



China Youran Dairy Group Limited

中國優然牧業集團有限公司

(A limited company incorporated in the Cayman Islands)

Stock code : 9858.HK



2023

Environmental, Social and Governance Report

Contents

About This Report	03
Chairman's Message	05
Board Statement	07

ABOUT YOURAN DAIRY

Company Profile	08
Corporate Milestones	09
Corporate Culture	11
Core Strategies	12
Business Philosophy	12
Corporate Honors on Sustainability	13
Sustainable Development Strategy	15
Sustainable Development Management	17
Communications with Stakeholders	17
Identification of Material Issues	19

01

SOUND OPERATIONS WITH SMART ESCORTS

Corporate Governance	23
Risk Management and Internal Risk Control	26
Business Ethics	29
Intelligent Operation	32

02

UPHOLDING RESPONSIBILITY AND PURSUING EXCELLENCE IN QUALITY

Ensuring Product Quality Excellence	43
Specialized Product Innovation	53
Animal Welfare Protection	59

03

GREEN DEVELOPMENT AND HARMONIOUS COEXISTENCE

Adhering to Green Operation	65
Responding to Climate Change	82
Building Low-carbon Recycling Dairy Farms	97

04

REMAINING PEOPLE-ORIENTED AND CREATING A BRIGHTER FUTURE TOGETHER

Safeguarding Employees' Rights and Interests	102
Increasing Care for Employees	105
Build a Platform for Employee Growth	108
Ensuring Occupational Health and Safety	115

05

COLLABORATING AND FORGING AHEAD WITH PARTNERS

Creating Sustainable Supply Chain	127
Practicing Corporate Citizenship	134

Future Outlook	138
Independent Assurance Report	139
Greenhouse Gases Verification Report	145
Appendix: ESG INDEX	147



About This Report

Reporting Scope

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

Reporting Cycle

This is an annual report. The reporting period is from January 1, 2023 to December 31, 2023 (the “**Reporting Period**”). To make this report more comparable and forward looking, some of its contents may be beyond the above Reporting Period.

Basis of Preparation

This report is prepared in accordance with the Environmental, Social and Governance (“**ESG**”) Reporting Guide (the “**ESG Guide**”) under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and with reference to the GRI Sustainability Reporting Standards issued by the Global Sustainability Standards Board (“**GSSB**”), the S&P Global Corporate Sustainability Assessment and the MSCI (formerly known as Morgan Stanley Capital International) ESG Rating. The response to climate change is partly based on the recommendations provided by the Task Force on Climate-related Financial Disclosures (“**TCFD**”), the Guidance on Climate Disclosures of The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”), and the IFRS Sustainability Disclosure Standards.

Reporting Principles

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

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

Data Explanation

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

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

Form of Publication

This report is published in electronic form. The electronic version can be downloaded on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Group: https://www.yourandairy.com/zh/info_5.html).

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Chairman's Message



Chairman of the Board
Wu Xiang

The past year has continued to celebrate our renewed performances.

Ushering in the overall implementation of the spirit of the 20th CPC National Congress, 2023 has been a critical year when China focused on “promoting development and revitalization while holding the bottom line” catering to the goal of developing into an agricultural power, and also a significant year when Youran Dairy stayed true to its original aspiration, seized the opportunity and took steady strides towards the goal of achieving comprehensive sustainable development. During the year, under the guidance of General Secretary Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, we have implemented the new development concept, and tapped into both internal and external development potential following the relevant policies of “rural revitalization” and “dairy industry revitalization”. By making full use of the technology, platform, market, talents and industrial chain, we keep making endless contributions to the high-quality development of China’s animal husbandry and agricultural modernization. The year 2023 marks our growth in many aspects: in the raw milk business, the average milk yield per milkable cow (excluding Jerseys) recorded a year-on-year growth of 5.3%, and the feed business witnessed a steady growth, of which concentrated feed recorded sales volume of 924,000 tonnes.

Stable operation with excellent corporate development through technological empowerment.

Upholding the vision of “Leading China’s Dairy Farming Industry to March Forward to the Most Trustworthy World-class Dairy Farming Technology Group”, the Group sticks to its business ethics, and pursues a more transparent, standardized and effective corporate governance, so as to promote prudent operations based on sound internal control. Aimed at “leading the digital development of the global dairy farming industry”, the Group has prepared a master strategy for digital transformation that is oriented to upgrading the development of the industry chain, based on value creation and centered on user experience, and has built a trustworthy and sustainable service platform for the industry chain, to drive business upgrades and empower the high-quality development of the industry chain with technology.

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

Adhering to the mission of “creating the source power of human healthy life by its high-quality products”, the Group has built a business model of coordinated development of the industry chain, and implemented full-chain quality management, and focuses on product innovation, and the provision of excellent products and services. In 2023, under the guidance of the “3210 Quality Management Strategy”, Youran Dairy keeps iterating and upgrading its quality management system, and obtaining certifications under management systems such as SQF (Safe Quality Food), ISO 9001 (Quality Management System), ISO 22000 (Food Safety Management System), China GAP (China Good Agricultural Practices) and so on. The Group has become the first comprehensive animal husbandry and feed processing enterprise in China that passes the SQF system audit, and won the Excellent Dairy Processing Enterprise in 2023, and the Chairman Quality Award of Inner Mongolia Autonomous Region for 2023, laying a sound foundation for the positive cycle of “good breeding of good cows, good feed to raise good cows, and good cows to produce good milk”.

Thriving by going green to orient the industrial chain towards green sustainable development.

The Group always adheres to the concept of green sustainable development and firmly sticks to the path of high-quality development oriented to the policy of prioritizing ecological and green development. The Group soundly implements China’s Action Plan for Carbon Peaking and Carbon Neutrality, and the Eight Core Measures for Emission Reduction, for carbon neutrality, promotes the research and application of comprehensive technologies on carbon neutrality and carbon emission reduction in the breeding process on scaled dairy farms, and makes positive attempts in green and low-carbon development models such as “PV supplement in dairy farms”, and “integration of planting and breeding”, to lead the industry chain onto a new path of sustainable development featuring green innovation, ecological balance, and low-carbon recycling, so as to contribute to a bright future of “thriving industry while sustaining priceless green hills”.

Remaining people-oriented, to foster the core driving force for efficient development.

The Group always regards talents as the essential driving force for efficient corporate development, and adopts “building an efficient talent supply chain” as the core of its talent strategy. The Group attaches great importance to protecting its employee’s rights and interests, keeps upgrading care and welfare for them, and always strives to improve employees’ diversity. By virtue of a multi-level talent training mode, it supports its employees in personal growth, and aligns their personal values with corporate development, and builds a corporate ecosystem that continuously attracts, cultivates and retains outstanding talents, in order to work together towards excellent values and a bright future.

Making great determination and united efforts, to contribute to a sustainable future for the animal husbandry.

The Group undertakes the sacred mission of revitalizing the dairy industry, the seed industry, and the countryside, and joins hands with partners in the industry chain, to usher in a new era of sustainable development by pursuing lofty ambition. We persist in the strategic pivot of sustainable agriculture and sustainable supply chain, integrate the concept of responsible operation into our lifeline, and interact with the industrial ecosystem to cooperate and seek common development, thus protecting the Earth with practical actions, promoting social welfare, and creating a green, harmonious, and win-win future.

We set sail with favorable wind, and ride on the crest of the waves forward. In 2024, we will keep working hard and making utmost efforts, while sticking to the core values of “Excellence, Undertaking, Innovation, Win-win, and Respect”. We will further consolidate our strategic confidence, form strategic synergy, facilitate opening up and cooperation, pursue mutual benefit and win-win results, and continue to play the role of demonstration and leadership in the industry chain, compose “Youran’s Story” along the cause of realizing sustainable development, and strive to “Lead China’s Dairy Farming Industry to March Forward to the Most Trustworthy World-class Dairy Farming Technology Group”.

in the raw milk business, the average milk yield per milkable cow (excluding Jerseys) recorded a year-on-year growth of

5.3%

concentrated feed recorded sales of

924,000 tonnes



Board Statement

The Board strictly complies with the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Appendix C1 to the Listing Rules, the ESG Guide and other requirements to proactively establish an effective ESG system, management process and information disclosure measures, which ensured our sustainable development work carrying out in an orderly manner.

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



About Youran Dairy

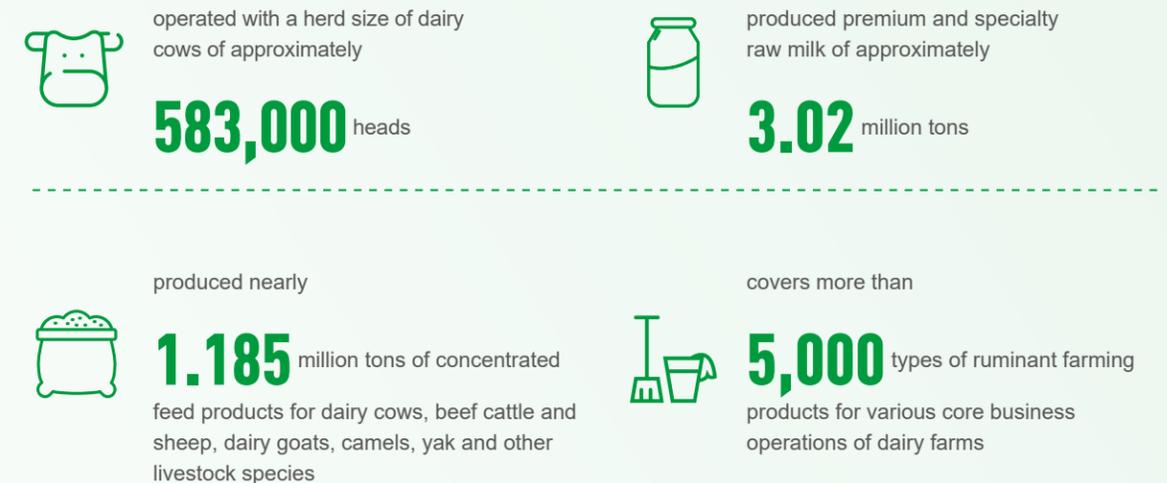
Company Profile

The Company was listed on the Main Board of the Hong Kong Stock Exchange on June 18, 2021 (stock code: 9858.HK). The Group is a leader in China’s upstream dairy market with business covering the entire upstream dairy industry chain from breeding to feed to raw milk production, and has achieved a leading position in all business segments..

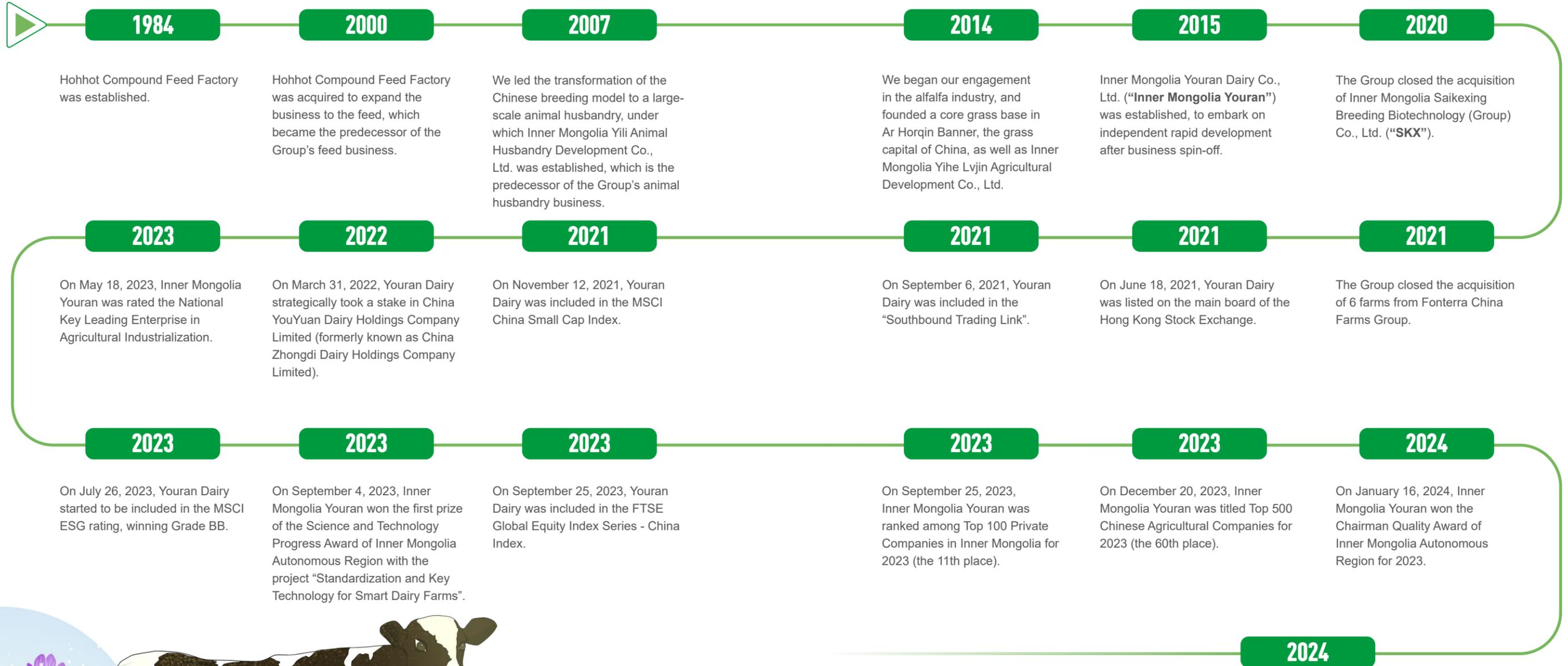
As of December 31, 2023, the Group operated 91 large-scale modern dairy farms, 15 feed mills, 15 forage grass plantation bases, 3 world-leading dairy cow key breeding bases and an online dairy farming industry chain platform “*Jumuc.com*”, with a herd size of dairy cows of approximately 583,000 heads. For the year ended December 31, 2023, the Group’s production of premium raw milk and specialty raw milk was approximately 3.02 million tons, with the specialty raw milk now including goat milk in addition to Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk and organic Jersey milk, etc. During the Reporting Period, some of the Group’s dairy goats have started lambing, which will further enrich the Group’s supply matrix with specialty raw milk once production and operation are well underway. The Group produces nearly 1.185 million tons of concentrated feed products for dairy cows, beef cattle and sheep, dairy goats, camels, yaks and other livestock species. Through its online platform and 27 offline pick-up stores, the Group covers more than 5,000 types of ruminant farming products for various core business operations of dairy farms. The sales volume of the Group’s breeding products, such as common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high quality dairy cows and beef cow amounted to 1,369,000 straws/units, of which the sales volume of embryos increased by 270.0% as compared with that in 2022, making us one of the dairy breeding enterprises in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.

The Group will comprehensively enhance its technological value and aspire to lead China’s dairy farming industry in terms of quality development, and is committed to manufacturing and offering high-quality products, technologies and services, as well as improving its comprehensive competitiveness, repaying customers and Shareholders with superior products and excellent performance for their support for the Group, and continuously contributing to the health, low-carbon and sustainable development of China’s dairy industry.

As of December 31, 2023/During the Reporting Period, the Group



Corporate Milestones



Corporate Culture



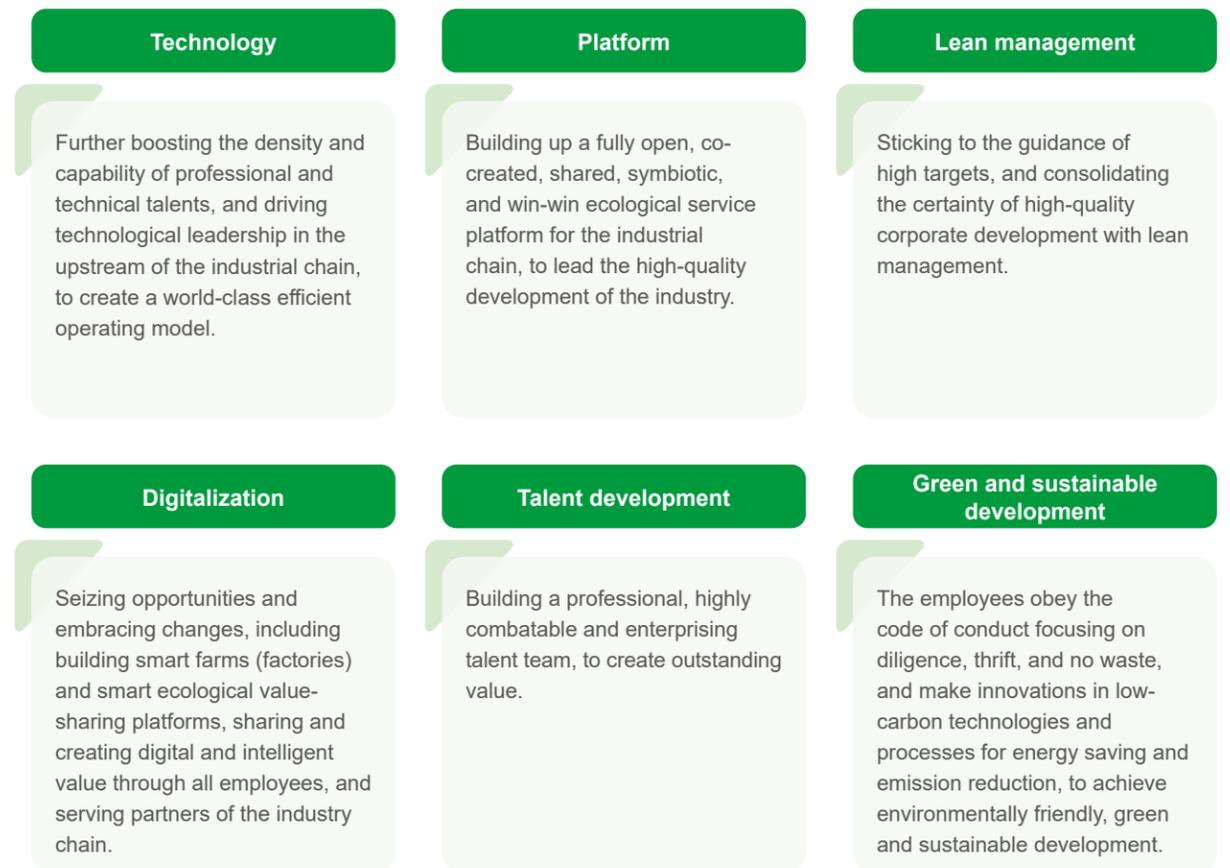
Core Strategies

Based on the strength of the industrial chain, and deepening the engagement in the ruminant sector, the Group promotes the four strategic orientations in all respects, namely, being customer value oriented, corporate value oriented, employee value oriented, and social value oriented, and becomes driven by the six core strategies to realize the high-quality development of Youran Dairy along its transformation toward a technology-based animal husbandry group and a new benchmark for the industry.



Business Philosophy

In 2023, the Group has further upgraded its operation philosophy, to focus on the six strategic dimensions: "technology", "platform", "lean management", "digitalization", "talent development" and "green sustainability", and to strive to empower the entire industry chain with science and technology. Meanwhile, we have been expanding high-tech and high value-added businesses of the industrial chain, to comprehensively promote Youran Dairy in terms of technological value, and to enable the transformation from high-speed development to high-quality development.



Corporate Honors on Sustainability

Time	Awarded by	Awards	Photos
February 2023	Tumed Left Banner CPC Committee; Tumed Left Banner People's Government	Inner Mongolia Youran won the "Award of Outstanding Contribution to Industrial Development for 2022 in Tumed Left Banner".	
April 2023	Department of Industry and Information Technology of Inner Mongolia Autonomous Region	In the "List of Green Manufacturing Model Units in 2023" published by the Department of Industry and Information Technology of Inner Mongolia Autonomous Region, Ulanqab Muquan Yuanxing Feed Co., Ltd., a subsidiary of the Group, was awarded the title of "Green Factory".	
May 2023	Ministry of Agriculture and Rural Affairs of the People's Republic of China	Inner Mongolia Youran was titled the "National Key Leading Enterprise in Agricultural Industrialization" by the Ministry of Agriculture and Rural Affairs of People's Republic of China.	
June 2023	Ministry of Agriculture and Rural Affairs of the People's Republic of China	SKX's "Key Laboratory of Engineering Technology for Cow Germplasm Creation and Breeding" was included as one of the key enterprise-based laboratories by the Ministry of Agriculture and Rural Affairs.	
June 2023	China National Animal Health and Food Safety Innovation Alliance	Inner Mongolia Youran won the "Animal Health Science and Technology Innovation Award" issued by the China National Animal Health and Food Safety Innovation Alliance.	
August 2023	China National Animal Health and Food Safety Innovation Alliance	Our Chilechuan Ecological Intelligent Pasture was titled the "Dairy Cow Welfare Farming Demonstration Farm" by China National Animal Health and Food Safety Innovation Alliance.	
September 2023	People's Government of Inner Mongolia Autonomous Region	Inner Mongolia Youran won the first prize of the Science and Technology Progress Award of Inner Mongolia Autonomous Region with the project "Standardization and Key Technology for Smart Dairy Farms".	

