor the real-time status of sewage treatment and make timely adjustments and rectifications. We have full monitoring coverage of all environmental protection zones under the Group and carry out video surveillance of on-site environmental protection treatment to enable real-time monitoring.

In terms of the environmental impact management of biogas slurry irrigation, before returning biogas slurry to agricultural fields for irrigation, we analyse the local environmental conditions, assess the types of local crops and the area of land consumption, and ensure the biogas slurry meets the strict requirements under in the “Discharge Standards of Pollutants for Livestock and Poultry Breeding Industry” (《畜禽養殖業污染物排放標準》), “Farmland Irrigation Water Quality Standards” (《農田灌溉水質標準》) and will not affect the groundwater in irrigation areas. We have also set up monitoring points for groundwater, surface water, and soil around the project and regularly observe the environmental quality around the sites in order to ensure that the operation of biogas slurry returning to the field will not pollute the surrounding environment. We also assess the effectiveness of biogas slurry fertiliser on soil fertility and agricultural planting by analysing the soil nutrient changes.

Indicators	Unit	2023
Waste water discharge	m ³	400,115
COD emissions	tonnes	35.3569
Ammonia nitrogen emissions	m ³	4.4593

Note:

- (1) The above figures only include our intensive farming, which is the Company’s self-managed farms under the self-managed farm model.
- (2) Given the large number of our family farms, we have not gathered energy consumption statistics for all of them.

2.3 Promoting the Planting and Farming Cycle

We advocate the harmonic unity of economic, ecological and social benefits, and continue to create an environmentally friendly and sustainable farming model. Through collectively leasing the idle lands from villagers in the nearby villages and towns, we provide such lands to the villagers in the area to conduct centralized planting. We also provide biogas slurry to villagers to jointly explore and build an ecological circular agricultural technology model combining planting and farming. This allows us to achieve a virtuous planting and farming ecological cycle of breeding pigs, planting rice with manure, and returning manure to the field, in order to reduce the impact on the environment while developing responsible and sustainable industry practices.

As of the end of 2023, we have established planting and farming bases in many regions, including Jiangsu region, Yihu region, Heguang region, northern region etc. We observe the national policy of accelerating the reduction of chemical fertilisers and pesticides to increase efficiency and improve the mechanism of chemical fertilisers and pesticides reduction, and realize resource utilisation by selling fermented dung to organic fertiliser factories. We are also preparing to build our own organic fertiliser factory to further promote the new development of the planting and farming cycle model.

Meanwhile, we select districts and counties that are suitable for the combination of planting and farming to implement the “Hundred Villages and Million Pigs (百村百萬)” project, which serves to break down the barriers between planting and farming, and promote the planting of green vegetables and fruits in areas where family farms are concentrated.

2.4 Addressing Climate Change

We actively practise the concept of sustainable development and pay close attention to relevant national policies and action plans in response to climate change. We actively evaluate the risks and opportunities brought by climate change to the Company's business, carry out greenhouse gas emissions management and promote greenhouse gas emissions reduction. We contribute to cope with climate change and help achieve carbon peak and carbon neutrality.

Climate Risks and Opportunities

We have made an assessment with reference to the recommendations given by the Task Force on Climate-Related Financial Disclosures (TCFD), and has actively identified and assessed the potential impacts of factors associated with climate on current and future periods, which will allow us to take comprehensive actions and measures to enhance our resilience against climate risks.

Types	Climate factors	Descriptions	Duration-extent of impact	Risk mitigation measures
Physical risks	Extreme weather events	Increase in frequency of disastrous weather such as typhoon, rainstorms, snowstorms and drought may cause a disruption of our operation and secondary disasters that result in various incidents such as personal safety and environment pollution.	Medium-high	We pay close attention to early warning of climate events, and prepare emergency plans and specific operating procedures for extreme climate events. We also conduct routine trainings and emergency drills
	Medium- and long-term natural disasters	Medium- and long- term natural disasters such as movements in rainfall and higher average temperature may have impacts on our business continuity and business costs or expenses. For example, control on temperature of a farming unit may cause a change in energy costs or expenses.	Long-term-medium	We track the Survey of Agro-Climatic Resources and Agroclimatic zones of the PRC, and assess the local climate conditions and the foundation of agro planting in planning and development of our new projects.
Transition risks	Demand for energy management and control	Any regional power outage or limiting electricity measures may result in a disruption of our operation or higher investment in transformation of energy facilities and maintaining costs.	Short-term-High	We fully utilise biogas resources around the sites and explore opportunities of developing photovoltaic power generation projects in the farming zones
	Changes in market demand	As the concept of green consumption become popular, some consumers may have increasing demand for ingredients such as plant-based protein, which may have an effect on the sales of our meat products.	Long-term-low	We have been expanding our high-quality food processing business and enhance the layout of our whole food industry chain

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We also pay close attention to the potential opportunities that may be brought about by climate change, including: promoting the reduction of operating costs through measures such as increasing the proportion of clean energy and improving energy efficiency; the impact of climate change on the growing of agricultural products in the northern region, etc.; and emissions reduction and carbon sequestration promoted by government authorities may help better utilisation of the waste from livestock and poultry.