Time	Awarded by	Awards	Photos
September 2023	National Feed Engineering Technology Research Center Chinafeed.com.cn	As a subsidiary of the Group, Inner Mongolia Muquan Yuanxing Feed Co., Ltd. has won these four honors: "Customer Value Model Enterprise", "Excellent Animal Nutritionist", "Outstanding Animal Nutritionist" and "Outstanding Brand Award of Ruminant Feed".	
September 2023	Federation of Industry and Commerce of Inner Mongolia Autonomous Region; Development and Reform Commission of Inner Mongolia Autonomous Region	Inner Mongolia Youran was ranked among Top 100 Private Companies in Inner Mongolia for 2023 (ranked 11th)	
December 2023	Japan Institute of Plant Maintenance (JIPM)	Our Dayang Dairy Farm passed the health review of the Award for Excellence in Consistent TPM Commitment with a high mark of 85.	
December 2023	Japan Institute of Plant Maintenance (JIPM)	Linhe Feed Production Base under the Group won the TPM Excellence Award (Category A).	
December 2023	Gelonghui	At the Jin'ge Award ceremony for listed companies, Youran Dairy won the "ESG Pioneer of the Year" for its pioneering attempts in exploring, developing and promoting a series of sustainable development initiatives in the upstream dairy industry, which turned out to be effective and fruitful.	
December 2023	Farmers' Daily	Inner Mongolia Youran was ranked among Top 500 Chinese Agricultural Companies for 2023 (ranked 60th).	
January 2024	People's Government of Inner Mongolia Autonomous Region	Youran Dairy won the Chairman Quality Award of Inner Mongolia Autonomous Region for 2023, becoming the only dairy producer inscribed on this list.	

Sustainable Development Strategy

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

▶ Contributing to the realization of the United Nations Sustainable Development Goals



- Reaching an annual charitable donation of RMB **926,100**.



- Developing characteristic raw milk, to make products more nutritious and wholesome.
- Raising the production efficiency of dairy cows, to have increased the average milk yield per milkable cow (excluding Jerseys) by **5.3%** year-on-year.



- Establishing six safety mechanisms and three safety risk control systems to lay a solid foundation for safety.
- Further applying the TPM system, promoting extensive lean management, strictly implementing the SOPs of feeding management process, helping employees to operate in more standard manners, soundly improving the welfare of cows, and helping build the health and quality of cows.
- We applied our development, a smart management system for dairy farms called “Intelligent Farm Cloud”, to enable accurate monitoring and health care of cows; and made continuous innovation in the development and application of intelligent IoT equipment for animal husbandry industry and the application of IoT technology, to achieve intelligent control of the life and production environment for cows, and to bring about greater benefits for cows in all aspects. During the Reporting Period, the sprayer systems in some barns were upgraded to AI-empowered visual precise spraying, which can stop spraying when there are no cows, to maximize water consumption, reduce heat stress of the cows in summer, and make them more comfortable.



- Adopting “building an efficient talent supply chain” as the strategic positioning for talent development, and establishing a dual-channel promotion path based on “management” and “technology”, to have promoted **253** people in **2023**.
- Promoting the training mode of “training plus practice” with dual drivers of education and professional cultivation, and launching a “excellence training” project.
- Having delivered **7,857** employee training sessions.



- In 2023, we added **1,409** female employees, and **34** female employees were promoted to management positions through internal promotion.
- Providing female employees with an exclusive annual package of physical examination and **18** benefits, to keep improving their well-being.



- Carrying out water stress assessment, to draw a water stress map, and implementing water stress risk management in an all-round manner.
- In 2023, water consumption per million RMB of revenue recorded **1,077.01** tonnes.



- We have completed the construction of **3** photovoltaic dairy farms, and have entered into contracts to progress the construction of **8** photovoltaic dairy farms and **12** dairy farms featuring biogas power generation.
- The photovoltaic power generation in 2023 amounted to **2.12** million kWh.
- The biogas power generation in 2023 reached **6.7141** million kWh.

- The coverage of supplementary insurances among employees was up to **100%**.
- The revenues in 2023 represented a year-on-year increase of **3.6%**.
- We executed the “Spring Rain Plan 2.0” to provide better accommodation and benefits for our employees.



- The testing center is accredited by China National Accreditation Service for Conformity Assessment (CNAS).
- The feed business is the first in China to pass the SQF certification, the safe quality food system of the global highest standard.
- In 2023, five professional technical platforms have been built and the Youran Dairy Nutrition Committee has been founded.
- Having newly applied for **16** patents and obtained **9** patent authorizations.
- In 2023, we have invested RMB **62.2309** million in raising production efficiency, refining products and cutting carbon emissions.



- Publicizing Human Rights Policy and Anti-harassment and Anti-discrimination Management Measures to safeguard the rights and interests of the employees.
- 100%** covered by collective bargaining agreements.



- Publicizing the Principles of Sustainable Operations, to create driving forces for healthy life by making continuous improvements.
- We have boosted strategic cooperation and entered into **74** strategic collaboration projects with **32** strategic suppliers in terms of joint building of benchmark dairy farms, carbon emission management, joint marketing, talent training, resource sharing, and introduction of new products and technologies.



- Publicizing the Supplier Code of Conduct, to promote the realization of a sustainable supply chain.
- Formulating a supplier risk assessment plan, and conducting annual risk assessments on **334** key first-tier suppliers.
- Keep promoting the procurement of certified products related to sustainable development, and facilitating the organic certification of forage such as maize, alfalfa, and Chinese wild rye.



- Comprehensively setting up the overall strategic goal of “Carbon Peaking by 2030 and Carbon Neutrality by 2050”, formulating the Implementation Plan for Realizing a Zero Carbon Future, to determine the phased goals, implementation paths and carbon reduction measures.
- Setting up the goal of total reduction of greenhouse gas emissions to **85** tonnes per million RMB of revenue in five years.
- Our greenhouse gas audit in 2023 has obtained third-party certification.



- Publicizing the Principles of Dairy Cow Welfare, which won the “Science Promotion Award for Animal Welfare” at the 6th China Animal Health and Food Safety Conference.



- Linking the senior management compensation with such ESG indicators as environmental protection, health and safety, quality, and technological innovation.
- Optimizing Environmental Claim, and the Board sees to the decision making and supervising related to environmental policies.
- Publicizing the Code of Business Conduct, to have **100%** of key positions (team leader and above) sign the anti-fraud commitment letter.
- Carrying out **14** anti-corruption training sessions on integrity warning and compliance for all employees.



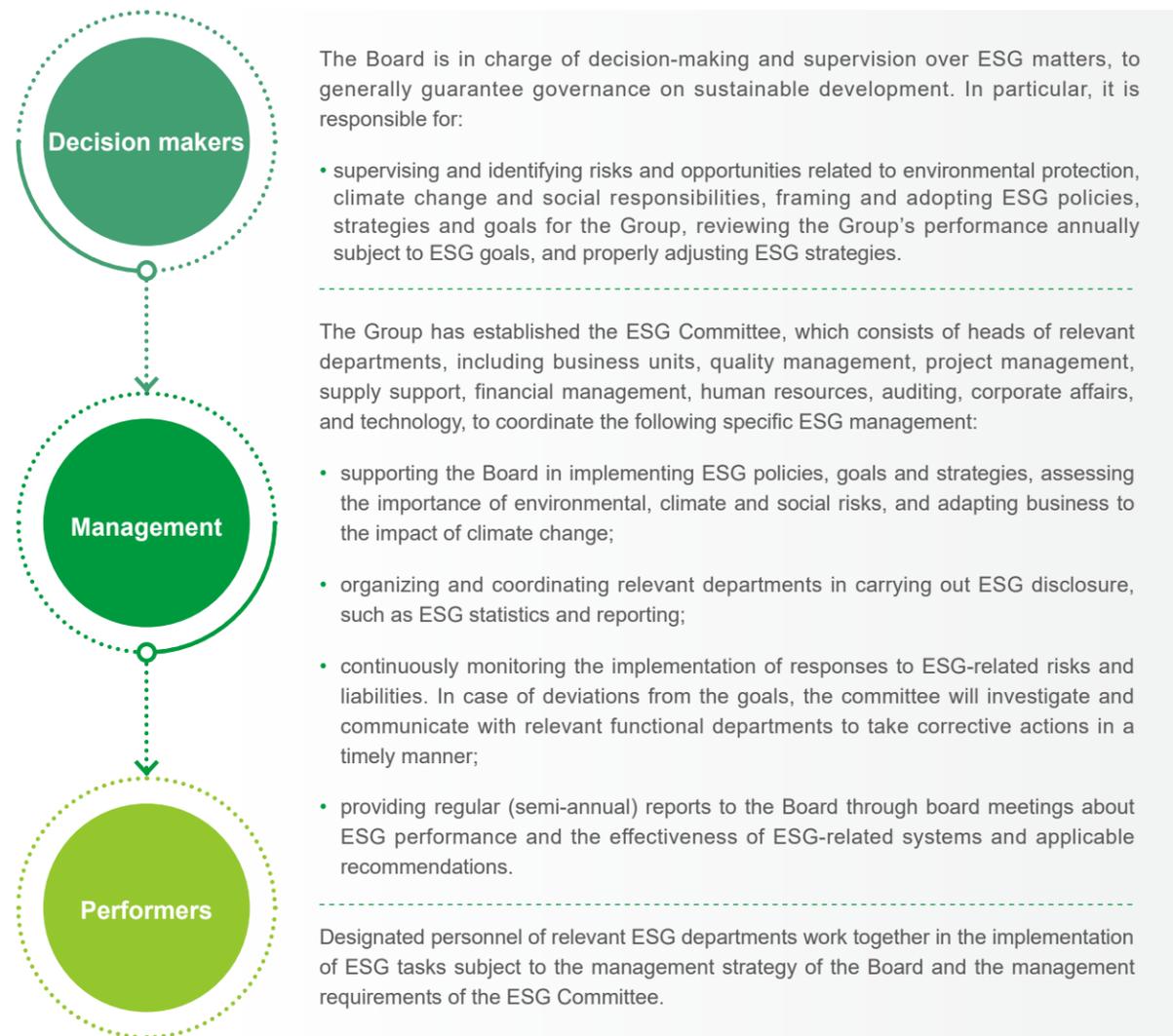
- Continuously supporting the “**10** Principles” of the United Nations Global Compact (UNGC) to help achieve the **17** United Nations Sustainable Development Goals (SDGs).
- Working with strategic suppliers including DSM and Boehringer to promote animal nutrition and health.



Sustainable Development Management

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

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



Communications with Stakeholders

The Group has built a mechanism for effective communication, to form close ties with stakeholders, and taken advantage of diversified communication channels to activate and expand exchanges and communications with stakeholders. We always care about the expectations and demands of stakeholders, and stay responsive to issues of concern to stakeholders, which will then be integrated into our decision-making and activities for sustainable operations.

Stakeholders	Expectations and demands	Communication mode	Our responses
 Shareholders/ investors	<ul style="list-style-type: none"> • Stable operation with reasonable and sustainable investment returns • Timely disclosure of operation and material matters • Strengthened risk and compliance management, to prevent operational risks 	<ul style="list-style-type: none"> • General meetings • Interim and regular announcements published on the websites of the Hong Kong Stock Exchange and the Company • Investor roadshows and earnings conferences 	<ul style="list-style-type: none"> • Continuous improvement of operation abilities • Timely disclosure of operation and material matters • Proactively communicating with investors through various channels and strengthen investor management • Strengthen risk management
 Government/ regulators	<ul style="list-style-type: none"> • Lawful and compliant operation • Abiding by the Listing Rules and other relevant requirements 	<ul style="list-style-type: none"> • Policy consultation • Site inspection • Meetings with government authorities • Information disclosure • Contact through agencies 	<ul style="list-style-type: none"> • Be strictly in accordance with regulatory policies and requirements • Disclosing operation and material matters in time • Compliant operation
 Consumers/ customers	<ul style="list-style-type: none"> • High quality, safe products • Nutritious products • Proper and compliant marketing • Good service experience • Privacy information security 	<ul style="list-style-type: none"> • Telephone, email and other communication channels • Company's official website • Customer satisfaction survey 	<ul style="list-style-type: none"> • Quality assurance • Marketing according to the law • Customer satisfaction analysis • Protecting the rights of consumers and customers
 Employees	<ul style="list-style-type: none"> • Equal and compliant employment • Rights protection • Benefits • Growth and development • Occupational health and safety • Caring and communication 	<ul style="list-style-type: none"> • Diversified training and communication • Internal activities, communications, and democratic meetings • Internal communication channels, such as telephone and email • Employees' congress • Democratic communications • Labor contract 	<ul style="list-style-type: none"> • Compliant recruitment and improvement of employment system • Protection measures of occupational health • Optimizing career development path • Enhancing remuneration and benefit packages • Conducting various activities for employees • Continuously carrying out activities to collect employees' suggestions • Employee trainings
 Suppliers	<ul style="list-style-type: none"> • Fair and open procurement • Contract fulfillment with integrity • Stable business relationship • Supply chain building • Common development and progress 	<ul style="list-style-type: none"> • Supplier evaluation • On-site inspection • Industry exchange 	<ul style="list-style-type: none"> • Sticking to fair and open procurement • Improving the full life cycle management of supply chain • Paying attention to supply chain environmental and social risks • Strengthening supply chain communication and interaction • Selecting low-carbon, environment-friendly and energy-saving products
 Environment	<ul style="list-style-type: none"> • Adhering to green and low-carbon operation • Responding to climate change • Application of energy-saving equipment and technologies • Ecology and biodiversity conservation 	<ul style="list-style-type: none"> • Environment inspection • Disclosure of environmental information 	<ul style="list-style-type: none"> • Setting guidance for carbon neutrality and actively responding to climate change • Energy saving and emission reduction, optimization and transformation • Setting environmental goals • Strengthening ecological protection • Building recycling dairy farms • Welfare of dairy cows
 Communities	<ul style="list-style-type: none"> • Carrying out charity activities • Contributing to local development • Supporting rural areas development 	<ul style="list-style-type: none"> • Paying visits to communities • Formulating plans for community services 	<ul style="list-style-type: none"> • Conducting public service activities • Facilitating local employment • Supporting the improvement of life quality in poor rural areas
 Media	<ul style="list-style-type: none"> • Actively engaging with media • Strengthening media publicity 	<ul style="list-style-type: none"> • Participating in sustainable development activities • Official communication channels of the Company 	<ul style="list-style-type: none"> • Accumulating materials for sustainable development • Actively participating in public events on sustainable development

Identification of Material Issues

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

Identification stage

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

Evaluation stage

We assessed the importance of each issue through stakeholder surveys. Besides, taking in consideration the actual management and operation of the Company and industry practices, we designated 30 material issues as the key issues of ESG work, as well as their corresponding importance.

Reporting stage

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

ESG Importance Issue Matrix



High importance

- ① Environmental compliance
- ② Quality control
- ③ ESG risk management
- ④ Recycling dairy farm building
- ⑤ Nutrition and health
- ⑥ Animal welfare
- ⑦ Employees' rights protection
- ⑧ Water risk management
- ⑨ Participation in the ESG management by the Board
- ⑩ Biodiversity conservation
- ⑪ Responding to climate change
- ⑫ Strategies for implementing carbon neutrality
- ⑬ Occupational safety and health
- ⑭ Anti-corruption supervision and management
- ⑮ Sustainable supply chain management
- ⑯ Product technology innovation
- ⑰ Intellectual property protection

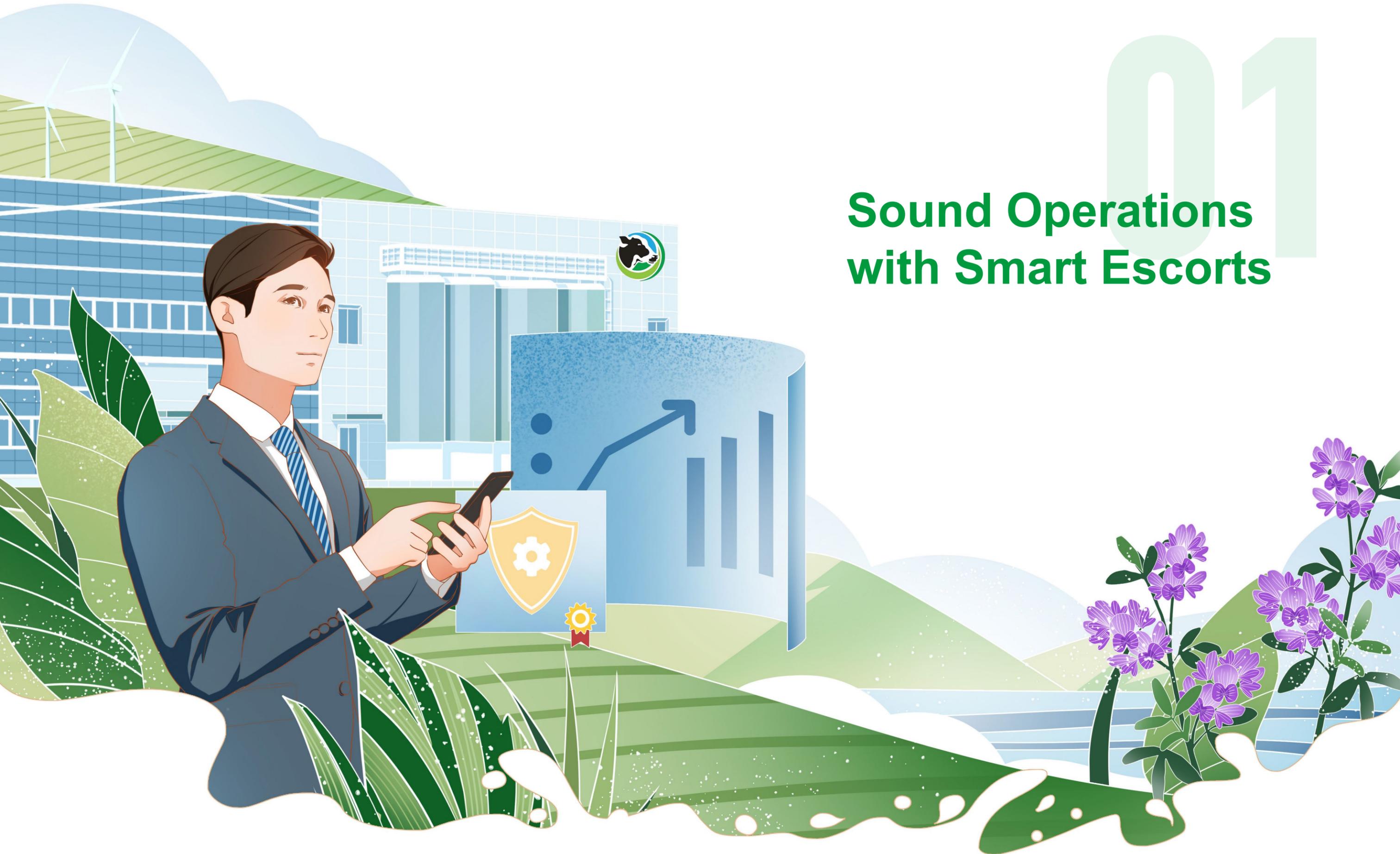
Moderate importance

- ⑱ Employee attraction and retention
- ⑲ Employee communication and management
- ⑳ Fair and open procurement
- ㉑ Intelligent farm building
- ㉒ Boosting rural revitalization
- ㉓ Carrying out environmental protection activities
- ㉔ Customer service quality management
- ㉕ Facilitating local employment
- ㉖ Employee care activities
- ㉗ Warehousing and transportation management
- ㉘ Proper marketing



01

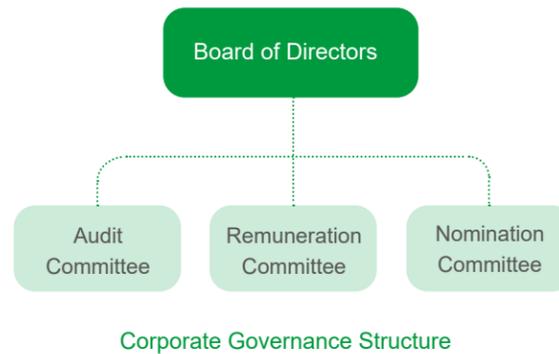
Sound Operations with Smart Escorts



Corporate Governance

Structure of the Board

The Company adheres to all the relevant provisions of the Corporate Governance Code, and keeps refining its governance structure. The operations are consolidated through supervision and checks on ownership and management rights conducted by shareholders' meetings, the Board of Directors, specialized committees, and the management. The Board has three specialized committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, which see to the management and supervision within their terms of reference and the provision of reasonable and professional advices for the Board of Directors in decision-making. There is also an ESG Committee composed of functional departments of the Company to facilitate the implementation of ESG policies, objectives and strategies made by the Board.



Audit Committee

Main terms of reference: The committee is responsible for reviewing and supervising the Group's financial reporting procedures and internal control systems; reviewing the Company's financial information; reviewing and monitoring the audit process of the external auditor, and discuss with them on relevant issues in the audit process.

Composition: It consists of three members, namely Ms. Xie Xiaoyan, an independent non-executive director as the chairperson, Mr. Yao Feng, an independent non-executive director, and Mr. Qiu Zhongwei, a non-executive director.

During the Reporting Period, the Company has convened two audit committee meetings, covering agenda including but not limited to: major issues related to interim and annual performance review, financial report review, risk management and effectiveness review of the internal control system, review on continuing connected transactions, and the appointment of external auditors and the provision of non-audit services.

Remuneration Committee

Main terms of reference: The committee is responsible for providing recommendations for the Board on the policy and framework of the remuneration of directors and senior management, and on the remuneration determination policies; approving or recommending remuneration packages for executive directors, non-executive directors, senior management and management under the authority of the Board; reviewing and/or approving matters related to remuneration packages, including employment conditions, compensation arrangements, reimbursements and share schemes.

Composition: It consists of three members, namely Mr. Shen Jianzhong, an independent non-executive director as the chairperson, Ms. Xie Xiaoyan, an independent non-executive director, and Mr. Xu Jun, a non-executive director.

During the Reporting Period, we have held one meeting of the Remuneration Committee, discussing the issues including but not limited to: reviewing the remuneration policy and structure, and providing recommendations for the compensation packages of the directors and senior management of the Company.

Nomination Committee

Main terms of reference: The committee sees to the review of the structure, number and composition of the Board on an annual basis, and the recommendations on changes to the Board; it is responsible for providing recommendations to the Board on the appointment/re-appointment of directors and their succession plans; reviewing agreements signed with independent non-executive directors and annually reviewing the independence of independent non-executive directors; and formulating or assisting the Board in formulating the board diversity policy.

Composition: It consists of three members, namely Mr. Yao Feng, an independent non-executive director as the chairperson, Mr. Shen Jianzhong, an independent non-executive director, and Mr. Xu, Zhan Kevin, a non-executive director.

During the Reporting Period, the Nomination Committee held one meeting, discussing the issues including but not limited to: reviewing the structure and size of the Board and the independence of the independent non-executive directors, and meanwhile considering the retirement of any directors and the qualification of the directors to be retired by rotation and re-elected at the forthcoming annual general meeting, and reviewing the Company's board diversity policy and its implementation progress.

Diversity of the Board

Diversity of the Board is essential for helping achieve the Company's strategic goals and sustainable development. To ensure this diversity, the Company has formulated and published [Board Diversity Policy](#) on its website, for which the Nomination Committee sees to the review and the monitoring of the implementation at discretion.

For the composition of the Board, the Company takes various dimensions into consideration, including gender, age, cultural and education background, professional experience, skills, knowledge, ethnic and length of service. The Board makes all the appointments based on the principle of "meritocracy". The Nomination Committee, after full consideration of the benefits of board diversity and the objective conditions of the candidates, makes recommendation to the Board when choosing candidates. For detailed information on the professional background and work experience of each board member, please refer to the "Biographical Details of Directors and Senior Management" of the *Annual Report 2023*.

By the end of the Reporting Period, female directors accounted for 11% of the Board. All board members have professional experience in dairy production management, human resources, investment, strategy research, legal and compliance, financial audit, securities supervision, animal medicine and other fields, and have obtained appropriate professional degrees and qualification certificates. Among them, Mr. Wu Xiang, a non-executive director, has over 23 years of experience in the dairy industry; Ms. Xie Xiaoyan, an independent non-executive director, obtained a doctorate degree of agricultural economic management from the Agricultural University of Inner Mongolia; Mr. Yao Feng, an independent non-executive director, obtained a master's degree in economics from Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law); and Mr. Shen Jianzhong, an independent non-executive director, obtained a doctorate degree of science from China Agricultural University. They can provide professional perspectives in the process of board decision-making and company development.

Independence of the Board

The Board is composed of 9 directors, including 2 executive directors, 4 non-executive directors, and 3 independent non-executive directors. The number of independent non-executive directors accounted for one-thirds of the Board. The Chairman of the Board is independent of the management. The Chairs of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors, and the majority of the specialized committee members are independent non-executive directors.

The Company strictly complies with the requirement for board independence specified in Listing Rules, and ensures the directors to continue to exercise independent judgment through following ways:

The Nomination Committee should collect and review the *Confirmation of Independent Non-executive Directors* given by each independent non-executive director and review the independence of the independent non-executive directors on an annual basis in accordance with the independence criteria specified in the Listing Rules;

All directors (including independent non-executive directors) may express their independent views to the Board and its specialized committees through various channels and may seek professional advices from the Company Secretary or external organizations as needed at the expense of the Company;

A director (including independent non-executive director) should neither vote in respect of any contract or arrangement meeting called to approve such contract or arrangement nor be counted in the quorum of such meeting if the director or his/her affiliate has a material interest in such contract or arrangement;

The chairman of the Board should at least annually hold meetings with the independent non-executive directors without the other directors present to discuss any matters or concerns raised by independent non-executive directors.

ESG-linked Senior Management Compensation

The Group incorporates ESG indicators, such as environmental protection, health and safety, quality, and technological innovation, into the performance assessment system of executives, carries out annual performance assessments of senior management and links assessment results with executive compensation. In addition, the Group breaks down the ESG indicators of senior management, incorporates them into the performance assessment programs of the heads of relevant business units and functional departments, and pays incentive compensation based on their performance in the assessment period. Employees who fail to meet their annual ESG targets will be deprived of commendation qualification and business incentive for the year.

Risk Management and Internal Risk Control

The Group has formulated the *Risk Management and Internal Control System* to define the managerial responsibilities and elements of risk management and internal control. Meanwhile, the Group has created the "Three-line" risk management and internal control model and established the risk management and internal control framework consisting of the Audit Committee of the Board, the Internal Control and Risk Management Committee of the management, supervising and supporting departments and business departments at various levels to ensure an effective *risk management and internal control system*. The Board sees to the review, maintenance and improvement of the Group's risk management and internal control systems; and the Audit Committee of the Board reviews the implementation of the risk management and internal control systems on behalf of the Board semi-annually and examines the effectiveness of such systems on an annual basis.

Risk Management

The Group attaches great importance to the construction of risk management system, provides for, among others, risk identification, risk assessment, risk evaluation and risk tracking in the Risk Management and Internal Control System, and applies all risk management requirements to the daily management and business processes to enable identification, assessment, monitoring and treatment of various risks in business activities.

2 independent non-executive directors of the Company, namely Ms. Xie Xiaoyan and Mr. Yao Feng, have professional experience in risk management. Ms. Xie has 9 years of working experience related to internal control and risk management in Inner Mongolia Dahua Certified Public Accountant (formerly known as Inner Mongolia Certified Public Accountant) as auditor, project manager, principal accountant and senior accounting manager; and Mr. Yao has approximately 14 years of working experience in China Securities Regulatory Commission and successively served in various positions, including the deputy officer of the risk management office for securities companies and other risk management-related positions. During the Reporting Period, the Company carried out risk management training for directors. In addition, vice presidents in charge of business units and heads of various functional departments have been required to sign the annual risk management-related responsibility letter and the policy of reward and punishment has been developed accordingly.

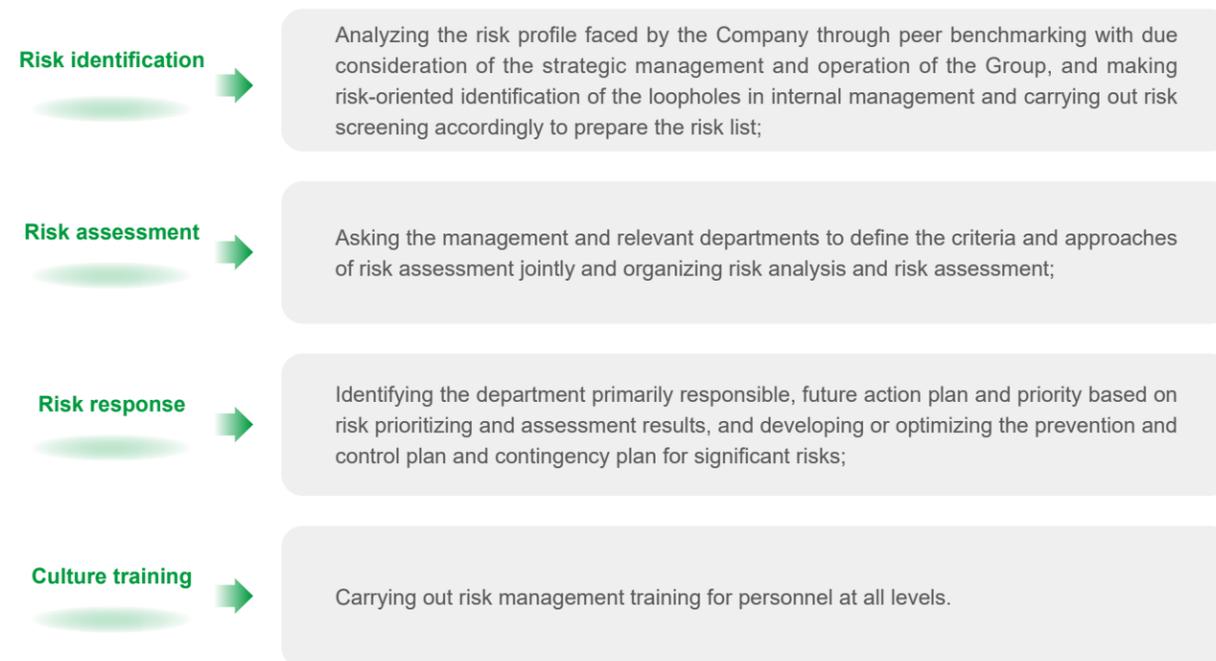
The Audit Department of the Group organizes all business units and functional departments to identify and assess risks that might affect the achievement of goals every year; the Internal Control and Risk Committee is responsible for defining corresponding risk response strategy and responsible departments and persons; the first person responsible works out appropriate risk response measures or contingency plan to minimize the adverse impact of significant risks on the Group's strategic objectives and sustainable development, stick to the bottom line of risk prevention and control and secure the steady development of the enterprise.



During the Reporting Period, the Group was mainly confronted by following emerging risks:

Risk title	Risk descriptions	Risk mitigation measures
Digitalization and technological innovation risk	<ul style="list-style-type: none"> Innovative technologies such as AI, IoT, blockchain, biotechnology and 3D printing may triggered disruptive changes in the production, processing, distribution, marketing and management of the dairy industry. 	<ul style="list-style-type: none"> Build digital capability in business segments of seed, forage, feed, dairy farming and the online dairy industrial chain platform “Jumuc.com”, and utilize innovative technologies such as big data, AI, IoT and biotechnology to enable intelligent, systematic and traceable dairy farming, provide quality products and services and create a leading digitalized ecological animal husbandry industry.
Geopolitical risk	<ul style="list-style-type: none"> Geopolitics and regional conflicts may lead to fluctuation of raw material prices and disruption of supply chain, thus affecting regular production. 	<ul style="list-style-type: none"> Respond to the cost fluctuation risk by developing new products, using alternative products, leveraging financial instruments (such as the futures) and arranging inventory in a reasonable way; and diversify the purchasing channels to ensure stable supply.

For emerging risks, the Group has enhanced its risk response capability through risk identification, risk assessment, risk response and culture training to prevent risks before they occur.



Risk Management and Internal Risk Control

The Group has established the internal risk control system, defined the responsibilities of various parties at key control points and the authorization and approval processes in relevant policies, and clarified the implementation procedures for critical business processes.

The Group has managed to continuously perfect its internal control procedure through “Promoting Construction by Evaluating” and enhanced its operational management and the ability to prevent risk to drive the sustainable development of the Group. The Audit Department has proposed the template of *Evaluation and Testing of Internal Control at Key Control Points*, guided the business units and functional departments to conduct self-evaluation on a quarterly basis, and collected, reviewed and summarized self-evaluation forms to draw results of internal control evaluation at company level. The Audit Department has evaluated the overall operation of the internal control systems on an annual basis in accordance with regulations such as the *General Rules for Internal Control of the Company* and the *18 Guidelines for Application of Internal Control of the Company*, generated report accordingly and made presentation to the Audit Committee of the Board.



Business Ethics

The Group has been conducting its business in strict compliance with the *Company Law of the PRC*, the *Civil Code of the PRC*, the *Criminal Law of the PRC*, the *Anti-Unfair Competition Law of the PRC*, the *Interim Provisions of the State Administration for Industry and Commerce on Prohibition of Commercial Bribery*, and other laws and regulations, and continuously improved its business ethics compliance management system through optimizing business ethics management mechanism, strengthening business ethics audit and supervision, providing unimpeded channels for tip-offs of violations, furthering the construction of anti-corruption culture and continuously bettering the Group's business ethics and compliance management system.

Improving Management Mechanism

The Group adopts a "zero-tolerance" attitude towards any violation of business ethics, including all forms of corruption and bribery. All business conducts and matters are subject to the supervision of the Board and the Audit Committee, with the Audit Department acting as the executing body.

The Group has formulated and continuously improved various internal management policies relating to business ethics and code of conduct, such as the *Youran Dairy's Measures for Anti-fraud Administration*, the *Youran Dairy's Measures for the Punishment of Fraudulent Practice*, the *Youran Dairy Employee Reward and Punishment Mechanism*, the *Youran Dairy's Accountability System for Managers*, the *Measures for the Management of Interest Relationships*, the *Youran Dairy's Measures for the Management of Self-examination and Self-correction*, and the *Business Code of Conduct*. Among these policies, the *Business Code of Conduct* covers such issues as declaration of conflict of interests, complete and accurate financial statements/business records, confidentiality and information transfer, quality and safety, insider trading, anti-discrimination and anti-harassment, anti-corruption and anti-bribery, and requires all employees of the Group and third-party employees providing services for the Group to act in accordance with the Code when working on behalf of the Group.

All team leaders and above are required by the Group to sign the *Anti-Fraud Commitment Letter*. During the Reporting Period, a total of 1,870 employees have signed the letter, recording a 100% signing rate of team leaders and above. The cooperative distributors, suppliers and agents are required by the Company to sign the *Sunshine Agreement*, which specifies the anti-corruption and anti-bribery policies and integrity requirements, to establish upright and honest cooperation.

Strengthening Supervision with Audits

The Audit Department of the Group conducts business ethics audits as part of its routine audit activities and in response to feedback from complaints and whistleblower reports. These audits focus on critical operational processes, including human resources management, procurement and payment management, management of biological assets, stock management, business outsourcing, engineering project management, as well as sales and payment collection management. During the Reporting Period, the Audit Department conducted business ethics audits on 54 front-line business units, achieving an audit coverage rate of 46.15% across all business units. The future objective is to achieve complete coverage of business ethics audits across all business units within a three-year timeframe. We achieved over 40% coverage in ethics audits and full coverage in self-examination and self-correction for the year. Key focus areas included personnel administration, procurement, livestock production management, feed sales management, and newly launched and technical improvement projects within all business units. The majority of identified issues pertained to non-compliance with established procedures, violations, and fraud during business conduct. The Audit Department gathers feedback on business ethics matters monthly and promptly follows up on any identified issues. Inspections of business units and suppliers are also conducted. The rectification rate for identified issues stands at an impressive 99%. Regarding individuals involved in confirmed violations and fraud, the Audit Department implements appropriate actions in compliance with relevant company regulations.

During the Reporting Period, the Group found no instances of violations of business ethics, including corruption, bribery, discrimination, harassment, privacy breaches of customers, conflicts of interest, money laundering, or insider trading. Furthermore, the Group did not face any lawsuits stemming from allegations of corruption.

During the Reporting Period, a total of

1,870

employees have signed the Anti-Fraud Commitment Letter

100%

signing rate of team leaders and above

During the Reporting Period, achieving an audit coverage rate of

46.15%

across all business units

Over

40%

coverage in ethics audits and full coverage in self-examination

Establishing Open Whistleblowing Channels

The Group is dedicated to fostering a clean work environment and an open, transparent, and inclusive business culture. Any instances of corruption or behavior detrimental to the company's interests will be thoroughly investigated and addressed. We have published our whistleblowing channels on our official website and strongly advise our employees, partners, and the public to promptly report in good faith any violation and fraud they discover through various channels, including email, mail, or telephone. Whistleblowers may choose to disclose their identity or maintain anonymity when reporting instances of violation and fraud. They may report any such instances they have discovered, irrespective of whether they directly witnessed the instance or were informed about it by others.

Whistleblowing Channels



General manager mailbox: yryuanjun@yourandairy.com



Complaint mailbox: yrmyjb@yourandairy.com, yrmyjb@163.com



Phone number: 0471-3393387



Mailing address: The Audit Department of Inner Mongolia Youran Dairy Co., Ltd., No. 169, Hexi Road, Bayan Town, Saihan District, Hohhot, Inner Mongolia, China.



Postcode: 010010

Whistleblowing Acceptance Procedure

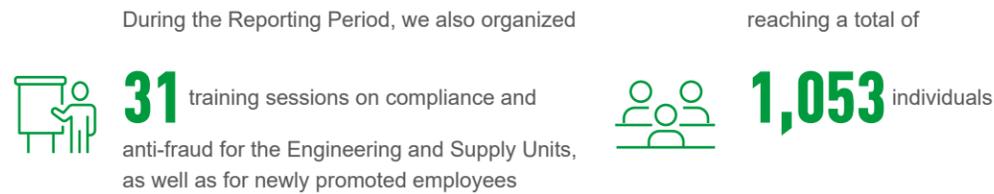
Once a report is received, the Audit Department will assess the matter and either initiate an investigation or refer it to the relevant department for resolution. For reports submitted with real names, the Audit Department will respond within 24 hours and initiate an investigation process within 5 working days. For the employees and partners who have been proved to have violations and frauds after investigation, the Group will punish the person in charge or related parties in accordance with the Company's relevant systems, and the punishments include but are not limited to leave for inspection, suspension, demotion, transfer, salary reduction, termination of labor relations or blacklisting, etc.

Whistleblower Protection System

The Group formulates Business Code of Conduct and soundly implements the whistleblower protection mechanism, to carry out investigation of complaints and reports following the principles of fairness, impartiality and confidentiality. The whistleblower and the reported information will be kept strictly confidential. In case that the whistleblower is retaliated against, he or she may report to the Audit Department in a timely manner. The Audit Department will investigate and solve the problem subject to relevant systems.

Cultivating a Culture of Integrity

The Group is committed to fostering a culture of integrity and compliance, with a focus on heightening employee awareness and fostering an environment of ethical conduct within the organization. During the Reporting Period, we conducted training sessions on anti-fraud, compliance culture, and employee code of conduct for all employees, including full-time, part-time, and contractor personnel. We also organized 31 training sessions on compliance and anti-fraud for the Engineering and Supply Units, as well as for newly promoted employees, reaching a total of 1,053 individuals. In addition, we launched an awareness campaign to commemorate the “International Anti-Corruption Day” across all business units. 39 anti-fraud publicity materials prepared by the Audit Department achieved a viewership of 17,991. We also uploaded 6 cases to our “Exposure Platform”, attracting 52,671 viewers, and released 11 reports on audit issues, which received a viewership of 36,634. For personnel in key procurement positions, we organized visits to education bases showcasing negative examples. Additionally, we established and improved the content of the Clean Air Initiative board and the Handling Fee Warning board, requiring business units to prominently display them.



Indicators	Unit	2023
Total anti-corruption training sessions	sessions	31
Total anti-corruption trainings for employees	times	31
Total anti-corruption trainings for directors	times	1
Total person-times covered by the anti-corruption training	person-times	108,349
Total directors covered by the anti-corruption training	person-times	2
Total employees covered by the anti-corruption training	person-times	108,349

Intelligent Operation

Driving High-quality Development through Innovative Strategies

The Group is dedicated to R&D across the entire upstream industrial chain within the dairy sector. To support this commitment, we have established six core innovation centers: Forage Research Center, Dairy Cow Breeding Research Center, Dairy Cow Nutrition and Healthy Dairy Farming Center, Dairy Cow Technology Service Center, Training and Big Data Center, and Dung Recycling and Carbon Neutral Research Center. Notably, we are one of the few entities in China’s dairy sector with our own specialized technology R&D team focused on the upstream industrial chain.

We implement technology-driven and innovative strategies in our livestock, feed, seed, and forage businesses, actively promoting the use of new raw materials, processes, equipment, and technologies across various dimensions such as nutrition, healthcare, breeding, and process equipment. By leveraging Yuanxing Feed and the online dairy industrial chain platform “Jumuc.com” as key components, we are accelerating the development of a solution platform that integrates “product, brand, technology, service, and content”. The goal of this initiative is to build a sustainable industrial chain service platform that earns customer trust and drives the high-quality development of China’s dairy sector through technological advancements.

Digital Transformation for Industrial Advancement

The Group has developed a digital transformation strategy aimed at enhancing the industrial chain's development, prioritizing value creation, and prioritizing customer service. Our goal is “leading the digital development of the global animal husbandry industry”, and through its own digital transformation achievements, it serves the digital upgrade of the industry and the industrial chain.

Digital Operations

As pioneers in digitization within the domestic livestock industry, we integrate cutting-edge management practices, standardized processes, and breeding technologies with information technology. This integration spans fully traceable quality management systems, comprehensive intelligent management systems, dimensional digital decision-making systems and intelligent herd management systems at all production stages, fostering efficient operational and collaborative service capabilities.

Fully Traceable Quality Management System

We've implemented an integrated electronic information recording and quality management system for product inspections. This ensures comprehensive, timely, and digitally traceable management of product information, safeguarding ranch production, feed quality, and cattle health.

Comprehensive Intelligent Management System

Through the establishment of an SRM-supplier relationship management system and a digital mall, we've achieved “visualized procurement and streamlined supplier management”. Leveraging IoT, integrated application and AI algorithms in logistics, we enhance material turnover efficiency and reduce costs.

Dimensional Digital Decision-making System

Utilizing advanced big data frameworks, we consolidate data from internal and external value chains. This enables us to extract value across domains, chains, and cycles, transforming data into actionable insights that support our future digital and intelligent strategic development.