Greenhouse Gas Emission Management

With reference to the Greenhouse Gas Protocol, we classified its greenhouse gas emissions into the following scopes: Scope 1: direct greenhouse gas emissions; Scope 2: Indirect greenhouse gas emissions; and Scope 3: other indirect greenhouse gas emissions.

For direct greenhouse gas emissions (Scope 1), the emissions are mainly generated from burning and emissions of fossil fuels such as gasoline, diesel and natural gas for our consumption. We have been striving to fully utilise the biogas generated from anaerobic reaction during wastewater treatment of livestock manures and wastewater, so as to reduce the use of fossil fuels.

For indirect greenhouse gas emissions (Scope 2), the emissions are mainly generated from the consumption of power acquired from external parties. We attach great importance to energy use efficiency, and have fully identified movements in energy consumption and abnormal fluctuations through statistics and monitoring of energy consumption, thereby managing power consumption and the corresponding indirect greenhouse gas emissions in a reasonable manner.

For other indirect greenhouse gas emissions (Scope 3), the emissions are mainly generated from employee travel, upstream transportation and delivery and downstream transportation and delivery. Due to the difficulty of measurement, we have not made statistics on Scope 3 emissions. We will consider to make statistics and implement control of greenhouse gas emissions (Scope 3) in due course in the future.

Indicators	Unit	2023
Greenhouse gas emissions (Scope 1)	tonnes of CO ₂ equivalent	37,226
Greenhouse gas emissions (Scope 2)	tonnes of CO ₂ equivalent	199,908
Intensive farming — Greenhouse gas emissions	tonnes of CO ₂ equivalent	237,134

Note:

- (1) The above figures only include our intensive farming, which is the Company's self-managed farms under the self-managed farm model.
- (2) Given the large number of our family farms, we have not gathered energy consumption statistics for all of them.

2.5 Safeguarding animal welfare

We place emphasis on animal welfare and are committed to provide a reasonable and humane treatment to animals during our production, from farm design to actual operations. We employ a range of measures to ensure the healthy growth of animals in comfortable environments.

Environmental	Scientific design and construction of breeding farms, increased ventilation and temperature control measures, providing high-quality air for animals, preventing animals from being disturbed by mosquitoes and flies, preventing animals from cold and heatstroke to improve the comfort of the animals. Our policy requires that the living space per pig should be no less than 0.26 m ² and the corresponding temperature and ventilation requirements should be met.
Health	For different strains of pigs and chicken, we reasonably formulate diets that meet their nutritional needs at different growth stages, ensure sufficient and clean drinking water supply and ensure healthy growth of animals. We have good medical equipment for animals, so that sick pigs can be diagnosed and treated in a timely manner without excessive use of drugs, and the pain caused by diseases can be shortened as much as possible.
Behaviour	Our staff and farm owners are strictly forbidden from treating the pigs roughly.
Psychological	Pig houses are equipped with facilities such as chain balls, tires and soil analogues for pigs to play, and we provide appropriate lighting and light music to make pigs feel comfortable.
Slaughtering	At the design stage of the Company's slaughterhouses, we have already fully considered the animal welfare of slaughtered pigs, and use methods such as carbon dioxide stunning and controlling humidity and temperature for humane slaughtering to reduce the pain suffered by animals during the slaughtering process.



2.6 Biodiversity Conservation

We strictly comply with relevant national systems, take biodiversity conservation as an important part of the sustainable development strategy, and strengthen biodiversity risk management.

We are dedicated to the protection and utilisation of local breeds of pigs and yellow-feathered broilers. Among others, we participated in the protection and commercialisation of genetic resources of the Neijiang black pigs and Hechuan black pigs. While backing up pig embryos, protecting breeds and developing the supporting lines for breeds selection, we also explore new pig hybrids by crossbreeding the Neijiang pigs and our own foreign-breeding pig varieties. Meanwhile, we are dedicated to the independent breeding of yellow-feathered broilers. At the same time, at the planning and site selection stage, we follow the principles of not encroaching on forest land, animal habitats and nature reserves, and select sites away from water sources. At the construction stage, we conduct environmental impact assessment according to the law. According to the characteristics of the surrounding environment, we adopt measures such as setting up broad-leaved arbour greening around manure dumps and factory areas and cultivating forage grass around pig houses to reduce the impact on the land and ecological environment.

III SOCIAL: CREATING PROSPERITY AND ABUNDANCE

At Dekon, we believe that corporate development and fulfilling social responsibilities are a two-way empowerment process. We fully respond to the general requirements of the 20th National Congress of the Communist Party of China's report on "improving people's livelihood and well-being, and enhancing people's quality of life". We deepen our corporate responsibility, strictly safeguard food safety and quality, and care for the health and happiness of our staff. We also actively focus on the needs of our staff, participate in community development, and strive to build a pleasant home together with all stakeholders.