Intelligent Herd Management System

We have employed an advanced intelligent management system to monitor and manage herds and dairy farms. This system covers every stage of production, from data collection to daily operations, and from breeding to milking. Key components of the system include real-time herd management, feeding management, production information management, intelligent environment control, cow estrus monitoring, and herd prediction.

Digital Upgrade of the Entire Industrial Chain

The Group is committed to driving the digital transformation of the entire industrial chain, including breeding, forage grass production, feed, dairy farming, and our online dairy industrial chain platform “Jumuc.com”. To this end, we have implemented the “Intelligent Farm Cloud”, a comprehensive intelligent dairy farm management system that integrates all operations. This pioneering model enables precise identification of opportunities and demands, as well as efficient collaboration among all parties along the industrial chain, making us a leader in the digital transformation of the animal husbandry industry. Moreover, to achieve the core objectives of reducing costs, enhancing efficiency, and boosting profits, we have launched a series of initiatives to develop and upgrade information systems. These projects aim to digitally empower the herd, feed, and supply chain sectors to varying degrees, ensuring timely and full realization of value.

Digital upgrade of dairy farm management

- We have deployed the “Intelligent Farm Cloud” for intelligent dairy farm management, making us a leader in the digital transformation of farm management practices;
- By introducing intelligent robotic equipment for unmanned milking, feed stacking, medicated bathing, and dung cleaning, we have made milk farming more digital-based and intelligent with enhanced quality and efficiency;
- We have employed wearable devices for cows and collection equipment to automatically collect data and monitor farm operations in real-time, enabling accurate management of the entire life cycle of dairy cows;
- Through the use of Internet of Things (IoT)-based “cloud” technology, environmental factors such as temperature, humidity, gas, and light in the barn are automatically adjusted, enhancing the accuracy and precision of dairy farm management.

Digital upgrade of the feed business

- We have upgraded our digital quality assurance and traceability system to ensure the nutritional and scientific accuracy of our formulas and the high quality of our forage and feed products. We also offer free installation of the “Intelligent Farm Cloud” system for our feed customers, enabling us to provide more precise products and technical services.

Digital upgrade of the forage business

- We have made more investments in advanced sci-tech products, including the use of drones for farm work, GPS-guided agricultural machinery, and remote-controlled intelligent sprinkler irrigation systems. Additionally, we have implemented modern information systems such as farm data collection, intelligent sprinkler irrigation, information-based agricultural machinery, and water-fertilizer integration. These enhancements have significantly boosted farm operational efficiency and elevated our farm management and care level. As a result, we have achieved precision and efficiency throughout the entire process of alfalfa planting, growth, and harvest, laying a robust groundwork for enhancing our forage quality. Notably, our acreage yield of grass products has surged by nearly 20%.

Digital upgrade of the breeding business

- We have established a big data platform for domestic cow breeding and genetic improvement selection, which is the first of its kind in China. These platforms enable us to analyze the genealogy and performance of dairy herds on dairy farms, allowing us to develop more scientifically grounded breeding and selection programs and ultimately enhancing the long-term economic benefits of the farms.

Digital upgrade of the online dairy industrial chain platform “Jumuc.com”

- We have built a robust digital technology and application framework that includes precise identification, matching, management, and delivery, as well as an AI-empowered deep learning platform. With this framework, we have become a trusted partner committed to delivering significant value to our customers, and providing high-quality products and comprehensive, as well as timely professional services.

Case Raw Material and Vaccine Procurement Demand Planning Program

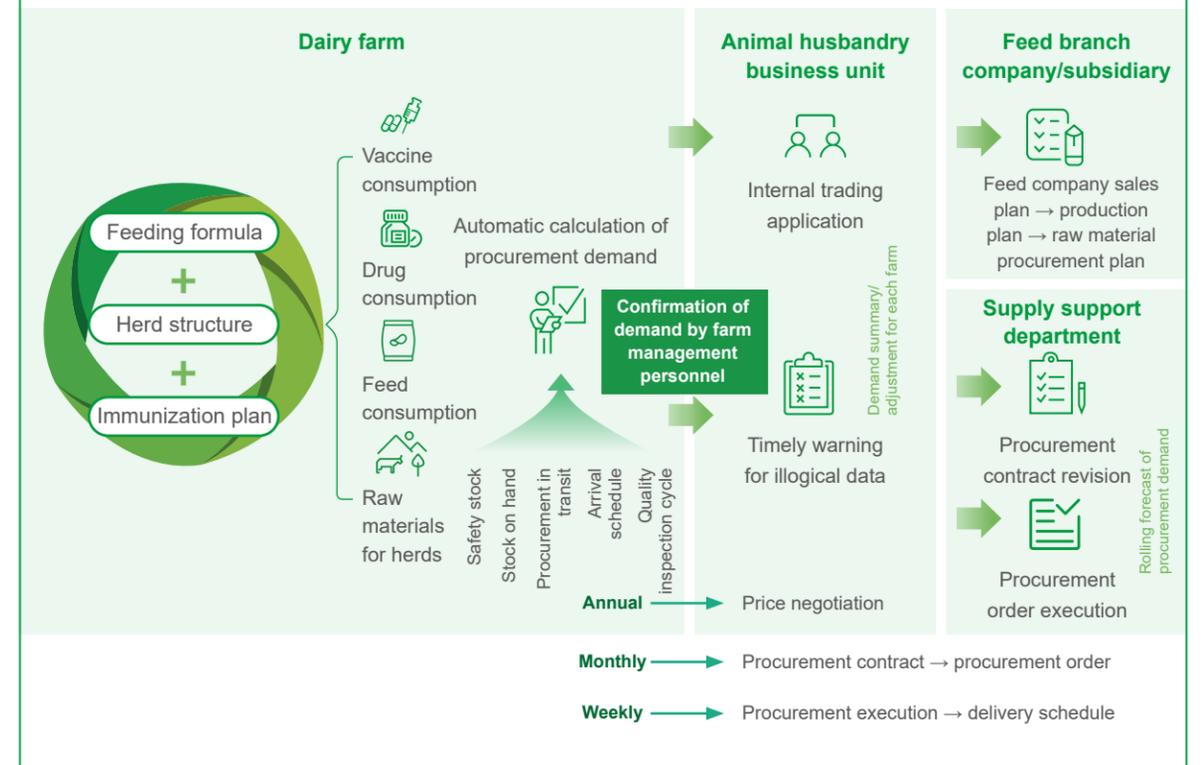
The Group has introduced a program to optimize procurement demand planning for raw materials and vaccines used for dairy herds. By improving existing functionalities and adding new features to the formula platform, the “Intelligent Farm Cloud” system, and the supply chain, we have been able to automate the process of collecting, calculating, and summarizing data related to herd structure, immunization schedules, formulas, procurement in transit, and loss. This enables the Animal Husbandry Unit to create procurement demand plans in a systematic and automation-based way.

- Reduced cost and enhanced efficiency**

By improving existing functionalities and adding new features to the formula platform, the “Intelligent Farm Cloud” system, and the supply chain, we have simplified the data collection process and reduced operational complexity. This streamlining is expected to decrease manual workload by 1~2 days and improve procurement efficiency by 60%~70%. Additionally, it mitigates the risk of miscalculations in planned procurement quantities due to manual errors, thereby addressing potential issues related to procurement or operational costs.
- Ensured data security**

Data collection via the systems enables online data display and archiving, providing robust data support for procurement operations. This approach also reduces the risk of data leakage that can occur when procurement plans and formula data are shared within public software, thereby safeguarding data security.
- Improved decision-making efficiency**

Integration with the OA system allows for the automatic transfer of pricing information to the OA pricing process once it has been determined, reducing the risk of errors that can occur with manual input by users. This integration enhances the efficiency of pricing decision-making processes.



Case MRO Digital Procurement Mall, Phase II

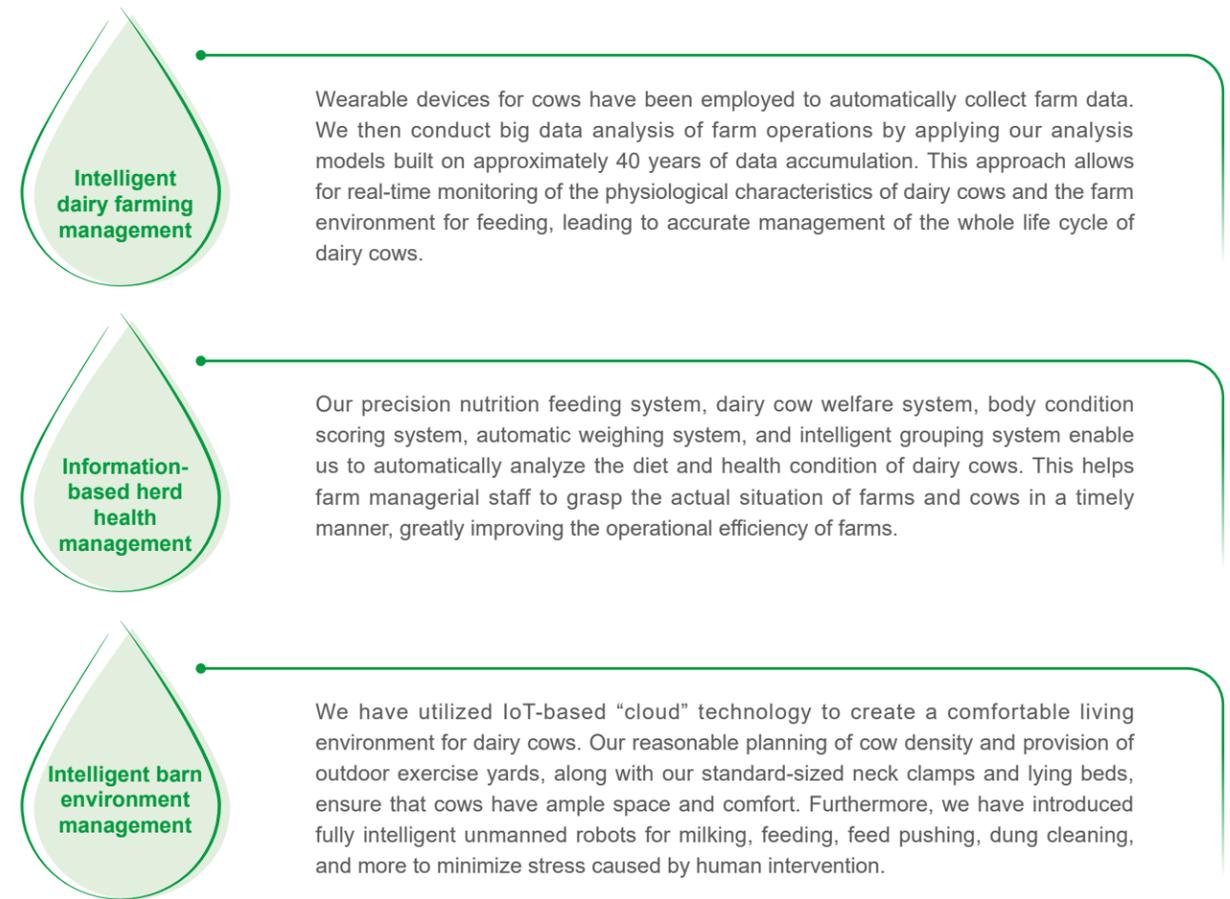
In Phase II of the MRO Digital Procurement Mall, the Group has focused on enhancing adaptability to business needs by optimizing existing functionalities. This involved upgrading various modules, including agreement management, commodity display and management, notifications, acceptance management, order management, reconciliation management, statistical analysis, and supplier-side features. These enhancements have led to improved product availability, simplified order placement, increased flexibility in acceptance, and smoother reconciliation and payment procedures. Additionally, we have introduced new features for agreement and order management, a consignment zone for spare parts, mandatory order placement in the idle spare parts zone, and a service procurement mode. These additions support business units to adopt a digital approach to procurement, thus achieving standardized commodity management and enhanced data reporting capabilities and ultimately contributing to reduced operational costs.

- Fully digitalized process**
 We have achieved 100% digital-based online management of procurement activities, including demand generation, price comparison and review, order placement, logistics, reconciliation, invoicing, and settlement (with shared access for all involved parties).
- Enhanced efficiency in collaboration**
 Through a comprehensive review of procurement processes for non-production materials, we have improved accuracy and efficiency while standardizing procurement practices.
- Optimized performance management**
 By implementing a supplier evaluation system, we have been able to comprehensively assess the performance of non-production materials suppliers in terms of commodity quality, ordering services, and after-sales support to score the quality of both their services and products across multiple dimensions.
- Improved cost control measures**
 By leveraging the efficient capabilities of the MRO Digital Procurement Mall, we can display real-time stock levels within the ERP system. This enables us to promptly identify and utilize idle materials, resulting in reduced stock levels and improved inventory turnover rates.
- Support for operational decision-making**
 Statistical analysis offers essential data for main data management, cost analysis, and procurement cost control. Additionally, real-time, multi-dimensional data reporting and export features provide robust support for informed decision-making processes.



Smart Dairy Farm-empowered Intelligent Operation

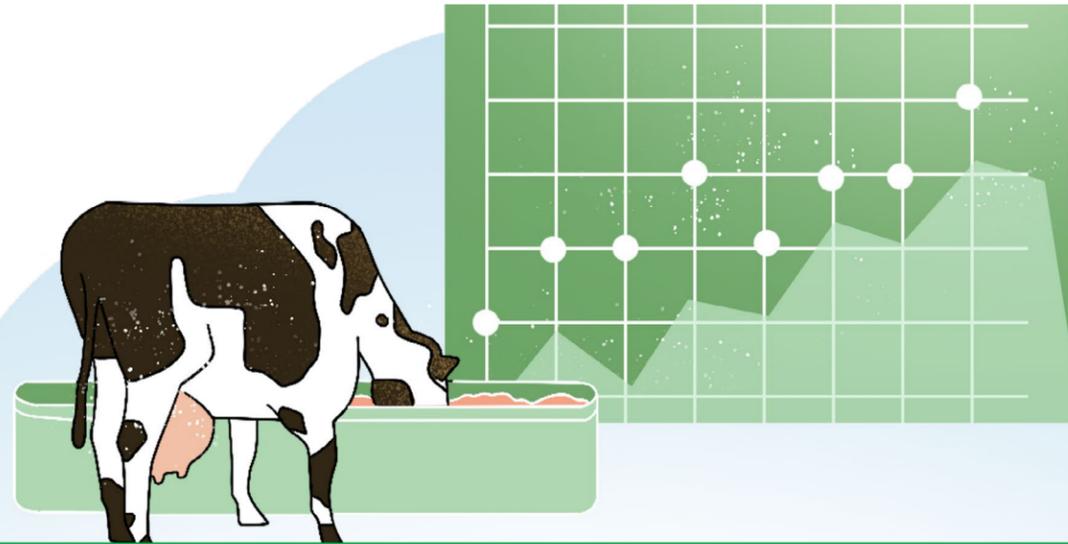
The Group is committed to leveraging technology to drive business upgrades. By combining lean management principles with digital management tools, we aim to build an efficient operating model through the development of smart dairy farms. We are leading the industry in establishing smart dairy farms. We have integrated advanced management expertise, standard processes, and farming techniques into our operations through information technology, resulting in the development of the "Intelligent Farm Cloud"—an intelligent dairy farm management system with independent intellectual property rights. This system enables real-time monitoring of farm environments, thus enhancing operational efficiency and promoting lean management practices. Moreover, we have introduced cutting-edge unmanned equipment to enable equipment-controlled cow farming under human supervision, thereby achieving intelligent cow farming management, information-based herd health management, and intelligent barn environment management. Since launching the intelligent dairy farm management system, we have achieved a significant increase in the man-to-cow ratio, along with significantly standardized operations.



Youran Dairy's "Standardization and Key Technology of Intelligent Dairy Farm" won the first prize of Science and Technology Progress Award of Inner Mongolia Autonomous Region



Youran Dairy's "Intelligent Farm Cloud" system



Case Barn Environment Management Pilot Program

This pilot program utilizes IoT, edge computing, and heavy-duty control equipment and technology to enhance the capabilities of the existing equipment in the barn while maintaining the current on-site control logic. This upgrade allows for centralized management and data collection of the equipment in the barn. With the convenience of a mobile APP or personal computer, users can now control fans, roller blinds, dung scraping boards, and lighting fixtures. Additionally, real-time data on temperature, humidity, lighting conditions, gas levels, and energy consumption (both water and electricity) within the barn can be easily accessed.

- Improved work efficiency**

The IoT platform and mobile APP/mini-program enable front-line operators to remotely monitor real-time energy consumption in the barn and control equipment (such as turning it on or off) from any location. This remote accessibility significantly enhances work efficiency and streamlines operations.
- Reduced electricity consumption in the barn**

By utilizing light sensors to measure brightness levels in the barn, the lighting system can be automatically switched on or off based on the specific time, thus leading to reduced electricity consumption.
- Enhanced milk production in dairy cows**

By utilizing temperature, humidity, and gas sensors to monitor the barn environment, intelligent adjustments can be made to enhance the comfort, health, and milk production of dairy cows.
- Dynamic monitoring system**

Real-time monitoring of water and electricity consumption with intelligent meters enables prompt detection and management of abnormal conditions, thereby mitigating energy losses resulting from equipment malfunctions.
- Standardized control equipment**

Implementing standardized farm control equipment and software ensures unified access and control standards to reduce security risks and potential data leakage.

Case “Intelligent Farm Cloud” Precision Feeding Program

The “Intelligent Farm Cloud” is our proprietary digital solution designed to streamline operations and control across all levels of farm production, from establishing company standards to managing production lines. By breaking down information silos, connecting equipment, integrating systems, and merging processes and data, it achieves unified management and business accounting and close alignment between the dairy herd knowledge base and production practices.

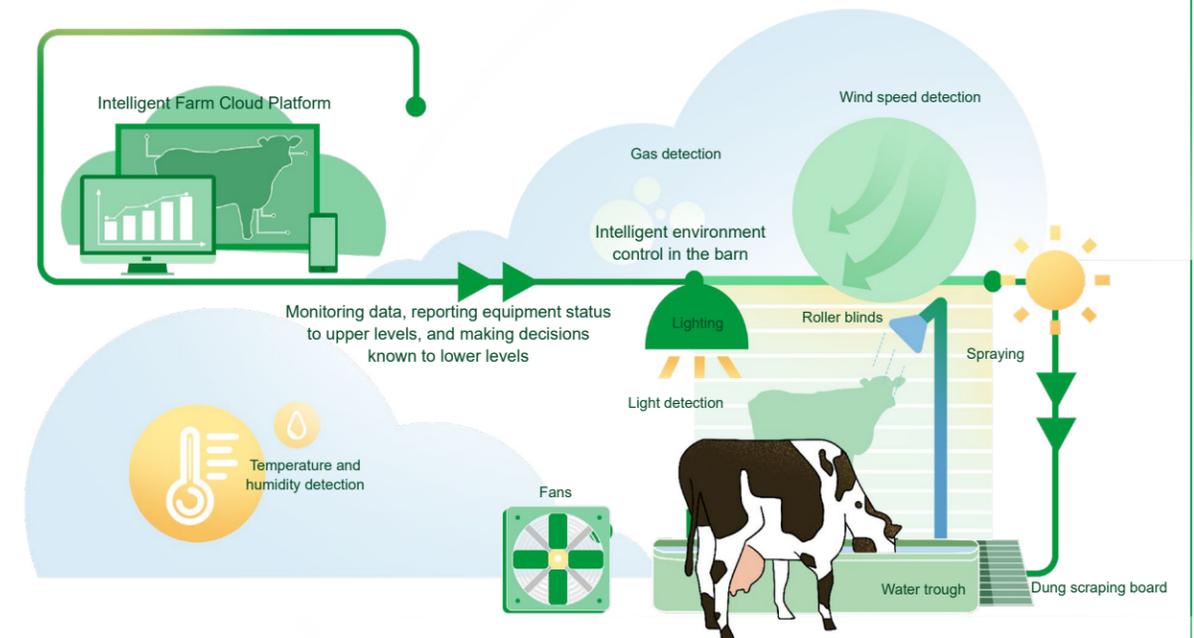
To improve the accuracy and analytical value of feeding data, we have optimized and upgraded the system. We replaced the traditional offline data transmission method with system interface synchronization for feeding data, resulting in enhanced data accuracy. The precision feeding program integrates the TMR system, ERP system, and milking parlor system with the “Intelligent Farm Cloud” system. This integration has improved the feeding and stock outgoing processes by opening up data interfaces between systems. As a result, we have enhanced data accuracy, retrievability, and analyzability, improved work efficiency, and strengthened overall control over farm feeding processes through better management of formulas, leftover materials, outgoing materials, and material loss.

Automated feed pusher robot

Using state-of-the-art technology in the industry, we have replaced manually operated diesel tractors with these robots, thus enhancing the quality and frequency of feed pushing while simultaneously reducing emissions.

AI-empowered visual precise spraying

Leveraging world-class AI-empowered recognition technology, real-time video captured by high-definition cameras within the barn is intelligently analyzed and integrated into the spraying control system. This innovative approach enables precise spraying, resulting in a significant reduction of over 50% in water consumption.



Information Security and Privacy Protection

Strictly observing relevant laws and regulations including the *Civil Code*, *Cybersecurity Law*, *Data Security Law*, *Personal Information Protection Law*, and *Law on the Protection of Consumer Rights and Interests of the People's Republic of China*, the Group follows the guiding principles of “centralized control, hierarchical protection, technology-management combination, and continuous improvement” in our information security operations. We have implemented a three-layer security mechanism at the network, data, and application layers, continually enhancing our information security and privacy protection systems to safeguard the rights and interests of our consumers.

During the Reporting Period, the major measures taken by the Group regarding information security and privacy protection include:

System improvement

- We issued the revised Information Management System and the newly approved Regulation on Cybersecurity and System Security, which outlines procedures for reporting and handling cybersecurity incidents.
- We established an IT service management system based on the ISO 20000 framework and practical requirements. The system follows a “planning-implementation-inspection-improvement” approach to regulate IT service management, ensuring it is standardized, process-driven, and automated.

Security awareness enhancement

- We conducted 4 information security training activities to improve employees’ awareness of security precautions to minimize potential losses caused by lack of vigilance in daily life and work.

Stricter security inspections

- We conducted quarterly information security inspections, covering computer usage, computer rooms, account management, virtual servers, firewall configurations, bastion host operations, and program modifications, and then compiled the Information Security Inspection Report summarizing inspection findings.

Security vulnerability detection

- We completed third-party security vulnerability assessments for our three 3 business systems.
- We adjusted and optimized the defense strategy and vulnerability collection for security equipment in the IDC data center.
- We conducted 7 internal vulnerability scans to identify potential security weaknesses.

Emergency drills

- We conducted 9 information security emergency drills, including 2 drills for the virtual servers of the quality system and 1 drill each for the virtual servers of the OA system, ERP system, weighbridge system, herd prediction system, equipment management system, value-added tax invoicing system, and dairy supermarket purchase-sell-stock management system.



02

**Upholding
Responsibility and
Pursuing Excellence
in Quality**

Optimal Quality

Natural Sources



Ensuring Product Quality Excellence

The Group is committed to fulfilling its mission of “empowering human health and well-being through high-quality products”. Guided by the “3210 Quality Management Strategy” and the “Three-pronged Comprehensive Quality Management System”, we are committed to achieving product quality excellence through various measures, including source control, technological innovation, quality management across the entire chain, and comprehensive quality inspection and monitoring. By consistently meeting market demands, we strive for market recognition and customer trust.

Quality Management Strategy

The “3210 Quality Management Strategy” adopted by the Group is anchored in compliant and quality production. This strategy focuses on preventing and controlling risks at their source and throughout the process, while enhancing quality assurance capabilities. Our goal is to provide customers with satisfactory products and services through continuous improvement. Under the strategy’s guidance, the Group is dedicated to fostering high-caliber talent to actively explore industry-leading technologies, tackle industry technical challenges, and overcome technical bottlenecks. This approach reinforces our three core competencies: management, professionalism, and continuous improvement. Furthermore, we have adopted the Three-system Quality Management approach to advance the quality assurance system and risk prevention and control system, allowing us to manage and eliminate potential hazards in advance.

3210 Quality Management Strategy

3

- Quality leading system
- Quality assurance system
- Food safety risk prevention and control system

2

- All-round quality evaluation ability
- Digital intelligence-based quality assurance ability

1

- Building a first-class quality team and a learning-oriented professional team

0

- "Zero" defects, "zero" deficiencies, and "zero" food safety incidents

Quality Management System

The “Three-pronged Comprehensive Quality Management System” serves as the cornerstone for our quality management endeavors. By promoting comprehensive staff participation, comprehensive process management, and comprehensive monitoring, the system helps to significantly strengthen our capacity to oversee product quality and safety and ensure that our products consistently adhere to the highest quality standards throughout their entire lifecycle.

Guided by this system, the Group has reinforced the quality management of the entire product lifecycle by implementing a series of quality management-related policies and regulations. These include the Quality Management Outline, Management Measures for Quality Targets, QACP Promotion Plan, Supplier Management Measures, and Management Measures for Inspection of Milk Transportation Vehicles. This comprehensive approach ensures stringent quality control and supervision at every stage, from raw material supply and manufacturing processes to the transportation of final products. Furthermore, we have established quality control indicators for raw milk regarding somatic cells and microorganisms, greatly surpassing both EU and national standards. Stringent food safety standards and the “three relevant standards” measures have also been implemented to further enhance product quality and mitigate food safety risks simultaneously. During the Reporting Period, the Group had no quality safety incidents, achieved a product passing rate of 100% in the spot checks conducted by national supervision and inspection institutions at all levels, and won the title of “Excellent Dairy Processing Enterprise in 2023”.

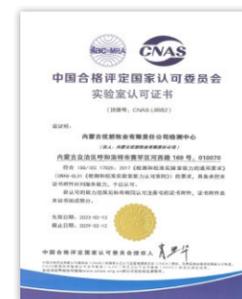
Case

Excellent Management Model—Inner Mongolia Youran won the Inner Mongolia Autonomous Region Governor Quality Award

The Group distinguished itself among numerous participating enterprises by being awarded the prestigious “2023 Inner Mongolia Autonomous Region Governor Quality Award”, thus becoming the only dairy enterprise to receive this recognition. Established by the People’s Government of Inner Mongolia Autonomous Region, this award represents the highest accolade in the field of quality management at the regional level. Receiving this honor underscores our exceptional management capabilities and operational prowess.



We have constantly upgraded our quality management system to align with world-class standards and obtained certifications under various management systems such as SQF (Safe Quality Food), ISO 9001 (Quality Management System), ISO 22000 (Food Safety Management System), China GAP (China Good Agricultural Practices), and CNAS Laboratory Management System. Notably, we are the first comprehensive animal husbandry and feed processing enterprise in China to successfully pass the world-leading food safety and quality management system SQF certification. During the Reporting Period, our farms underwent China GAP on-site audits and SQF audits, and all certificates remained valid. In 2023, all subsidiaries of the Group successfully obtained ISO 9001 Quality Management System and ISO 22000 Food Safety Management System certification. Notably, the SQF food quality safety systems of Inner Mongolia Muquan Yuanxing Feed Co., Ltd. and Ningxia Yikangyuan Bio-Technology Co., Ltd. under the Group have been upgraded from a good to an excellent level. These achievements demonstrate the Group’s leadership in establishing and developing quality management systems within the industry.



CNAS Laboratory Accreditation Certificate



SQF Food Safety and Quality Management System



GAP (Good Agricultural Practices) Certification Certificate



ISO 22000 Food Safety Management System



ISO 9001 Quality Management System Certification Certificate

Optimum Breeding

In terms of breeding, the Group adheres to various rules, laws, and technical standards, including the *Administrative Measures for the Implementation of the Genetic Improvement Program on National Livestock and Poultry*, *Technical Specifications for the Import of Cattle Genetic Materials*, *Procedures for Determination of Young Holstein Bull Offspring (NY/T 1246)*, *Procedures for Determination of Beef Cattle Offspring (NY/T 2660-2014)*, *Frozen Bovine Semen (GB 4143-2022)*, *Bovine Frozen Sex sorted-semen (GB/T 31582-2015)*, and *Code of Practice on Production of Bovine Frozen Sex sorted-semen (GB/T 31581-2015)*. Based on these guidelines, we have formulated internal control processes such as the Control Points in Key Indicators and Core Management Elements of the Holstein Bull Breeding Technology System, Standards and Handover Procedures for Entry and Transfer of Reserve Bulls in Breeding Bases, Operation Procedures and Systems for Bovine Genomic Testing, Precision Breeding of Sires, and other systems on internal control process.

The Group is committed to leading China's breeding technology and striving to be a global breeding powerhouse for the dairy farming industry. Through the development of core breeding bases and platforms, we have consistently advanced our research in bio-breeding technology. Our aim is to address key challenges in core technologies related to dairy cattle breeding, ensuring the excellence of breeding stock and ultimately enhancing the quality of our products.

Three core breeding bases

- We have three core breeding bases, one located in Wisconsin, the United States, and the other two situated in Horinger and Qingshuihe, China. The Qingshuihe Core Breeding Base stands as China's premier dairy cow breeding facility, renowned for its most comprehensive germplasm resources and cutting-edge technology integration. With the capability to breed 500 breeding cows and produce 50,000 sex-sorted embryos of high-yielding dairy cows annually, it plays a pivotal role in producing top-tier sires within China. In addition, we have established new core breeding bases for beef cattle and dairy goats, highlighting our commitment to creating a first-class livestock breeding technology R&D platform, as well as a germplasm innovation center.

Three major dairy cow breeding platforms

- As a main participant of the Dairy Cow Breeding Technology Research Center under the National Center of Technology Innovation for Dairy, the Group is actively engaged in R&D to address key challenges in core technologies related to dairy cow breeding. Furthermore, we have partnered with Inner Mongolia University and Inner Mongolia Agricultural University to establish the "Academician Workstation of Germplasm Resources and Embryonic Bioengineering Technology". The aim of this collaboration is to develop new dairy cow strains with enhanced genetic functions, focusing on high propagation, low-carbon, disease-resistant, and enhanced stress-resistant traits. Additionally, our DHI Production Performance Measurement Center has achieved an annual testing capacity of 100,000 lactating cows, making it the largest measurement center in Northwest China. This center has constructed a breeding database and management platform, enabling the mining and comprehensive application of big data information to improve the accuracy and efficiency of genetic evaluation.

Independent research on core technologies

- **Groundbreaking sex-sorted dairy cow technology:** Our self-developed sex-sorted dairy cow technology addresses key industry challenges, including high production costs. This innovation holds significant industrial value as it facilitates the efficient expansion of dairy cow populations. Ultimately, the technology, backed by independent intellectual property rights, enables the production of high-yielding dairy cow semen without dependence on foreign equipment.
- **Decoding world-class livestock stem cell induction problems:** SKX, in collaboration with the University of Hong Kong, led the publication of the latest research results on new cattle stem cells in the prestigious international academic journal "PNAS". This research revealed, for the first time globally, the expansion of pluripotent stem cells in dairy cows and their biological characteristics, achieving world-class breakthroughs in scientific and technological advancements.
- **Breakthrough in OPU-IVF technology and its industrial application:** Through innovative integration of whole genome detection, OPU-IVF-ET (Ovum Pick-Up - In Vitro Fertilization - Embryo Transfer), gender control, and other advanced breeding technologies, we have established a pivotal technology system for OPU-IVF-ET breeding embryos and sex-sorted high-yielding dairy cow embryo production. This breakthrough has effectively addressed the challenges in in vitro embryo production technology in China, positioning us at the forefront nationally.

In 2023, the Group's SKX achieved remarkable breeding success, with its bred sires performing exceptionally well in both national and U.S. genomic rankings and setting new historical records on several occasions. This accomplishment underscores our leading position in breeding technology and establishes a new benchmark for dairy cow breeding in China. Furthermore, we have actively promoted the commercialization of sex-sorted embryos of high-yielding dairy cows and are dedicated to enhancing the genetics of domestic dairy cows. These efforts have significantly contributed to the development of China's dairy industry.

Case China's Champion and Runner-up Sires Bred by Youran Dairy

In April 2023, the National Association of Animal Breeders (NAAB) in the United States unveiled the genetic evaluation results for China's Holstein cows registered in the United States. Among them, the Group's 291HO22027 sire emerged as the champion, boasting an exceptional Genomic Total Performance Index (GTPI) of 3,131. This remarkable feat signifies a historic milestone for China's sires on the global stage. As December 2023, 16 of our sires secured positions within the top 20 domestically. This achievement highlights our technical expertise and ongoing leadership in breeding and establishes a new standard for China's dairy cow breeding initiatives.

High-quality Feed

The Group has implemented comprehensive quality control measures throughout the feed production process, establishing management standards such as the Administrative System of Raw and Ancillary Materials, Administrative Measures for the Use of Inputs, Procedures for Formula Changes, and Administrative Measures for Formula Development. Additionally, we are among the first Chinese enterprises to achieve SQF certification, a globally recognized food safety and quality management system. This certification ensures seamless synergy between our dairy farming and feed businesses, guaranteeing that cows receive high-quality forage and feed, ultimately resulting in the production of healthy, high-quality dairy products. Moreover, we have forged strategic alliances with experts and organizations across the global dairy industry to integrate cutting-edge technologies into the nutritional feed for dairy cows. Leveraging our extensive breeding and research expertise, profound industry insights, and advanced capabilities in data analysis and technology R&D, we consistently enhance the management and refinement of nutrient composition in raw and auxiliary materials. This ongoing effort ensures continuous improvement in the nutritional quality of our feed.

Feed-Forage grass quality management

- **Establishment of standards:** Drawing from the production and processing flow of feed products and a thorough Hazard Analysis and Critical Control Points (HACCP) analysis, we have devised 103 comprehensive quality control standards for our entire processes. Furthermore, we have developed 45 operational guides to ensure that our operators consistently adhere to the principle of "doing it right the first time and every time".
- **Process control:** Our operations are supported by a robust quality warning mechanism, first-article management system, and a comprehensive Quality Assurance and Control Plan (QACP). With 220 key control points for quality, 167 pre-market testing items, and 225 methods in place, we maintain rigorous oversight over our production processes to consistently deliver products of the highest quality.
- **Real-time monitoring:** Our adoption of an advanced centralized feeding system facilitates real-time monitoring of crucial parameters. Featuring 51 error-proof functions, the system can effectively prevent non-compliant operations from occurring.

Nutrition management of raw and auxiliary materials

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

Quality management of raw and auxiliary materials

- **Safety assessment:** We have established a comprehensive supplier quality and safety risk assessment mechanism, prioritizing suppliers with proven quality assurance capabilities and access to high-quality raw materials. Essential suppliers of raw and auxiliary materials are required to incorporate GPS functionality to ensure transportation safety. Before establishing partnerships, we conduct thorough compliance audits, on-site inspections, and sample evaluations of potential suppliers. We decline collaboration with those who do not meet our standards. Furthermore, we carry out ongoing “flight inspections” and performance evaluations for our existing suppliers to ensure they maintain their competitiveness within our supply chain.
- **Quality inspection:** We have developed 155 acceptance standards that surpass national benchmarks. During the raw material acceptance process, we conduct testing on 60 parameters, including hygiene, toxins, and physical and chemical indicators. Any raw materials failing to meet our stringent criteria are promptly rejected, ensuring that all cow feed consistently meets our high standards. Moreover, we have created groundbreaking techniques to detect the adulteration of raw materials, keep developing new approaches to detect raw material abnormalities and create a quality evaluation system for raw materials to ensure the high quality of feed raw materials.

Scientific and technological collaboration for enhanced quality

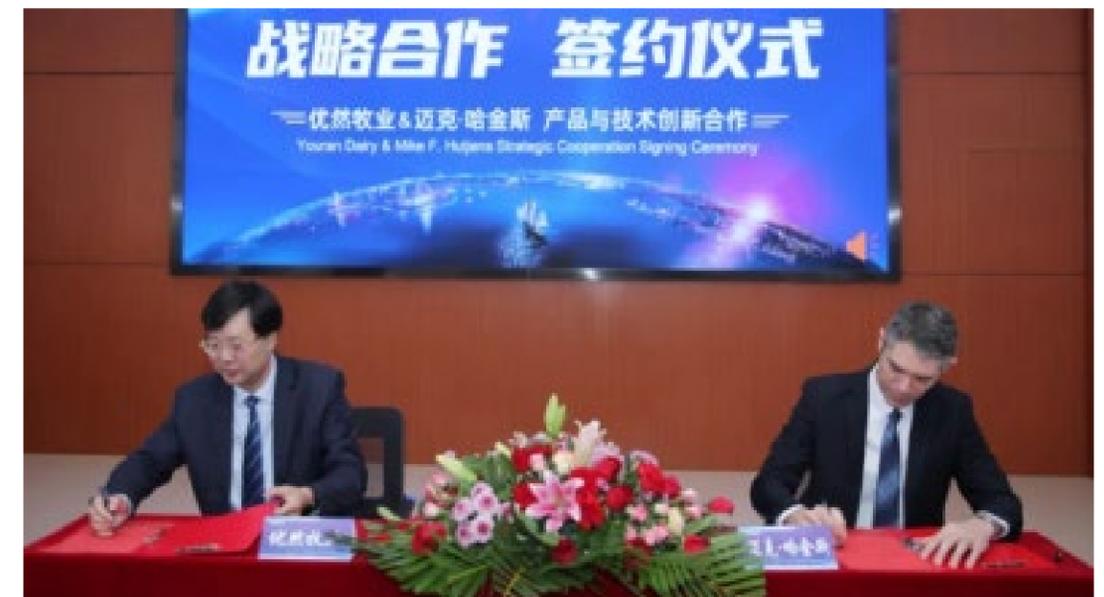
- The Group has established strategic partnerships with Dr. Mike F. Hutjens, a globally renowned dairy expert and editorial board member of NASEM’s “Nutrient Requirements of Dairy Cattle”, along with the “three major institutes” associated with the Chinese Academy of Agricultural Sciences, and the Cargill Group. These collaborations are geared towards introducing cutting-edge international dairy farming and feed nutrition technologies, promoting quality-driven advancement of the industry.
- Additionally, we have developed a near-infrared nutrition database for key raw materials used in dairy cow feed within China. With a calibrated sample volume exceeding 1 million, this database enables rapid testing of sample outcomes in 1 minute, facilitating precise and efficient assessment of both finished product and raw material quality. Moreover, it allows for the evaluation of nutritional value and cost-effectiveness of raw materials, further advancing the adoption of customized nutritional solutions for dairy cows.

On September 20, 2023, the Group’s feed business received significant recognition for its accomplishments in harnessing science and technology. We are honored with four distinguished awards, including the “Customer Value Model Enterprise”, “Excellent Animal Nutritionist”, “Outstanding Animal Nutritionist”, and “Outstanding Award for Ruminant Feed Brands” at the prestigious “China Good Feed” selection. These honors represent our dedication to fostering the industry’s healthy development through scientific and technological innovation, thereby contributing to the revitalization of China’s dairy industry.



Case Youran Dairy’s Strategic Collaboration with Dr. Mike F. Hutjens

Youran Dairy has formed a strategic partnership with Dr. Mike F. Hutjens, a globally recognized dairy expert and editorial board member of NASEM’s “Nutrient Requirements of Dairy Cattle”. Our collaboration focuses on the R&D of nutritional feed technology and new ruminant feed products for dairy cows. Together, we are committed to building a world-class systematic product R&D framework and a comprehensive technical service system. By combining Dr. Hutjens’ expertise in internationally advanced dairy cattle nutrition philosophy with our own high standards and quality-focused product R&D principles, the partnership aims to significantly enhance the entire life cycle of ruminant products.



● Premium raw milk

To ensure better systematic control over raw milk quality, we have implemented internal quality management protocols and standards. These include the Milk Risk Monitoring Program, Quality Audit Mechanism, Quality Early Warning Mechanism, Microbiological Control Program, Somatic Cell Control Program, Raw Milk Release Control Procedures, Equipment Cleaning Procedures, Milking Operation Procedures, and Standard Specification for Feed Loading and Feeding. These measures cover the procurement of raw and auxiliary materials, breeding and production, product inspection, and transportation.

Breeding process control

- **Construction of standardized farms:** We have established 48 construction standards, emphasizing cow health, quality assurance, energy efficiency, and low-carbon, eco-friendly development. By incorporating internationally advanced equipment from DeLaval and GEA, we have enhanced automation and intelligence throughout our facilities. This ensures the well-being of our cows, maintains a healthy production environment, and promotes animal welfare.
- **Industry-leading operational standards:** We are the first in the industry to establish systematic farming standards, implement standardized management practices, and formulate over 650 Standard Operating Procedures (SOPs) to ensure stable and stress-free production.
- **Industry-leading health management:** With 362 healthcare standards, 204 feeding standards, and 190 milking and storage standards, we prioritize the health of our cows and the production of high-quality milk. Our customized feeding formulas cater to various body conditions and growth cycles, while 17 health monitoring measures provide continuous care for cow mothers and their offspring.
- **Industry-leading automation equipment:** We have adopted intelligent equipment such as automatic milking, teat disinfection, cleaning, and feed-pushing systems to achieve precision farming practices.
- **Industry-leading information system:** Our Intelligent Farm Cloud system monitors real-time herd health, formula implementation, and critical operational data on estrus detection, milking, and cleaning. With 18 error-prevention functions, it promptly identifies, manages, and solves any issues, ensuring stable and high-quality production.
- **Industry-leading quality assurance capability:** We promote industry-applicable quality assurance systems, conduct quality audits, and drive ongoing improvements in quality standards.

Rigorous quality inspection

- Our laboratory is the first CNAS-certified lab within the animal husbandry industry.
- We are equipped with an array of globally sourced, high-grade, precision, and advanced testing equipment, such as the inductively coupled plasma mass spectrometry (ICP-MS) instrument, fluorescence quantitative PCR instrument, and liquid chromatography-tandem mass spectrometry (LC-MS/MS) instrument, among others
- Our industry-leading testing capacity covers over 300 items.
- We are committed to 100% quality control, ensuring zero-defect delivery.

Full-process transportation monitoring

- **Accurate positioning monitoring:** Via the raw milk logistics and transportation control platform, we implement real-time monitoring over the transportation routes of each delivery truck.
- **Precise time monitoring:** From the completion of milking to the delivery of milk at the factory, we maintain strict controls over milk freshness.
- **Thorough milk protection:** Each entrance of every raw milk transportation truck is securely sealed with a disposable lead seal, providing robust protection. Furthermore, stringent temperature control measures are in place to guarantee that milk temperature is maintained at $\leq 6^{\circ}\text{C}$ throughout transportation, thereby ensuring milk quality and safety.