3.1 Food Safety and Quality

Based on the industrial chain, supported by leading technologies, and guided by a sound food safety management system and standards, we take food safety culture as the guarantee. We implement the main responsibility of food safety, and ensure food safety throughout the whole chain from farm to table by managing animal health and antibiotics, preventing animal epidemics, and managing product traceability.

Strict Compliance with Food Safety

We strictly abide by the Food Safety Law of the People's Republic of China, the Law of the People's Republic of China on Agricultural Quality and Safety, and other relevant laws and regulations, and regard food safety and quality as our top priority. We continuously improve the level of food safety management to ensure that there are no major safety hazards to consumers. We implement a strict quality control and food management system that fully covers the entire process of all stages of our operations. In 2023, we did not encounter any material food safety incidents.

We aim to maintain food safety with "zero accidents" and "zero recalls". To achieve this goal, we make full use of laboratory resources to conduct food safety testing, actively cooperate with external organisations to conduct product sampling and testing, and strengthen its efforts in training and of our employees on biosafety and food safety.

- *Animal health management*

Animal health management is the key to ensuring food safety. We have taken active prevention and control measures for the outbreak of African Swine Fever and other diseases, purification of major diseases, and food safety enhancement through our biosafety system and related disease purification technologies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Bio security System

Site selection	We develop and implement strict biosecurity specifications, including terrain, separation of clean and unclean roads for entry and exit, distance from dangerous areas, water quality, air quality, distribution and ventilation of the barns. Ecological environment and means of isolation are also considered holistically to ensure that the pig farm has a natural barrier against epidemic.
Factory design	We adopt various advanced concepts in designing our facilities, including that the planning and design of our farms strictly follow the principle of separating the areas of personnel isolation, living, production and environmental protection; the layout of the production sites of our pig farms are well-suited to the production process, which reduces the time and distance for the transfer of pigs during different stages of production; the pig house follows the model of large buildings and small units, which is conducive to cooling in the summer and heat preservation in the winter, facilitating all-in and all-out of units and epidemic prevention and control; and decontamination facilities are installed in each area.
Facility security	We leverage advanced biosecurity facilities and equipment on and off-site to decontaminate materials, personnel and vehicles to intercept risks in advance and reduce the pressure of pig farm prevention and control. We use advanced ventilation and modern environmental control equipment to make the environment control (including air quality and temperature) in the barns more stable and reduce the risk of developing diseases. Due to our rapid expansion in recent years, we enjoy latecomer advantage from the design and construction of our pig farms. A higher degree of modernization of plants and complete sets of equipment, larger scale, more advanced and improved construction enable us to maintain optimal biosecurity conditions.
Staff training	We have a well-established biosecurity training system for all employees to efficiently empower their awareness, skills and sense of responsibility, and provide a strong organisational commitment to disease prevention and control.
Close Supervision	We have formulated a strict and effective biosecurity system and supervision mechanism for livestock and poultry farms to ensure that all personnel, materials, vehicles and livestock and poultry are transported, cleaned, disinfected and isolated in accordance with biosecurity regulations, and we monitor the infection pressure in the areas surrounding the farms in order to detect early warning of infection pressure in the surrounding environment. We have also established a quality traceability system through which we are able to strictly control and monitor the flow of our products along the industry value chain.

- *Management of Use of Antibiotics*

We comply with the relevant laws and regulations in relation to use of antibiotics and comprehensively standardise and control the use of antibiotics in the farming and breeding and production process. We have set clear requirements: before bringing the breeding pigs to the market, all applicable national regulations shall be strictly followed with all required testing of drug residues completed and test reports properly filled. The medicine withdrawal period for antibiotics used in pigs shall be strictly implemented and pigs are not allowed to be sold in the market during the medicine withdrawal period. Banned drugs are prohibited throughout the production process. We conduct residue testing on pig urine to ensure the pigs are free from banned drugs and medicine residue before being released to the market. Only those passed the testing can be sold in the market. For example, according to our policy, there must not be any detectable level of antibiotics in the pigs.

As of the end of 2023, we had 43 laboratories at different levels equipped with advanced instruments and equipment such as fluorescent quantitative PCR instruments and automatic nucleic acid extraction instruments with the capabilities to screen more than 200 parameters. We have designed a pig health test plan based on factors such as region, season and herd structure to facilitate the general research on antigens and antibodies in herd, analysing the pattern of growth and decline of antigens and antibodies and the health of pigs as references for disease prevention and control, and immunisation and health care procedures.

- *Preventing animal diseases*

We are committed to providing safe, high-quality and reliable products and believe that the continuous development of disease purification technology is the key to ensuring safety. Based on the characteristics of our business, we have adopted different biosecurity and quality control measures for pigs and poultry to prevent and control animal diseases and ensure biosecurity.