Continuous quality improvement

- We have established a quality enhancement mechanism and implemented targeted, subject-based improvements on key indicators through the introduction of the TPM-QM pillars and Six Sigma quality improvement tools. By continuously investing in talent cultivation programs, such as the Black Belt and Green Belt Training Courses of Six Sigma, we are committed to developing quality improvement professionals and enhancing the quality of our dairy cattle and their milk production.

Case Accreditation of Youran Dairy's Two DHI Laboratories

Dairy Herd Improvement (DHI) is a technique for evaluating milk production performance and milk composition in dairy cows. Having been utilized for over a century in developed dairy countries and for 30 years in China, it is a crucial tool for precision dairy farming management. Our testing center achieved a significant milestone by becoming the first in the industry to receive CNAS accreditation. Additionally, our DHI laboratories successfully underwent an on-site assessment conducted by an expert group from the Ministry of Agriculture and Rural Affairs. This achievement further strengthens our testing capabilities and elevates our laboratory management standards. Our SKX DHI Measurement Center boasts the strongest testing capacity in Northwest China. It has established a large breeding database and management platform with a cumulative total of 4.93 million samples tested.

With an advanced technical system for dairy cow production performance measurement, the Group produces comprehensive analysis reports on dairy cow health, nutrition, breeding, and milk quality. These reports provide a scientific basis for optimizing farm production management efficiency, improving the accuracy and effectiveness of genetic evaluation, and propelling genetic improvement and innovation forward.

Case Youran Dairy's Wuwei Farm Recognized as "Farm with Highest Milk Yield per Cow in China"

In March 2023, Youran Dairy's Wuwei Farm was recognized as the "Farm with Highest Milk Yield per Cow in China" for its remarkable yield of 49 kilograms per cow. This accomplishment sets a new benchmark for productivity in domestic dairy farms. During the award ceremony, Dr. Mike F. Hutjens, a globally recognized dairy expert and editorial board member of NASEM's "Nutrient Requirements of Dairy Cattle", shared insights on the application of advanced dairy cow nutritional technology in the United States. Furthermore, Wuwei Farm was designated as the "Practice Base for Nutrient Requirements of Dairy Cattle" by the Institute of Animal Science (IAS) of the Chinese Academy of Agricultural Sciences (CAAS).

By leading the way in dairy cow productivity and longevity, carbon emission reduction, precision nutrition, health, and cow welfare, as well as excelling in lean farm management, digital-based empowerment, and talent cultivation, we have pioneered a new model for the high-quality growth of China's dairy industry and provided a powerful driving force for the industry's revitalization.



Food Safety Risk Prevention and Control

In terms of food safety and quality management, the Group abide by such international standards as SQF, ISO 9001, ISO 22000, and GLOBAL-GAP to build a quality risk control and prevention system. We have built and maintained the 7D model of risk control and prevention on seven dimensions: risk identification, risk detection, risk early warning, early warning elimination, risk control, tracing & recall, and risk exchange to reduce food safety risks. In the meantime, we strictly follow “three relevant standards” to guarantee food safety: the national standards of China, more rigid company quality control standards, and the most demanding internal control standard of all. Based on such a quality assurance system and risk prevention and control system, we have adopted the “one-vote veto” and “red line management” mechanisms to promote risk elimination and encourage every part of the industry chain to fulfill their food safety responsibilities. Furthermore, we have developed a three-level food safety risk monitoring system covering raw and auxiliary materials, feed products, and milk, a pioneering effort to realize whole-chain food safety risk monitoring and prevention. During the Reporting Period, we found no food safety issues.

Product Recall Management

In accordance with the *Food Safety Law of the People’s Republic of China*, *Food Recall Management Measures*, and other relevant regulations, the Group has set up a Quality and Safety Committee led by senior management. Furthermore, procedural documents such as the *Product Recall Management System and Labeling and Traceability Management Procedures* have been developed and implemented, detailing the requirements for product recall conditions, procedures, and processes. We also perform annual product traceability and recall simulation drills to consistently improve our ability to handle quality abnormalities in a standardized and timely manner. These drills cover various management processes, such as setting recall objectives, implementing recall plans, verifying recall outcomes, managing and documenting recalled products, and conducting post-recall evaluations. During the Reporting Period, we found no material complaints about the Company’s product quality or product dispute or recall that might cause any significant adverse effect on our financial standing or operating performance.

Providing Quality Services

Compliance publicity

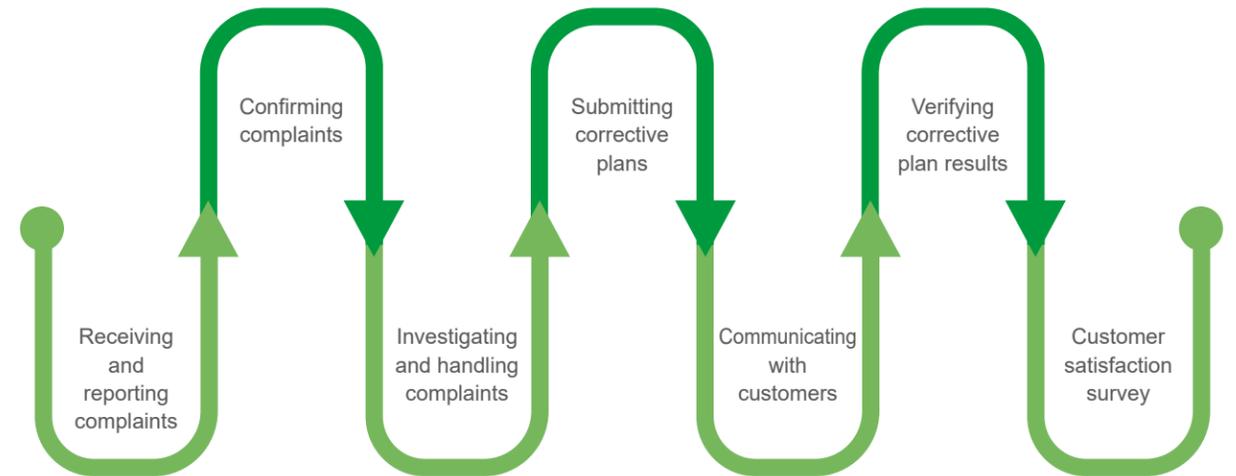
The Group maintains strict compliance with the Advertising Law of the People’s Republic of China and other pertinent laws and regulations. We have devised management systems and initiatives, such as the Youran Dairy Brand Management Measures, Brand Operation Program, and External Publicity Promotion Program. We rigorously conduct compliance awareness campaigns and take decisive action to eliminate the spreading of false information. We treat customers and consumers with a sincere attitude and comprehensively review the ads launched or to be launched. In case of any compliance risk, the advertising will be terminated promptly to avoid the economic loss caused by the administrative punishment against advertising non-compliance. In addition, we organize advertising compliance training regularly for marketing people and other relevant personnel to promote rules and laws of advertising, and advertising compliance systems. By doing this, we enhance the awareness of advertising compliance and act on the idea of compliance operation.



Customer complaint management

The Group regards customer satisfaction as a fundamental core value. We have implemented the Customer Complaints Management Measures and established proactive communication channels to actively address customer needs and feedback. This includes setting up an independent department to receive and manage customer complaints, as well as offering multiple avenues for complaint submission, such as 400 hotlines and email addresses. Furthermore, we have established an emergency response mechanism to quickly address major complaints and have formed an emergency action team to promptly handle unforeseen circumstances. We conduct annual customer satisfaction surveys to gain insights into customer sentiment, enabling us to continuously improve our business and services based on valuable feedback. Customer satisfaction is not only our goal but also the driving force behind our continuous improvement.

We have established the Customer Satisfaction Survey Program and conducted separate customer satisfaction assessments for various customer segments. These assessments utilize methods such as questionnaires, visits by senior management, salesperson surveys, on-site visits, and telephone inquiries. Furthermore, we perform product performance analysis to promptly gather customer satisfaction data and understand their needs. Following this, we compile customer satisfaction survey reports and carry out timely analysis and improvement efforts. In 2023, customer satisfaction with our product quality increased by 0.89% compared to the previous year.



Customer complaint management procedure

In 2023, our key performance of customer services is shown as follows:

Indicator Name	Indicator Unit	2023
Complaints about raw milk products and services	Case	0
Complaints about feed products	Case	2
Customer satisfaction with feed products ¹	%	98.26
The percentage of the sold or delivered feed products withdrawn due to safety and health issues	%	0.004
The percentage of the sold or delivered raw milk products withdrawn due to safety and health issues	%	0

¹ Customer service satisfaction only involves Feed Business Unit.

Specialized Product Innovation

Nutrition and Health

The Group adopts a dual-track strategy in the research and development of raw milk nutrition and health. On one hand, we greatly increase the content of basic nutrients in raw milk by optimizing the nutrition and formula for dairy cows and introducing new technologies and new raw materials or additives; on the other hand, we are committed to developing specialty raw milk and rolling out differentiated products with unique nutritive value.

The Group boasts an excellent product mix of specialty raw milk which is nation-leading in both scale and category, including organic milk, A2 milk, DHA milk, jersey milk, organic A2 milk, selenium-enriched milk and organic jersey milk. During the Reporting Period, the Group's organic raw milk sales revenue accounted for 24% of the total revenue from raw milk business. In addition, the Group has expanded goat breeding and further enriched the matrix of specialty raw milk products.



During the Reporting Period, the Group's organic raw milk sales revenue accounted for

24% of the total revenue from raw milk business



- In order to increase the content of basic nutrients in milk, the Group optimizes and puts into force standard operating procedures (SOP) for feeding and quality to reduce the content of microorganisms and somatic cells in milk; and takes heat control measures in summer and cold protection & ventilation measures in winter to mitigate the impact of heat and cold stress on milk fat and milk protein. We actively explore and use new raw materials of quality protein to ensure the continuous increase of milk protein. Also, the Group focuses on the development of additives conducive to the utilization and conversion of protein, so as to facilitate efficient conversion of protein in milk.



- Organic milk:** We raise dairy cows according to the organic milk production standards, and produce organic milk that can pass the strict certification by a third party. In production, we prohibit synthetic chemicals and strictly abide by the standards on packaging, storage and transportation of organic food. The Technology Department and Supply Support Department are committed to guaranteeing the stability of raw milk quality by exploring high-quality organic raw materials, and to continuously improving the quality of dairy products by using high-quality raw materials and optimizing formulas.
- Organic A2 milk:** A2 milk, which comes from cows carrying A2β- casein gene, contains A2β- casein closer to the protein found in breast milk. Compared to ordinary milk mainly containing A1β- casein, A2 milk can significantly reduce gastrointestinal discomfort, thus it is particularly suitable for those sensitive to milk. In the research and development of A2 milk, the Group focuses on breeding more cows carrying A2-β-casein gene by optimizing the gene screening technology, so as to produce A2 milk which is easier to digest and absorb for human body.
- Jersey milk:** Jersey milk comes from rare jersey cows which account for only 1% of the world's total and are praised as "noble cows" because of their excellent milk quality. The milk from jersey cows contains much more milk fat and milk protein than ordinary milk, with a protein content of over 3.8% and a rich taste. The Group has introduced high-quality jersey cows and adopted customized nutrition programs, thus not only increasing milk production but also achieving excellent nutritive quality of milk.

- DHA functional milk:** DHA, commonly known as the "gold of the brain", is crucial for children's intelligence and visual development. Typically, milk contains only a small amount of DHA. However, the Group has successfully developed functional milk containing more than 10mg/100ml of primary DHA by feeding cows with algae rich in DHA, which offers a new source of DHA for consumers. Further, we constantly optimize feed formula and technology to enhance DHA conversion efficiency. In 2023, our product was upgraded to contain 12mg/100ml of DHA to further provide higher quality nutritious milk.
- Selenium-enriched functional milk:** Selenium has antioxidant and anti-aging effects, and can help to soothe the nerves, promote physical growth, and protect bones. Through our unique nutrition techniques such as raw material screening, nutrition regulation and intensive feeding, we have produced functional milk rich in primary selenium.



Organic Product Certificates

Case Expanding Milk Goat Breeding and Developing New Categories of Specialty Raw Milk

With the constant increase in demand for goat milk consumption, Youran Dairy has expanded milk goat breeding and created a new product matrix of specialty raw milk. As a high-level milk goat farm in China, Youran Dairy Qingshuihe Milk Goat Farm has a planned stock of 50,000 milk goats. After the project is completed and put into production, it will produce about 63 tons of raw milk every day. To this end, we have introduced internationally advanced intelligent equipment and developed an intelligent milk goat farm management system, so as to conduct digital, precision and fine management over the farm, improve the operational efficiency and achieve a "zero" breakthrough in milk goat management system in China.

planned stock of

50,000 milk goats

it will produce about

63 tons of fresh milk every day

Innovation and R&D

The Group constantly pursues technological innovation to build its core competitiveness, and stays committed to technologically empowering the whole industry chain. Talents are the key to innovation. The Group widely absorbs talents and attaches great importance to the reserve and cultivation of talents. Meanwhile, the Company actively attracts outstanding talents in cow breeding at home and abroad to build a world-class R&D team. So far, we have a technology research and development team of approximately 400 talents, including 23 talents with doctoral degrees, as well as special government allowance winners, grassland elites, craftsmen from northern Xinjiang, and big country craftsmen. In addition, we have established a long-term cooperative relationship with several scientific research institutes in the industry to jointly promote project research and development, and cultivate the main talents of the technology research and development team. During the Reporting Period, the Group invested RMB 64.846 million in R&D.



we have a technology research and development team of approximately

400 talents



During the Reporting Period, the Group invested

RMB **64.846**

million in R&D

In 2023, we participated in the formulation of a national standard, namely, *Code of Practice for In-vivo Embryo Production and Transfer in Cattle*; four local standards of Inner Mongolia, namely, *Quality Requirements for Sawdust Bedding*, *Technical Specifications for Preparation of Bedding Materials from Manure Recycling at Large-scale Dairy Farms*, *Technical Specifications for In-situ Treatment of Sewage at Dairy Farms* and *Technical Specifications for Early Weaning of Sheep and Lambs*; a local standard of Hohhot Municipality, namely, *Criteria for Selection of Core Holstein Seed Cows*.

In October 2023, Dr. Li Xihe, President of SKX Research Institute, was shortlisted as an academican of the Chinese Academy of Engineering.

Dr. Li Xihe is specialized in the research of livestock fertilization biology, the development and application of new technologies for sex-sorting, the basic research of mammalian reproductive biology and stem cell development biology, and the development of applied technologies for livestock breeding and reproduction.

In 2023, the Group initiated a technology-driven development and innovation strategy, which was put into practice as one of core business philosophies. This strategy involves technological innovation in existing business segments, construction of a technological innovation system, and expansion of new upstream high-tech businesses, driving high-quality development of industry innovation and R&D.

Technological innovation in existing business segments

implement the technology-driven development and innovation strategy in the existing four business segments, i.e., animal husbandry, feed, seed and forage, and promote innovation in nutrition, health care, breeding and process equipment from the dimensions of new raw materials, new processes, new equipment, new technologies and new products.

Expansion of new upstream high-tech businesses

develop new upstream high-tech businesses to facilitate the technological update of existing core businesses.

Construction of a technological innovation system

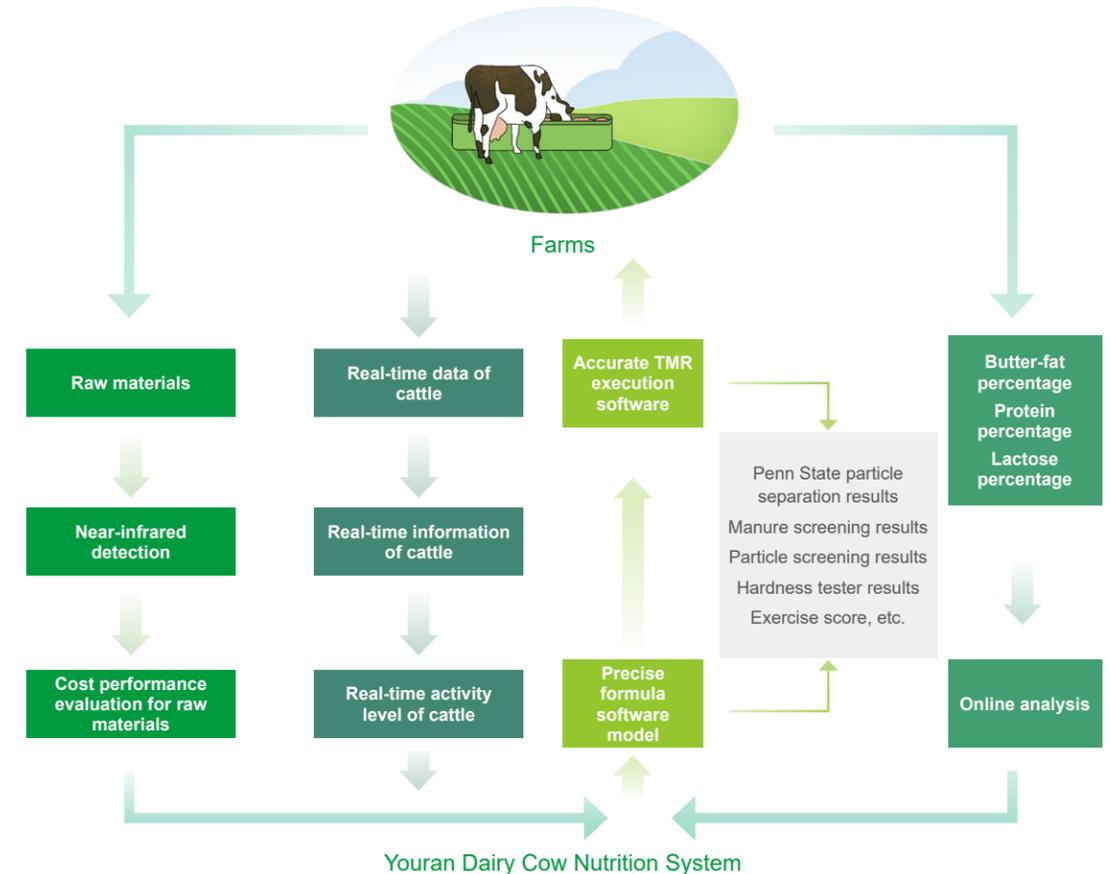
create a sustainable technological innovation system that links the internal and external factors, and build technology leadership.

Case Formulating the Technical Specifications of Inner Mongolia for Early Weaning of Sheep and Lambs

Relying on its long-term scientific experiments and rich practical experience, the R&D Department of the Group's Feed BU has successfully formulated a local standard, i.e., DB15T/3152-2023 *Technical Specifications of Inner Mongolia for Early Weaning of Sheep and Lambs* (referred to as "Specifications"), which not only define the terms related to early weaning of sheep and lambs, but also systematically stipulate the requirements for sheep pen environment, feeding management before and after weaning, disease prevention, use of veterinary drugs, and file management. The Specifications provide scientific and practical operating instructions for sheep farms (farmers), and further improve the overall technical level of sheep farming.

Case Feed Technologies for Balanced Nutrition of Dairy Cows

The Group has conducted scientific and systematic research on eight physiological systems of dairy cows, including the digestive system and circulatory system, and developed systematic solutions by using core technologies such as rumen protection technology, amino acid balance technology, enzyme engineering technology, gastrointestinal health control technology, and precision nutrition implementation technology. Our expert team formulates individualized nutritional diets for dairy cows, and accurately calculates the dietary formula according to the nutritional needs of dairy cows at different physiological stages and milk production levels to meet the healthy nutritional needs of dairy cows.



The Group has formulated Youran Dairy Plan for Management and Control of Innovation Objectives and Youran Dairy Plan for Promotion and Evaluation of Innovation Projects to comprehensively plan its innovation activities. These plans clarify the innovation management process, innovation project classification, innovation plans and goals, and matching innovation incentive policies. The Group has organized an innovation award review, reviewing 17 projects of which 10 received awards, with a total award money of more than RMB 600,000.



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17 projects

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RMB **600,000**

S/N	Innovation projects	Innovation type
1	Project for Improving the Conversion Rate of Dairy Cow Feed	Technological innovation
2	Innovative Project for Cost Reduction through the Application of New Materials in the Construction of Drainage Channels	
3	Innovative Project for Upgrading Husbandry Fans to Low-carbon, High-efficiency, and Energy-saving Models	
4	Innovative Project of Secondary Collection and Tertiary Reuse of CIP Cleaning Water for Emission Reduction	
5	Project of Silage Pricing by Bidding Mode	Management innovation
6	Automated Disposal Project for Nonconforming Raw and Ancillary Materials in the SRM System	
7	Grid-based Security Management Promotion and Application Project	
8	Innovative Project for Evaluating Cow Health Risks Based on TMR and Starch Content in Feces	
9	Management Innovation Project Promoted by the "Three Nos" Management Mechanism of Animal Husbandry Business Unit	
10	High-yield Benchmark Farm Project	

Case Project for Improving the Conversion Rate of Dairy Cow Feed

Our Animal Husbandry Business Unit has launched an innovative project for improving the conversion rate of dairy cow feed. By identifying and managing the key control points in the production process, we make constant improvements in warehouse management, TMR production, grouping management, trough management and formula optimization, so as to improve the overall feed conversion rate. In 2023, the feed conversion rate increased by 0.03 year-on-year, and formulated and shared the *Animal Husbandry Business Unit Feed Conversion Rate Improvement Plan* to continuously enhance the level of technological innovation.