- *Pig disease prevention management*

In the process of pig farming and production, we have adopted the following strict biosecurity measures and quality control to reduce the risk of disease introduction and spread and to ensure the health and quality of pigs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Biosecurity measures for pigs

Site selection of pig farms	We develop and implement strict biosecurity specifications for pig farm site selection, including terrain, separation of roads for entry and exit, and straight-line distance from dangerous areas (other farms, slaughter plants, biosafety disposal areas, garbage dumps, public roads).
Equipment and personnel protection	We adopt a four-level decontamination circle outside the pig farm, including (i) first-level decontamination at the initial cleaning point/food material disinfection point, (ii) second-level decontamination at the standard decontamination centre/pre-storehouse/off-site personnel isolation point, (iii) third-level decontamination at the pre-disinfection point of the pig farm, and (iv) fourth-level decontamination at the gate of the pig farm. We also adopt the five-level protection circle inside the farm with decontamination points at isolation area, living area, production area, pig house, and environmental protection and biosafety disposal area to ensure strict disinfection and isolation management and the one-way biosecurity flow of people, vehicles, logistics, pigs, etc. Both our own farms and family farms are equipped with multiple peripheral and internal biosecurity equipment.
Infection stress testing	We monitor the infection stress testing in the areas surrounding the pig farms in order to detect early warning of infection risk in the surrounding environment. Through real-time tracking and investigation of the disease of pig farms and farm owners in areas surrounding our pig farms, virus detection and monitoring of personnel, vehicles, and materials on the pig farms, we comprehensively assess the risk of infections and make adjustments to the biological safety level according to the assessment results and prepare an early warning plan for epidemic prevention and control.
Disease control measures	We closely monitor animal disease outbreak on our farms and family farms and have developed various disease cleansing programmes in response to reports of disease outbreaks. We implement strict biosecurity measures and promptly eliminate diseased animals once identified. We also divide our pigs and broilers into smaller groups during farming process to prevent the spread of the disease.

The key to pig herd management lies in isolation and purification of breeding pigs. We formulate corresponding purification plans for our pig farms based on local investigations of different diseases, adopt strict biological safety measures, immune preventive measures, pathogenic testing, immune antibody monitoring, and achieve disease purification by weeding out infected animals and through separate breeding of separate herds.

We have designed and deployed a laboratory system based on the regional distribution of our pig farms. Laboratories are assigned different levels based on their functions, and there are standards for the construction and operation of laboratories at each level. Laboratories are equipped with pathology, serology and other detection technologies. We formulate a pig herd health monitoring plan for different pig herds to monitor the overall antibody level and pathogen prevalence of the pig herd.

- *Poultry disease prevention management*

In the poultry production process, we have adopted the following strict biosecurity and quality control measures to reduce the risk of disease introduction and spread, and to ensure the health and quality of the chicken flock.

Biosecurity measures for poultry

<p>Site selection and planning of breeding farms</p>	<p>We start with site selection to perform a comprehensive assessment of the chicken flocks, including water quality assessment, air assessment, and pathogen infection risk assessment. In terms of chicken house construction, we strictly follow: (i) bio-safety requirements, which include measures that impede the spread of pathogenic microorganisms, (ii) allocation of chicken houses based on the feeding requirements of small, medium, and large chickens or chicken flocks of different breeds, and (iii) orientation of chicken houses to ensure good ventilation and other aspects in planning and construction.</p>
<p>Environmental control</p>	<p>We comprehensively upgrade the environmental control equipment of the chicken house to stabilise air quality and temperature in the chicken house and reduce the risk of disease. In particular, we carried out a comprehensive environmental control transformation of the hatchery, and the slight adjustment of various parameters allows us to create a stable incubation environment, which plays a very important role in the stability of the quality of the chicks. We monitor the microorganisms in the hatchery environment every month to prevent pathogenic bacteria from being brought into the broiler farms and reduce the incidence of diseases. We also strengthen water quality management and purification by sampling the amount of microorganisms in water against benchmarks every month to prevent pathogenic bacteria from passing through orally to chickens. We perform cleaning of the weeds around the chicken house regularly and strictly prohibit littering of vaccine bottles, dead chickens, and garbage.</p>
<p>Immunisation management</p>	<p>We formulate immunisation procedures according to different seasons and regions and strictly manage immunisation operations to ensure that vaccine immunisation is in place. Meanwhile, we established a laboratory for each subsidiary to monitor antibodies and evaluate the effectiveness of immunity.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<p>Management systems for personnel and disinfection</p>	<p>Pursuant to our Management Measures on Poultry Farm Epidemic Prevention, we implement strict disinfection management measures, personnel and vehicle management, medication management, isolation, broiler sales management, and biosafety management. Specialised personnel are designated to conduct inspections on each subsidiary every month to ensure strict compliance with the standards. In terms of disinfection, we have specialists who evaluate various disinfection procedures and optimise the disinfection procedures to ensure effective disinfection.</p>
<p>Other control measures</p>	<p>We strictly prohibit bringing any non-local poultry products into the chicken breeder farm. It is strictly forbidden to visit the chicken houses at will, especially the management personnel responsible for the diseased chicken flock. In principle, the arrangement of all personnel should be carried out in the order from small chicken, medium chicken, to big chicken. If there are arrangements to check sick chicken, healthy chickens shall be checked before the sick chickens.</p>

Starting from healthy chicks, we are committed to reducing the level of germ-derived disease pathogens in our chicks, such as leukaemia, salmonella, mycoplasma, etc. The positive rate of leukaemia pathogens and salmonella in our chicks has reached a very low level. In 2023, there had been no material animal disease outbreak in our self-operated and family farms for poultries.

- *Poultry medicine residue monitoring*

We strictly implement the medicine withdrawal period management system. All chickens must reach the medicine withdrawal period before sampling for medicine residue testing. We have established a special medicine residue testing system that regularly trains and evaluates the execution of testing personnel to ensure the accuracy of execution and stability of testing. In addition, we pay close attention to the updates of residue detection methods and projects from relevant government departments and the industry, and update our medicine residue detection methods in a timely manner. The staff of our production department must provide the medicine residue test report, the status of the medicine withdrawal period of the chickens, the status of the feed withdrawal period, and the sales staff may market the chickens only after all the criteria are met.

Product Traceability Management

We have established a traceability system for breeding pigs, market hogs, market piglets, yellow-feathered chicks and broilers, which helps us track the product flow and the detailed product information of downstream customers. We can trace the use and the suppliers of procured chicks, feed, vaccine and medicines via the information system.

3.2 Respect and protection of staff

We always firmly believe that staff plays an important role in the long-term development of the Company. We are committed to effectively protecting the rights and interests of staff in terms of recruitment, remuneration and benefits, communication, etc., creating a corporate culture of respect, equality, inclusiveness and diversity, and promoting the common development of staff and the Company. As of the end of 2023, we had 9,854 staff.

Compliant Employment

We strictly comply with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Labour Union Law of the People's Republic of China (《中華人民共和國工會法》) and other laws and regulations. Our Recruitment Management Regulations (《招聘管理辦法》) expressly stipulates that it is prohibited to hire personnel under the age of 18. The true age of employees shall be verified through information verification during the on-boarding process; forced labour and any form of discrimination (including but not limited to gender, ethnicity and religion factors) are prohibited. In the recruitment process, we adhere to the principle of gender equality, prohibits discrimination against women, focus on the work ability of candidates, rather than factors such as gender, age, education background, and widely accepts school recruitment and social recruitment to recruit employees from different schools and with different educational backgrounds, to enhance the diversity of talents. The company adopts a zero-tolerance attitude towards any form of child labour and forced labour. If we find any irregularities in employment, we will immediately report them to the relevant authorities and terminate the employment relationship of such persons, and at the same time, we will review and sort out our internal management processes.

Indicators	Unit	2023
Total number of employees	Persons	9,854
Male employees	Persons	6,897
Female employees	Persons	2,957
Employees aged 18–29	%	42.9
Employees aged 30–49	%	47.8
Employees aged 50 and above	%	9.3
Proportion of employees with associate degree	%	31.7
Proportion of employees with bachelor's degree	%	18.2
Proportion of employees with master's degree	%	2.1
Total number of new hires	Persons	3,521
Employee turnover rate	%	17.77
Turnover rate of male employees	%	17.35
Turnover rate of female employees	%	18.72
Turnover rate of senior management	%	0
Turnover rate of mid-level management	%	4.18
Turnover rate of other employees	%	18.26

Remuneration and benefits

Employee remuneration package includes salary, bonus and allowance. We participate in social insurance schemes operated by relevant local government authorities and maintain mandatory pension contribution schemes, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for employees. We also pay housing provident fund contributions for our employees. We also purchased supplementary accidental injury insurance for employees, which contains critical illness insurance with an insured amount of RMB100,000. For disabled employees, we arrange work tasks in cleaning, security, market research, etc. according to their characteristics.

We have formulated the “Dekon Zong Ren Zi [2020] No. 27 staff Welfare System (Trial Implementation)” (《德康總人字〔2020〕27號員工福利制度(試運行)》), and established an employee incentive system covering the short, medium and long term, providing annual profit sharing plans, stock incentive plans, etc., to maximise the initiative, enthusiasm and creativity of all employees. At the same time, we organised staff team building activities, cultural and sports activities in various places, and built basketball courts, billiards, gyms, KTV and other facilities in the field area for employees’ workout and entertainment. We encourage employees to focus on work-life balance.

Staff Communication

We have established a comprehensive complaint and whistle-blowing channel, for anyone who finds any violations of our employment practice to report the same through various methods such as telephone and email. We will also assess the compliance of employment policies through daily supervision by labour unions, regular audit inspections and human resources inspections. We conducted an anonymous survey on organisational climate every July through the system, to understand and analyse the various needs of employees by asking 38 questions in eight major aspects, and urge the relevant group companies to rectify the confirmed problems.