Protection of intellectual property rights

The Group has formulated and implemented the *Regulations for Management of Intelligent Property Rights* in accordance with the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and other relevant laws and regulations. Meanwhile, it has set up special positions responsible for monitoring the registration and license of trademarks, patents, trade names and other intellectual property rights, and regularly organizes internal training on legal and regulatory aspects to further strengthen the management of intellectual property rights, ensure timely protection of intellectual property rights and prevent infringement. In 2023, the Group conducted training on the certification of the Rules for Enterprise IPR Management to further strengthen the scientific management and strategic application of intellectual property rights.

In 2023, Inner Mongolia Youran was awarded the title of "National Intellectual Property Advantageous Enterprises", which is the recognition for our efforts in the creation, application, protection and management of intellectual property rights.



In 2023, the Group filed 16 patent applications of which 9 were approved, and successfully applied for 47 trademarks in China and 2 in Madrid. By the end of the Reporting Period, the Group holds 79 registered patents in China, including 39 invention patents and 40 utility model patents.

Newly granted patents in 2023

S/N	Patent Titles	Patent Type	Application No.
1	A drive control system for rotary milking machines	Utility model	2023212205717
2	A hoof bath	Utility model	2023202643768
3	A feeding vehicle	Utility model	2023201778575
4	A gynostemma pentaphylla composition for obese dairy cows in late lactation period, and its preparation method and application	Innovation	202010211942X
5	A strain of acid-resistant saccharomyces cerevisiae and its application	Innovation	2019107115494
6	A frozen semen insemination gun for sheep	Utility model	ZL 202320551265.5
7	A flexibly adjustable fence	Utility model	ZL 202320205545.0
8	A circular air conditioning system for large circular assembly line operation areas in cold regions	Innovation	ZL 202310347216.4
9	Construction method and culture solution for bovine expanded pluripotent embryonic stem cells	Innovation	ZL 202011105397.2

Animal Welfare Protection

Welfare of Dairy Cows

Regarding animal welfare as an important part of its corporate social responsibility system, the Group has participated in the development of the *Welfare of Farm Animal - Cow* group standard, actively promoted animal welfare and continuously advanced the concept and technology of welfare-oriented breeding to enhance its competitiveness from the source. Meanwhile, the Group has established internal regulations such as *Welfare Principles of Dairy Cows*, *Precision Nutrition Implementation Program*, *Formula Management Methods and Formula Optimization Scheme* to further safeguard the welfare of dairy cows. Also, the Company has developed a nutrition formula design and management plan to guide nutritionists to formulate formulas for dairy cows at different growth stages. The Technology Department is responsible for reviewing and approving these formulas to ensure their successful implementation at farms. This process aims to ensure precise dietary nutrient concentration and maximum dry matter intake for dairy cows, so as to make dairy cows healthy and long-lived and improve the yield and economic benefits of farms.

Welfare Principles of Dairy Cows

We follow the international welfare principles of dairy cows and has released our Welfare Principles of Dairy Cows:

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

Case Constantly Summing up Breeding Experience to Safeguard the Health of Dairy Cows

Based on the situations of different farms, the Group has summarized its high-yield management experience, formulated the *Management Manual for High-yield Production of Dairy Cows Weighing over 46 Kilograms*, continuously consolidated the foundation for farm production management, and developed a template for the management of our more than 500,000 dairy cows, so as to safeguard the health of dairy cows from multiple dimensions such as activity space, feeding methods, stress management and digital applications.

- **Water drinking:** In winter, the temperature of water troughs for cows is maintained at 15-20°C at all times.
- **Space:** the space for a first-calving cow is 65cm and that for a multiparous cow is 75cm. The density of special cows does not exceed 85%.
- **Rest:** A dry, clean and comfortable environment is created and cow brushes are provided. Cows lie down for more than 13 hours every day.
- **Feeding:** Each farm is equipped with an advanced automatic feeding system and TMR precision feeding system, allowing for self-help feeding all day long.
- **Stress management:** In summer, heat stress is managed through AI precise spraying.
- **Digital information application:** integrate TMR precision feeding system, intelligent milking system in the milking parlor, postpartum health care and breeding production system, temperature and humidity monitoring system, and automatic weighing system, and realize intelligent health management throughout the life cycle of dairy cows through intelligent correlation analysis of multiple systems.

Management System of Welfare of Dairy Cows

Placing great emphasis on the protection of “animal welfare”, the Group has established a welfare management system for dairy cows, formulated six standards of dairy cow welfare, and defined more than 100 key control points to conduct information-based management on the daily growth and production of dairy cows. Besides, the Group continuously builds a good growth environment, implements the concept of healthy and advanced breeding, and safeguards the health and safety of dairy cows, enabling dairy cows to have a healthy and happy life in the welfare-oriented environment.

Case Daily Spot Inspection and Maintenance and Seasonal Management to Ensure High Comfort for Cows

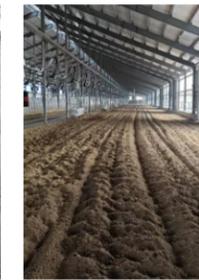
- **Exercise yard and bedding (fermented bedding maintenance):** establishing the Criteria for Maintenance and Evaluation of Bedding and Exercise Yard, and setting up a feedback mechanism for daily spot inspection and maintenance;
- **Heatstroke prevention and cooling:** In summer, young cows, dry cows and perinatal cows will enjoy centralized cooling, and sunshade nets will be built on the exercise yard to alleviate heat stress;
- **Cold protection and ventilation:** If calf hutches are enclosed by grass walls or tarpaulins, the rear vents must remain open 24 hours a day, except in extreme weather conditions. The thickness of the grass mats in calf hutches must be greater than 40cm to alleviate cold stress of calves.



Exercise yard maintenance



Bedding maintenance



Fermented bedding maintenance

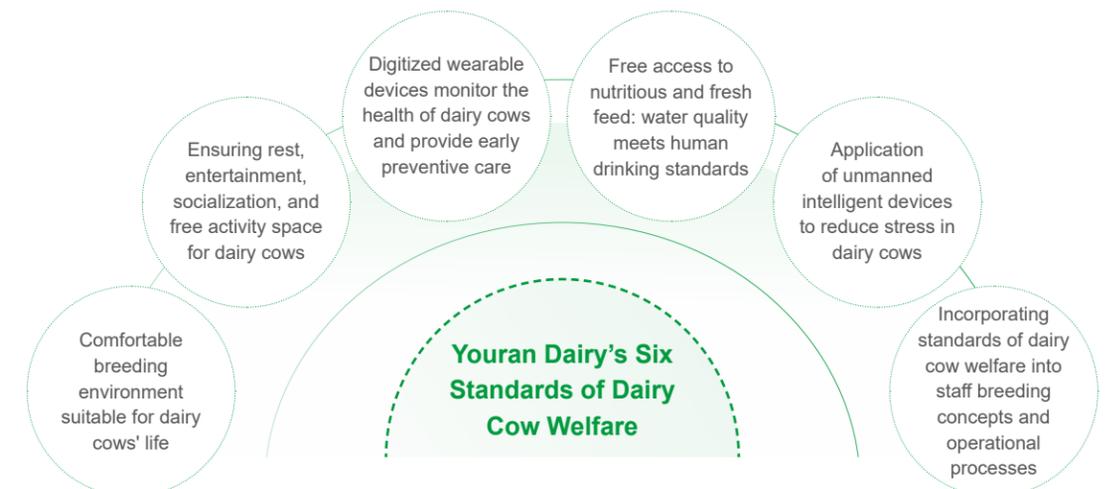


Sunstroke prevention and cooling



Cold protection and ventilation

At the 7th China Animal Health and Food Safety Conference, the Group signed a Memorandum of Understanding on Animal Welfare Pilot Project with China National Animal Health and Food Safety Innovation Alliance (hereinafter referred to as “CAFA”). The two parties will collaborate to promote animal welfare on farms, thus jointly driving the development of China’s dairy cow welfare undertaking. This cooperation with CAFA is aimed at further upgrading the welfare of dairy cows based on the six standards of dairy cow welfare.



- **In terms of breeding environment:** it is designed to take into account the living habits of dairy cows at different stages of their lives. Starting from the front-end design of the barn structure, height, and material selection, a comfortable living environment is created for the cows. Through IoT technology, the temperature, humidity, gas, and lighting of the barn are automatically adjusted according to the physiological characteristics of the cows and the environmental variables of the dairy farm. Facilities such as heatstroke prevention and cooling and cold prevention and warmth are improved in a timely manner according to climate change to ensure that the barn is warm in winter and cool in summer and to create a suitable living environment for the cows.
- **Activity space for dairy cows:** The barn is designed with a space of more than 25 square meters per cow, with reasonable planning of the herd density and an outdoor cow exercise field. According to the physical condition of the cows, neck clamps and bedding of appropriate sizes are designed to provide ample space for the cows to move around and ensure their resting and social needs.
- **In terms of digital equipment application:** Smart wearable devices such as collars and ear tags are used to monitor the rest time, rumination time and temperature changes of cows in real time. Each milking will undergo a big data analysis, equivalent to a physical examination for cows. Through big data analysis, we can analyze and understand the health condition of cows and take preventive health care measures in advance to safeguard the health of cows.
- **In terms of feeding and water drinking:** Our expert team led by 23 doctors can develop exclusive nutrition formulas for the cows based on their nutritional needs at different physiological stages and milk production levels, so as to ensure that cows can get fresh and nutritionally balanced feed every time. For water intake, we ensure water source quality according to human drinking water standards and configure constant temperature drinking troughs to maintain a water temperature of above 15°C, ensuring that cows drink water at an appropriate temperature.
- **In cow stress management:** The new smart dairy farm introduces the world's most advanced fully intelligent unmanned milking robots, feeding robots, material pushing robots, and manure cleaning robots, minimizing cow stress caused by human intervention. Close attention is paid to every detail to create a comfortable and happy life for dairy cows.
- **In terms of cultivation of employees' breeding concept:** A standardized SOP manual for dairy cow farming has been formulated, taking into account the welfare of dairy cows. Through systematic training and practice, employees can provide precise and meticulous care for dairy cows in their daily operations.

Cow Safety and Health

The Group strictly complies with the national Animal Epidemic Prevention Law and publicly commits to minimizing the routine use of prophylactic antibiotics in animal production operations. To strengthen the use of vaccines and other alternatives to antibiotics, the Group has established internal guidelines, including Administrative Measures for Optimization of Herds, Guidance on Standardized Operation, Epidemic Prevention Management Measures, and Mycoplasma and Sub-Tuberculosis Control Plan. Additionally, we are committed to providing high-quality feed, a good living environment and regular health monitoring to ensure that each cow enjoys the best living conditions. We maintain the health status of dairy cows at the best level by using the veterinary nursing and health management technology. Furthermore, we attach great importance to preventive measures and actively organize vaccination and disease monitoring to protect the productivity and well-being of dairy cows. The Group always performs its commitment to safeguard the safety and health of dairy cows and provide customers with high-quality dairy products.

Daily health management

- A self-developed big data system monitors real-time dairy farm management, inventory management, nutrition feeding, dairy farm equipment, and heat detection, among other aspects. It automatically analyzes cow's diet and health and generates reports. The information system helps dairy farm management personnel to timely grasp the situation of the dairy farm and cows.
- In terms of feeding management, we strictly control the quality of raw materials and have developed a diet inspection plan to ensure the freshness of feed and the health of cows. Additionally, we have developed control measures for cold and heat stress, and established uniform standards for breeding density of cows to ensure that there is enough feeding, drinking and exercise space for cows. Measures are also taken to prevent fall damage and protect cows' breasts and hooves.

- Regarding the health care of adult cows, we have developed the SOP for nursing of postpartum cows, treatment of mastitis, dry milk, hoof trimming and standard prescriptions for common disease, so as to provide guidance for farms' production departments in daily health care of cows.
- Regarding calves, we have made updates to the SOP for calves and the compilation of feeding management systems, which detail the key control points of calves to enhance staff's understanding and implementation, thereby improving the health status and growth indicators of calves. We have also carried out a special improvement project for newborn calves, which improved the key processes such as birthing environment hygiene, colostrum feeding and umbilical cord disinfection, and reduced the incidence of diarrhea in calves aged 0-7 days. Additionally, we have taken cold-proof measures, which reduced the incidence of diarrhea and pneumonia in calves during the winter.

Disease prevention and control through immunization

- Formulate an annual vaccination plan, and strengthen prevention and treatment during dry-milk periods to effectively control the incidence of mastitis.
- Implement a quarantine ticket management system for curled cattle. Official veterinarians issue quarantine tickets on-site during each cattle herd optimization. At the same time, the finance department monitors the implementation on-site.
- Conduct an annual review of 25 management systems and technical specifications for epidemic disease prevention and control, and arrange for the dedicated immunization team to implement annual immunization plans on an annual basis; arrange for the immunization team to organize centralized immunization of all BUs according to the timeline, and each BU to carry out sporadic immunization according to the growth cycle on a monthly basis; and combine digital algorithms by using digital information on rumination rate, conductivity, activity and reduction in milk production a daily basis. In 2023, we realized automatic early warning and monitoring of common diseases.
- Regularly revise the Herd Health Management Regulations to specify the standards for cow optimization, the standards for cow elimination and the relevant penalty provisions. To standardize the treatment of cows dying from illness, the Technical Specification for Harmless Treatment of Cows Dying from Illness are formulated.
- To respond promptly to the occurrence of epidemics, establish a dual-line reporting mechanism with information and telephone, which effectively improves the efficiency of information dissemination during emergencies.

Strengthening management and control of veterinary antibiotics

- Strengthen the construction of the regulatory system, establish an animal drug residue monitoring system, promote pollution-free production certification, and comprehensively promote the HACCP system.
- Actively explore methods for wide application of Chinese veterinary drugs in farms, and new approaches for wide application of selective dry cow therapy in farms.
- Strictly implement regulations on the use of prescription drugs for animals, withdrawal periods, etc.; follow the instructions on the labels of veterinary drugs for symptomatic treatment, proper administration and accurate dosage; carry out regular and irregular testing of cow feed, and vigorously advocate for the use of pollution-free feed.
- Analyze national and corporate drug resistance, improve the system for monitoring the drug resistance of zoonotic bacteria, formulate and implement an annual plan for monitoring the drug resistance of zoonotic bacteria, organize and carry out drug resistance monitoring, and improve the ability of drug resistance risk management; develop medication guidelines, conduct clinical trials for targeted medication and replicate and promote them to improve the cure rate of mastitis in cows.
- Actively promote the application of traditional Chinese veterinary drugs, microecological preparations, and other non-persistent green veterinary drugs, and reduce the use of antibiotics. A combination of additives is tested and developed to replace the antibiotic Moronin to prevent calf diarrhea and promote calf intestinal health.

Our key performance in Welfare of Dairy Cows in 2023 is as follows:

Quarantine inspection rate of curled cattle

100%

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

100%

03

Green Development and Harmonious Coexistence



Adhering to Green Operation

The Group upholds the business philosophy of prioritizing ecological and green development, and follows the environmental management policy of “cultural guidance, technology drive, efficient utilization, low-carbon recycling and green development” to continuously promote green and sustainable development. We, regarding sustainable development as our responsibility, give full play to our industrial and technological advantages, actively engage in green development, enhance our efforts in pollution control, recycling and ecological protection, accelerate the green transformation and upgrade, and shape a vision of harmonious coexistence.

Environmental Management

The Principles of Sustainable Operations

Adhering to the principle of sustainable operation, the Group gives an impetus to green development through continuous improvement. To this end, the Group has issued the Principles of Sustainable Operation, which are regarded as an important basis for sustainable operation, to effectively manage the impact on the environment and promote green and sustainable development. During the Reporting Period, the Company had no lawsuits or related penalties caused by environmental violations.

The Principles of Sustainable Operations

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

Environmental Management System



The Group has formulated and publicized Youran Dairy Environmental Claim, which clearly defines its environmental protection objectives, strategies and action plans. This document serves as an effective guideline and action plan for environmental management, providing clear direction and guidance for the Group's environmental management. Additionally, the Company has established a scientific environmental management system according to ISO 14001 system to comprehensively improve environmental management, and achieve resource conservation and benefit increase. The Company strictly follows the requirements of ISO 14001 environmental management system and continuously improves its environmental management system. It has formulated many rules and regulations, such as Youran Dairy's Measures for Environmental Protection Management, Environmental Protection Responsibility System, Environmental Target Control Plan, Youran Dairy's Questionnaire for Identification and Evaluation of Environmental Factors, Detailed Rules for Environmental Protection of Farms, and Specification for Management of Environmental Files, to ensure the efficient, reliable and stable operation of the environmental management system. Furthermore, we continue to promote the certification of environmental management system. As of the end of the Reporting Period, Inner Mongolia Youran has passed the certification under ISO 14001 environmental management system.



Environmental Responsibility System

In order to procure efficient operation of the environmental management system, the Company has set up a three-tier environmental management structure consisting of decision makers, management and performers. It forms an all-round network that provides a powerful organizational guarantee for environmental management. Meanwhile, the Company has established an Environmental Management Committee. The Environmental Management Committee is responsible for the environmental management strategy and performance across the Company, and continuously promotes the decision-making, deployment, coordination and management of environmental protection and energy management work. The headquarters is responsible for the development of overall environmental management strategy, law identification, risk control and process management. Each BU undertakes the main responsibility for environmental protection, and promotes and empowers environmental management. Each grassroots unit is responsible for the detailed implementation of environmental management.

In order to further fulfill the environmental management responsibility, we have incorporated the environmental protection indicators into the annual performance appraisal system for the management, and signed the Letter of Environmental Protection Responsibility. All BUs treat environmental protection performance as a key indicator for performance appraisal and link it to the annual performance of BU heads, so as to strengthen the awareness of environmental protection responsibility and management efficiency.

Environmental Review and Assessment

In order to further implement the environmental protection policies and achieve environmental protection objectives, the Company has adopted a regular environmental review mechanism. According to the *Provisions on Environmental Management*, we conduct random inspections on subordinate units for environmental review every quarter. The environmental problems identified during the review should be thoroughly rectified by the relevant units in charge, thus forming a closed-loop system of environmental management. For units that fail to achieve their annual environmental targets or undergo environmental incidents, the relevant persons in charge will be given negative incentives according to the Environmental Target Control Plan to effectively strengthen environmental accountability.

Environment Monitoring and Control

To accurately and timely monitor the environmental quality of each operating unit, the Group has framed an annual monitoring plan, and entrusted a qualified third-party institution to monitor the wastewater, waste gas, solid and liquid fertilizers, surface water, groundwater and soil. Besides, we have established an EHSQ management system to collect relevant data such as emissions of "three wastes" and energy consumption, aiming to achieve accurate and scientific environmental governance.

EHSQ management system



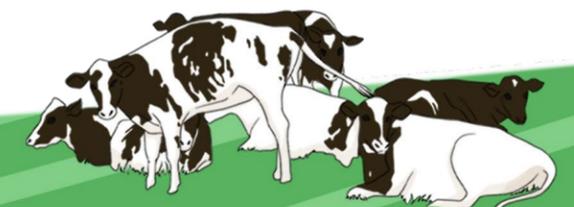
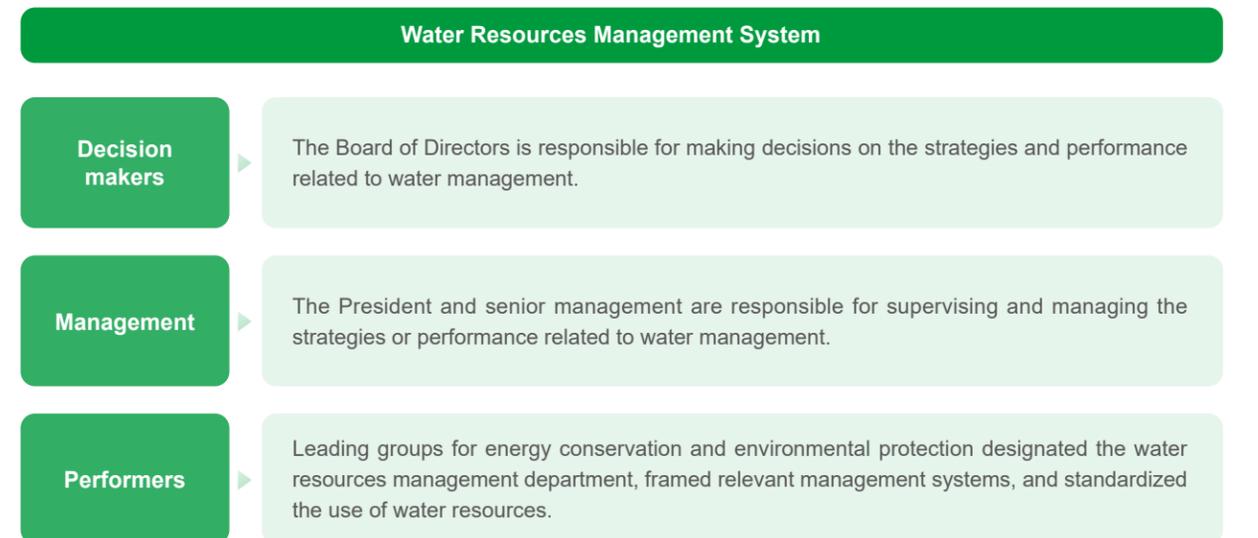
Water Resource Management

The Group places great emphasis on the protection of water resources in the region where it operates, upholds the management philosophy of harmony between human and water, and follows the water resources management policy of "prioritizing water conservation, seeking spatial equilibrium, implementing systematic governance and achieving government-market synergy" to build a green, efficient and sustainable water resources management model and improve the efficiency of water resources utilization. Further, we constantly optimize the water resources management strategy, improve the level of water risk management, and expedite the upgrading of water-saving technologies. Based on scientific planning methods, high sense of responsibility and forward thinking, we have promoted water conservation in the whole industry chain, and achieved a balance between water resources development and protection while continuously enhancing the construction of ecological civilization.