Employee Grievance Channel

- DingTalk, WeChat and OA to reach corresponding leaders’
- Audit hotline: 028-81512102
- Lodging complaints at the headquarters in person
- By post
- Email: dekangsj@dekanggroup.com

3.3 Occupational Safety and Health

We follow the principle of “prioritising safety, emphasising prevention and managing comprehensively”, firmly establish the concept of “people-oriented and safe development”, and strictly comply with the establishment of work safety management and control procedures. We have established standards and procedures on work safety management and a comprehensive occupational health and safety management system. We continuously improve our work safety performance to prevent and reduce the occurrence of accidents to safeguard the safety and health of our personnel along with the orderly production and operation. In 2021, 2022 and 2023, we invested RMB29.6 million, RMB35 million and RMB21.8 million, respectively, in safety production.

Work Safety Management System

In order to further strengthen the Group's work safety management, we standardise the organisational structure of work safety management, improve the work safety management mechanism and implement the work safety management responsibilities. We seriously carry out the investigation and management of hidden dangers of work safety to reduce and eliminate the occurrence of various safety accidents. In accordance with the principles of "the one who is in charge is accountable", "dual responsibilities for one post and joint management" and "safety management must be in place for production management", the Group's headquarters has set up a work safety management committee and each regional company has set up a work safety leading group to take full responsibility for the Group's work safety management.

Safety Risk and Management

We have identified the safety risks in the production and operation process, including fire, poisoning and suffocation, electric shock, vehicle injury, pig bites, falls, slips, and other injuries. In response to the above-mentioned risks, we have established a mechanism for safety hazard screening, which involves monthly safety inspections on breeding farms, safety hazard checks at each farm and monitoring of rectification progress on safety hazards. In order to standardise the management of safety incidents, reporting and assessment, we have established a set of standards to classify safety accidents into four severity levels. The disciplinary actions, such as penalties and year-end bonus deductions, against the directly responsible person, responsible management, and responsible leader are determined based on the severity of the accidents.

For family farms, we require family farms to develop reasonable production plans and safety production systems under the premise of ensuring safety, to stop acts that violate safety production systems, regulations, and safety technical procedures. We have assigned a specific person in charge of supervising and inspecting unsafe factors in the farming process of the family farms and urging the family farms to rectify the problems found in a timely manner. At the same time, the person in charge provides daily safety production education and training, conducts safety inspection, hidden danger rectification and other management work.

We require new recruits to pass a three-level safety training and learning assessment before they commence work. For existing employees, we provide production safety training and learning opportunities to ensure that they are equipped with the knowledge and skills required for safe operation, emergency rescue and contingency response.

Work safety accident management

We attach great importance to the management of work safety accidents, and have established a production safety leading group and local execution subgroups to enhance the management and implementation of production safety across various levels in relation to safety management mechanism, safety inspection, workplace safety measures, hidden danger identification and rectification, safety training and staff health management at all levels to avoid work safety accidents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to respond to unexpected incidents of work safety accidents of employees in a timely manner, we have formulated corresponding emergency handling procedures. If an accident occurs, we will deal with it as soon as possible and conduct investigation in a timely manner. While all matters have been handled with utmost care after the passing of the respective personnel, we have also conducted a thorough reform on the factors of occupational hazards.

Indicators	Unit	2023
Number of work-related fatalities	Persons	0
Number of employees with work-related injuries	Persons	36
Number of lost days	days	1,192

3.4 Talent Training and Development

We attach great importance to the sustainable development of employees. We improve the training and promotion mechanism, and provide multi-dimensional support for employees at different career stages to help realise their career dreams and achieve extraordinary life.

We attach great importance to the career development of employees. We have set up a dual-channel development path of management and professionalism, and strengthened the construction of talent echelon to promote the succession plan of cadres at all levels so as to maximise the initiative, enthusiasm and creativity of all employees. In 2023, 1,105 staff were promoted (including job and rank promotion), with 75.38% male and 24.62% female.

Talent Development Path

Management Path	The preliminary opinions are mainly given through candidates answering questions, nomination and other methods, and then according to the division of powers and responsibilities, the appointment will be granted after the AT resolution at the corresponding level (the main responsibilities of the AT organisation are discussing the people and incentives). After the probation period of 1–3 months, the salary may be adjusted.
Professional Path	Matching qualifications helps staff to grow. When the qualification is met, the staff can be promoted to a suitable position through answering questions, nomination and other methods. After promotion, there will be a probation period of 1–3 months, and the salary can be adjusted after the probation period (currently mainly implemented by the pig business department). Other business divisions and headquarters of the Group are mainly conducted through competitive recruitment.
Cadres Succession	We will increase efforts in echelon building, take the succession plan of cadres as the lead and promote the succession plan of cadres at all levels. Qualified reserve echelons are required to reach at least 1: 2. At the same time, through job rotation and burden-bearing, we promote the long-and Z-shaped cadre selection and development path, and cultivate the compound ability of cadres. Eventually, we can also reduce the organisation's dependence on capable staff and strengthen the safety of the Company's operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We also place great importance on talent training. We provide continuing education and training programmes to employees to improve their skills and develop their potential in order to help them achieve career development and hold key positions in the future. As of the end of 2023, we had sponsored over 130 visits for our employees to participate in exchanges of technology and experience related to agriculture and animal husbandry.

Our Training System

Formulate training system and process	The Company has systems such as the Internal Trainer System (《內訓師制度》), the Training Management Standards (《培訓管理標準》) and the Dekon External Learning Application (《德康外派學習申請》), as well as supporting online forms and processes
Formulate training plans	In November each year, the training institute will formulate targeted training plans after interviews with the employing departments, and plan various training programmes and budget for the coming year in advance;
Develop a series of exclusive courses	A series of exclusive courses such as Corporate Culture, General System, Professional Literacy, Production Skills, Professional Knowledge and General Management Ability were developed for different training programmes for all levels such as newcomers, lower cadres, middle cadres and senior cadres through a combination of internal development + domestic and foreign excellent external brain + external courses, forming a unique 512 training system of Dekon, and a series of classic training programmes such as “Coach Workshop”, “Field Leader Training Camp”, “General Manager Training Camp” and “Star Gathering” were carried out
Configured a dedicated training team	Appointing full-time training teachers to be responsible for the overall operation of training projects, building an internal trainer system to ensure the qualifications of teaching staff, and large-scale projects will be assisted by teacher temporarily assigned from branches to carry out specific training projects
Dedicated personnel to track training status	Dedicated personnel regularly track the implementation of each training project, supervise the implementation of various training projects and follow up the achievement of various online learning objectives

Case

Cultivating special talents and building a sophisticated veterinary team



We took the health protection and improvement of the pigs as our strategic goal. We established a three-level veterinary system, clarified the key professional skills and general requirements of veterinary path, and provided the growth direction for the veterinary team staff by improving relevant qualifications, job descriptions, performance appraisal, salary standards and personnel evaluation mechanisms. Based on the competency requirements of veterinarians at different levels, we have

systematically and comprehensively designed a talent training model to effectively ensure that veterinarians are proficient in skills through a combination of theory and practice, and cultivate veterinarians of technical management through a combination of technical and quality capability training.

- **Professional training:** We carried out a series of courses on the prevention and control of “African swine fever”, systematic prevention and control of diarrhoea and immunisation, basic knowledge of blue-ear disease, prevention and control of common bacterial diseases, theory and practice of clinical medication, interpretation of monitoring plans and testing reports, and theoretical basic training on biosecurity.
- **Practical exercises:** Carry out on-site teaching training on the prevention of “African swine fever” drills and abnormal treatment, the prevention, control and treatment of blue-ear disease, the abnormal treatment of diarrhoea, the treatment of key bacterial diseases and other major diseases.
- **Internal sharing:** Make full use of industry resources and expert resources to flexibly formulate systematic courses based on the needs of veterinary positions and development direction; Set up cascade training, promote level by level, and mobilise the learning enthusiasm of veterinarians; Organise internal training and thematic self-study for veterinarians to encourage team members to share knowledge and excellent resource teams.

Relying on this training mechanism, we have established a team of young veterinarians who are equipped with advanced pig health management concepts and are technically competent and willing to deeply cultivate the agricultural and livestock industry. As of the end of 2023, we have trained more than 60 elite members in the animal husbandry industry, including 39 master’s degree holders, 2 senior veterinarians, 11 intermediate veterinarians and 15 technical cadres.



Staff Training at Dekon

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Adhering to the spirit of “complementary advantages, common development, mutual benefit and honest cooperation”, we have established strategic cooperation with more than 20 universities and scientific research institutions such as Huazhong Agricultural University, Northwest University of Agriculture and Forestry and Sichuan Agricultural University. We cooperated with them to carry out strategic cooperation in educating people, realise the organic combination of teaching and production, strengthen the knowledge of the profession, effectively promote the development of students’ off-campus and social practice activities, and help cultivate compound talents with high professional practice capabilities.

Indicators	Unit	2023
Number of training programs conducted	Number	2,860
Total employee training participation	Person-time	101,028
Training participation rate of employees	%	100%
Training participation rate of male employees	%	100%
Training participation rate of female employees	%	100%
Training participation rate of senior management staff	%	100%
Training participation rate of mid-level management staff	%	100%
Training participation rate of grassroots employees	%	100%
Average training hours of employees	Hours	124.93
Average training hours of male employees	Hours	126.73
Average training hours of female employees	Hours	120.75
Average training hours of senior management staff	Hours	105.15
Average training hours of mid-level management staff	Hours	174.53
Average training hours of other employees	Hours	122.91

3.5 Public welfare and community contribution

While continuously developing our business, we continue to pay attention to social needs. We insist on benefiting people's livelihood with development results, give back to the society with practical actions, and actively give full play to our business advantages and social responsibility to help more people in need.

<p>In Inner Mongolia</p>	<p>On 18 October 2023, Keyouqianqi Dekon(科右前旗德康) donated RMB510,000 to Habulin School (哈布林學校) and Shumugou School (樹木溝學校) for the construction of walls and the renovation of pipe networks to improve the conditions of the two schools.</p> 
<p>In Guizhou</p>	<p>On 10 September 2022, Songtao Dekang carried out the Golden Autumn Student Aid Activity. The representatives of staff learned about the students' learning and family situation in detail, and also learned about them through home visits. They provided financial aid of RMB112,040 to eight local students, and distributed daily necessities such as oil, rice and pork to students.</p> 

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HONG KONG STOCK EXCHANGE “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Index
A. Environmental		
Aspect A1: Emissions	<p>General Disclosure</p> <p>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.</p>	2.1 Strengthening Environmental Protection
KPI A1.1	The types of emissions and respective emissions data.	2.2 Promoting Green Operation
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.4 Addressing Climate Change
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.2 Promoting Green Operation
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.2 Promoting Green Operation
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	ESG Strategy and Management; 2.2 Promoting Green Operation
KPI 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.	2.2 Promoting Green Operation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Index
Aspect A2: Use of Resources	General Disclosure	2.2 Promoting Green Operation
	Policies on the efficient use of resources, including energy, water and other raw materials.	
	KPI 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). 2.2 Promoting Green Operation
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility). 2.2 Promoting Green Operation
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them. 2.2 Promoting Green Operation
	KPI 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. 2.2 Promoting Green Operation
Aspect A3: The Environment and Natural Resources	General Disclosure	2.2 Promoting Green Operation
	Policies on minimising the issuer's significant impacts on the environment and natural resources.	2.1 Strengthening Environmental Protection
Aspect A4: Climate Change	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. 2.1 Strengthening Environmental Protection
	General Disclosure	2.4 Addressing Climate Change
	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. 2.4 Addressing Climate Change

Subject Areas, Aspects, General Disclosures and KPIs

Disclosure Index

B. Social

Employment and Labour Practices

Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.2 Respect and protection of staff
	KPI B1.1 Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	3.2 Respect and protection of staff
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	3.2 Respect and protection of staff
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.3 Safety and occupational health
	KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.3 Safety and occupational health
	KPI B2.2 Lost days due to work injury.	3.3 Safety and occupational health
	KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.3 Safety and occupational health

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Index
Aspect B3: Development and Training	General Disclosure	3.4 Talent Training and Development
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
	KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.4 Talent Training and Development
	KPI B3.2 The average training hours completed per employee by gender and employee category.	3.4 Talent Training and Development
Aspect B4: Labour Standards	General Disclosure	3.2 Respect and protection of staff
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	3.2 Respect and protection of staff
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	3.2 Respect and protection of staff
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure	1.5 Value Chain Management
	Policies on managing environmental and social risks of the supply chain.	
	KPI B5.1 Number of suppliers by geographical region.	1.5 Value Chain Management
	KPI 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.	1.5 Value Chain Management
	KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	1.5 Value Chain Management
	KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	1.5 Value Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Index	
Aspect B6: Product Responsibility	General Disclosure	3.1 Food Safety and Quality	
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not applicable
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.3 Integrity and compliance operation
	KPI B6.4	Description of quality assurance process and recall procedures.	3.1 Food Safety and Quality
Aspect B7: Anti-corruption	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Not applicable
	General Disclosure	1.3 Integrity and compliance operation	
	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.		
	KPI 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.	1.3 Integrity and compliance operation
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.3 Integrity and compliance operation
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	1.3 Integrity and compliance operation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Index
Community		
Aspect B8: Community Investment	<p>General Disclosure</p> <p>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.</p>	3.5 Public welfare and community contribution
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	3.5 Public welfare and community contribution
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	3.5 Public welfare and community contribution

READERS' FEEDBACK

Thank you for reading this Report. In order to continuously improve the preparation of the report, we particularly hope to listen to your opinions and suggestions. Please complete the relevant questions in the feedback form and send us via:

Email: IR@dekanggroup.com

Tel: 028-62588308

Personal information

Name:

Work unit:

Position:

Contact number:

Fax:

Email:

Selection questions (Please click ✓ in the corresponding position)

Option	Very good	Good	Fair	Poor	Very poor
1. The Report reflects our significant economic, social and environmental impacts in a comprehensive and accurate manner	<input type="checkbox"/>				
2. The Report responds to and discloses issues of concern to stakeholders	<input type="checkbox"/>				
3. Information, indicators and data disclosed in the Report are clear, accurate and complete	<input type="checkbox"/>				
4. Readability of the Report, i.e. the logic main line, content design, language and text, and layout design of the Report	<input type="checkbox"/>				

Open questions

1. What other information you need to know is not reflected in this report?
2. What are your suggestions for us to prepare ESG reports in the future?

Thank you for your care and support for Dekon!





四川德康農牧食品集團股份有限公司
DEKON FOOD AND AGRICULTURE GROUP