Water Resource Management

To strengthen the management of water resources, the Group has developed multiple management plans and standards, including the Comprehensive Plan for Water Control and Consumption Reduction of Farms, the Energy Consumption Target Assessment Plan, the Environmental Monitoring Plan, and the Standards for the Construction and Management of Groundwater Observation Wells. Grass-roots units are responsible for supervising and managing the water consumption in various regions, inspecting water treatment facilities, drawing water balance diagrams, identifying potential loss points, working out and implementing countermeasures, and tracking and verifying the results, so as to solve difficult problems. Additionally, we conduct regular water risk assessments, develop water resources management plans based on the assessment results, and adopt a refined water resources management model to continuously promote efficient management of water resources and water quality. Currently, the Group has no risk of water shortage.

To further improve the water resources management system, the Group has established a three-tier management structure consisting of decision makers, management and performers". At the level of decision makers, the Board of Directors is responsible for making decisions on the strategies and performance related to water management. At the level of management, the President and senior management are responsible for supervising and managing the strategies or performance related to water management. At the level of the performers, leading groups for energy conservation and environmental protection designated the water resources management department, framed relevant management systems, and standardized the use of water resources.

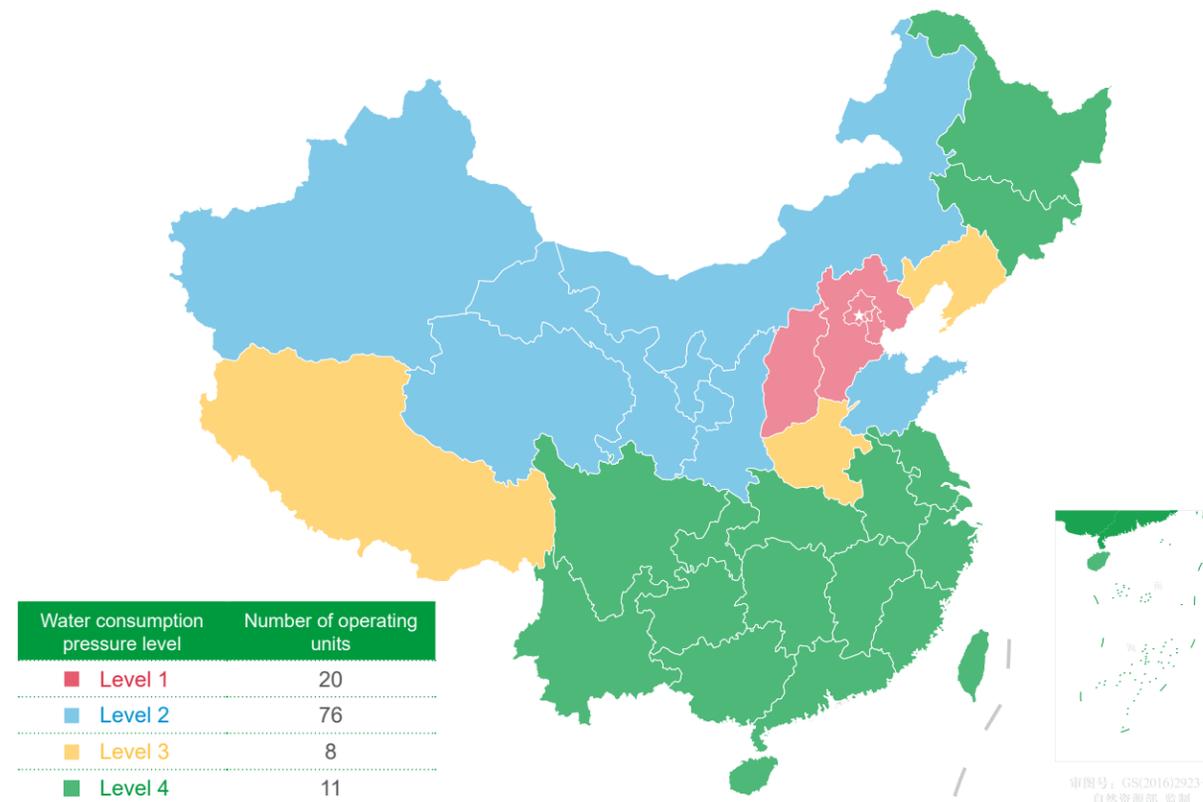


Water Saving Targets

Key Environmental Indicators	Targets	Target achievement
Water saving targets at the operating level	<ul style="list-style-type: none"> To reduce the water consumption to 900 tons per million RMB of revenue in the next five years (taking 2021 as the base year). 	<ul style="list-style-type: none"> In 2023, the water consumption per million RMB of revenue was 1,077.01 tons. The water consumption per ton of milk in 2023 decreased by 8.56% compared with that in 2022.

Water Risk Assessment

Water resources management is crucial for environmental sustainability. In order to mitigate the negative impact of operating activities on water resources, the Group strictly abides by relevant national and local laws and regulations, and conducts regular water risk assessments every year by using the AWARE tool developed by WULCA Working Group of UNEP-SETAC Life Cycle Initiative. Based on the geographical characteristics, water consumption impact, local regulatory requirements and water resources endowment of the place where each factory is located, we assess the water-related risks of each BU such as water shortage, water ecology and water environment in the production process by using the AWARE water scarcity factor, and classify them into four levels (1 to 4), so as to ensure a 100% coverage rate of water risk assessments at all farms and factories. According to the results of water risk assessment and monitoring, the areas which are most relevant to the Group's business with the highest water risks are mainly distributed in North China and Northwest China. Additionally, we carry out systematic and targeted planning for the layout of new projects, equipment selection, process configuration and other relevant issues based on the identified water risk map to fully enhance our capability to mitigate water risks. In 2024, we will submit a water safety questionnaire on the water risk-related issues in FY2023 to the Carbon Disclosure Project (CDP), so as to further strengthen the disclosure of water risk-related information and improve the prevention and response to water risks.



Measures for Water Resource Mitigation

The Group regularly carries out water quality monitoring, follows the principle of “plans and standards specific to each site and place”, builds water quality monitoring wells, and regularly engages third-party professional organizations to evaluate the quality of surrounding water sources. We draw water balance diagrams for farms, verify the water consumption of each farm, draw loss maps based on the identified anomalies, calculate the volume of lost water based on the identified loss points, and alleviate the water consumption pressure through proper management and technical transformation. In addition, we develop systematic, scientific and precise water-saving plans tailored to different risk exposures and production operations, actively explore, introduce and promote the best water-saving technologies and projects in the industry, and collaborate with the industry chain to promote water-saving initiatives. In 2023, the Company carried out a total of six projects on various issues such as water saving at source, water quality improvement and recycling by using the best water-saving technologies. These projects cover all of our production and operation sites, aiming to further improve the water risk management capability.

Operation area	Mitigation measures
 Animal husbandry	<p>Source control:</p> <ul style="list-style-type: none"> Achieve source control through precision spraying, and reduce the consumption of clean water, which can help each farm save 337.4 tons of water every day and about 41,500 tons of water every year. Carry out transformation of AI precision spraying, which can help each farm save 371.95 tons of water every day and about 45,700 tons of water every year. Implement standard management for low-level cleaning of water troughs, which can help each farm save 61.51 tons of water every day and about 7,600 tons of water every year. Change the cleaning standards of water troughs from no standard to low-level cleaning, and reduce the discharge of cleaning water, which can help each farm save 307.2 tons of water every day and about 14,700 tons every year. Apply plate-type pasteurizers to cool milk by heat exchange; recycle the residual heat in milking parlors by air cooling instead of water cooling; incorporate infrared sensing devices into rotary milking machine for precise rinsing of milking cups, and equip them with pressurized fan nozzles to enhance the flushing force, thereby further improving the utilization of water resources. <p>Recycling:</p> <ul style="list-style-type: none"> In 2023, the water recycling renovation project achieved an average daily water saving of 8.5 tons for each 5,000-cow farm and 11.5 tons for each 10,000-cow farm. Develop the CIP standards for milking parlors, continuously popularize the CIP system for milking parlors, and realize the tertiary reuse of CIP wastewater, which can help each farm save 60 tons of water every day and 21,900 tons of water every year. Recycle separated liquid for flushing feces canals, which can reduce the consumption of clean water. According to statistics, a 10,000-cow farm can reduce the consumption of clean water by nearly 11.2% a day. Reuse the wastewater generated by farm operations as liquid fertilizer after harmless treatment, so as to reduce the consumption of clear water for farmland irrigation and avoid the waste of water resources. The steam condensate is recycled through the softening water tank in the farm equipped with boilers, while in farms without boilers, the steam condensate is used for the irrigation of green plants in summer and for heaters in winter.
 Forage business	<p>Layout optimization:</p> <ul style="list-style-type: none"> Give priority to the areas abundant in water resources and enjoying good water policies in site selection for new bases, so as to reduce the risk of water shortage. Continuously screen and assess new crop varieties through field experiments and technological projects, and prioritize crop varieties that are water-saving, drought-resistant and high-yielding. Optimize the product structure, improve the quality of agricultural products, reduce the water consumption for effective output per unit of land, and improve water use efficiency. <p>Technological transformation:</p> <ul style="list-style-type: none"> Constantly promote the technology of utilizing biogas slurry for farmland fertilization, use acceptable recycled water and other alternatives for agricultural irrigation, reduce the use of groundwater, and develop a low-carbon and environmentally-friendly agricultural production model. At each site, biogas slurry has been put into use in more than 200,000 m² farmland. Make a transformation from traditional extensive irrigation to modern water-saving irrigation. For example, Chilechuan site has updated its irrigation mode from traditional flooding to more water-saving sprinkling irrigation and drip irrigation. Introduce and develop integrated water and fertilizer conservation equipment, popularize the integrated water and fertilizer management practices, and improve the efficiency of water resources utilization.

Case Promotion of AI Precision Spraying Technology

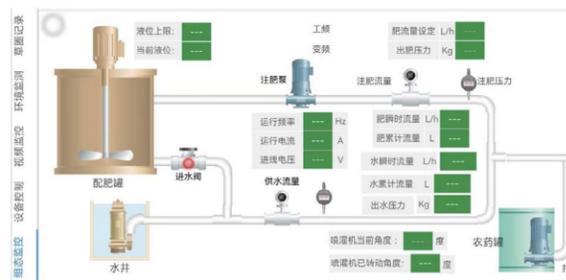
To achieve precise, intelligent and efficient management of water resources, the Group adopts the AI precision spraying technology. This technology can accurately locate cows, separately control and link spraying areas, monitor and intelligently analyze the situation of barns in real time through cameras and environmental monitoring equipment, and carry out point-to-point precision spraying, thus greatly improving the efficiency of water resources utilization. The AI analysis application can reinforce the barn scene algorithm, prevent the impact from object movement, pipeline water flow, fan rotation and long-term stay of cows, and enable more precise and effective control of spraying. Additionally, the collected data can be used for big data analysis, deep learning and algorithm reinforcement to derive the ideal environment data of barns, thereby automatically adjusting the thresholds for spraying start & stop and spraying volume and dynamically balancing the barn environment.

In 2023, the continuous promotion and deployment of AI precision spraying technology helped us achieve a 20%-30% water saving in different regions and climate conditions. We saved 219,000 tons of water throughout the year. This innovative measure not only improves the efficiency of water resources utilization, but also advances the modernization of farm management, thus providing powerful support for the development of animal husbandry in China.



Case Promotion of Intelligent Irrigation System

Our Grass Plantation Business Unit has adopted an intelligent sprinkling irrigation system, which significantly improves the irrigation efficiency by precise and intelligent control over operations such as irrigation start/stop, running speed and shutdown position. Meanwhile, the soil moisture monitoring device can monitor the real-time soil moisture data and changes, and realize intelligent and precise irrigation through automatic linkage, thus further improving the efficiency of water resources utilization. In 2023, our water consumption decreased by 23.81% compared to that in 2022. Furthermore, the introduction of a fertilization system integrating water and fertilizer helps crops to quickly absorb fertilizer nutrients, thereby improving the efficiency of water and fertilizer utilization. This practice of agricultural modernization has not only greatly improved the efficiency of agricultural water use, but also created new value for agricultural modernization and sustainability.



In 2023, we have the following key performance indicators in terms of water use:

Indicator	Unit	2023
Total water consumption	ten thousand tonnes	2,013.36
Water consumption per million RMB of revenue ²	tonne(s) / million RMB	1,077.01

Packaging and Waste Management

Packaging Management

The Group strictly abides by relevant laws, regulations and management measures, including the *Standardization Law of the People's Republic of China*, the *Food Hygiene Law of the People's Republic of China*, the *Provisions on Product Labeling*, and the *Provisions on Metrological Supervision of Quantitatively Packed Commodities*. We are committed to reducing the environmental impact of packaging in the process of production, circulation and recycling, thus fulfilling our corporate environmental and social responsibilities through practical actions.

Business type

Management measures and results



No additional packaging materials are used for our raw milk business. In strict accordance with China Automotive Industry Standard–Milk Tankers (QC/T 23–2014), we always use specialized milk tankers for milk transport so as to meet the requirements of environmental protection. In the selection of milk tankers, we have established strict hygiene and safety standards to ensure that the tanks for transporting raw milk are made of environmentally friendly, sustainable and recyclable insulation materials. This avoids the use of additional packaging materials during transportation, thereby reducing or eliminating package waste.



Packaging materials are mainly used for our feed business. Without compromising product safety and quality, we vigorously promote canned feed, bulk feed and premix in T-bags through providing complimentary feed storage tanks to our customers and applying direct sales strategies with discounted rates for bulk purchases made by private chats, thereby continuously reducing the use of plastic packaging materials. In 2023, our feed in plastic packaging bags and T-bags accounted for 46%, and bulk feed for 54%. It is estimated that the annual consumption of packaging materials decreased by 12.66 million pieces.

²The Group's statistics of water resources cover farms and feed production bases. In 2023, we further optimized the statistical standards and caliber of water resources data. The total water consumption of farms and feed production bases remained stable. The year-on-year decrease in water consumption per million RMB of revenue was mainly due to revenue growth.

In 2023, we have the following key performance indicators in terms of the use of packaging materials:

Indicator Name	Indicator Unit	2023
Amount of plastic packaging materials used	ten thousand pieces	867.89
Amount of packaging materials used per million RMB of revenue ³	ten thousand pieces / million RMB	0.046

Waste Management

Adhering to the principle of “ecological protection first and environmental friendliness” and the philosophy of emission reduction, harmless treatment, deodorization, resource utilization and efficiency improvement, the Group consistently recycles manure by technological innovation, and creates a typical sustainable development model of integrated planting and farming. We strictly abide by the *Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People’s Republic of China on the Prevention and Control of Water Pollution, the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People’s Republic of China on the Prevention and Control of Soil Pollution, the Law of the People’s Republic of China on Animal Epidemic Prevention, the Regulations on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry*, and other relevant national laws, regulations and standards. Additionally, we have formulated 29 system and procedure documents, covering various modules such as emergency preparedness and response, solid waste disposal, animal manure management, and groundwater management to guide each BU in compliant treatment and resource utilization of the three wastes.

Emission Reduction Targets

Key Environmental Indicators	Targets	Target achievement
Exhaust emissions	<ul style="list-style-type: none"> Take 2021 as the base year, to reduce the emission of sulfur dioxide to 0.0040 tonnes per million RMB of revenue in the next five years. Take 2021 as the base year, to reduce the emission of nitrogen oxides to 0.0023 tonnes per million RMB of revenue in the next five years. 	<ul style="list-style-type: none"> In 2023, our sulfur dioxide emission was 6.94×10^{-5} tons per million RMB of revenue. In 2023, our nitrogen oxide emission was 2.44×10^{-4} tons per million RMB of revenue.
Hazardous waste	<ul style="list-style-type: none"> Take 2021 as the base year, to remain compliant with laws and regulations, and safely disposing of sick and dead cows, medical waste, laboratory waste liquid and other hazardous wastes in the next five years. 	<ul style="list-style-type: none"> No violations occurred in 2023.

³ In this report, the amount of packaging materials used per million RMB of revenue refers to the quantity of plastic packaging materials used per million RMB of revenue for production and operations at China Youran Dairy Group Limited and all its subsidiaries.

Measures for Reducing Emissions

Types of emissions	Measures for reducing emissions
Waste gas	<p>Waste gas mainly includes sulfur dioxide, nitrogen oxides and soot generated by natural gas boilers, biomass boilers and some coal-fired boilers of our production and operation units.</p> <ul style="list-style-type: none"> The waste gas generated by the combustion of the biogas boiler is treated by an integrated means of desulfurization and denitration, and the waste gas emission strictly follows the relevant requirements of the regional Standards for the Emission of Air Pollutants of Boilers and the Standards for the Emission of Air Pollutants. We have been conducting clean energy transformation. Since 2017, the heating boilers of the farms have been replaced by biomass boilers or air source heat pumps, to control pollution from the source and realize clean energy production. By the end of the Reporting Period, we have completed the replacement of boilers with air source heat pumps in a total of 53 farms. It is expected that by 2028, all coal-fired boilers in farms and feed factories will be replaced with electric boilers or air source heat pumps, which will greatly reduce atmospheric pollutants and fully increase environmental benefits.
Waste water	<p>Wastewater mainly comes from the animal husbandry business and feed business. Wastewater from the animal husbandry business mainly includes cow manure, spray wastewater, flushing water from milking parlors, etc., while wastewater from the feed business is primarily domestic wastewater. After treatment and recycling according to laws, wastewater will not be discharged to the natural environment.</p> <ul style="list-style-type: none"> After treatment in an efficient anaerobic reactor or aerobic fermentation, the wastewater from farms can produce liquid fertilizer, which will be monitored according to the relevant standards such as the Technical Specifications for Livestock and Poultry Manure Composting, Technical Specifications for Biogas Manure Application and Specifications for Organic Fertilizer. After that, acceptable liquid fertilizer will all be used for farmland fertilization. The sanitary wastewater from the feed factory is harmlessly treated in the septic tank to meet the treatment standard of the municipal pipe network.
Hazardous waste	<p>Hazardous waste mainly includes medical waste, laboratory waste liquid, waste engine oil, waste batteries, etc.</p> <ul style="list-style-type: none"> Hazardous waste such as medical waste, laboratory waste liquid, and waste engine oil are collected and temporarily stored in accordance with relevant national requirements, including the Technical Specifications for Centralized Disposal of Medical Waste (Trial) and the Technical Specifications for Collection, Storage, and Transportation of Hazardous Waste, and then handed over to qualified third-party units for compliant disposal on a regular basis.
Non-hazardous waste	<p>Non-hazardous waste mainly includes solid waste cinder and household garbage.</p> <ul style="list-style-type: none"> We strictly abide by the requirements of classification management for household garbage, actively advocate for garbage classification and recycling, and entrust the centralized collection of wastes to the local sanitation department for treatment. Coal-fired boilers are replaced with electric boilers or air source heat pumps, or own boilers are replaced with purchased steam boilers to continuously reduce cinder generation.

In 2023, we have the following key performance indicators in terms of emissions:

Indicator	Unit	2023
NO _x emissions in waste gas ⁴	kg	4,568.65
NO _x emissions per million RMB of revenue	tonne(s) / million RMB	2.44×10 ⁻⁴
SO ₂ emissions in waste gas	kg	1,296.71
SO ₂ emissions per million RMB of revenue	tonne(s) / million RMB	6.94×10 ⁻⁵
Soot emissions in waste gas	kg	21.39
Hazardous waste production ⁵	tonne	544.43
Hazardous waste production per million RMB of revenue	tonne(s) / million RMB	0.03
Non-hazardous waste production ⁶	tonne	918.58
Non-hazardous waste production per million RMB of revenue	tonne(s) / million RMB	0.05

Reducing Food Waste

The Group strictly adheres to the Anti-Food Waste Law of the People’s Republic of China and other laws and regulations, actively responds to China’s Food Conversation Action Plan, and follows the instructions and requirements of the Ministry of Agriculture and Rural Affairs to continuously promote resource conservation and loss reduction in the process of production and operation. Besides, we implement effective measures such as soybean meal reduction and substitution strategy, refined management of raw milk production, and “Clean Your Plate” campaign to prevent and reduce food loss and waste and promote sustainable agricultural development and rational utilization of social resources while making substantial contributions to safeguarding national food security.

Raw material control

Promoting low-protein diet technology to reduce soybean meals

- Develop and utilize technologies such as amino acid balance, efficient utilization of non-protein nitrogen, and development and utilization of protein raw materials for precise supplementation of limiting amino acid needed by dairy cows, so as to formulate low-protein diet formulas. This scientific feeding method not only ensures the productivity of dairy cows, but also reduces the consumption of feed such as soybean meal and effectively lowers the feeding cost. Meanwhile, it also enhances the efficiency of protein utilization by dairy cows, and reduces nitrogen emissions, thereby making contributions to environmental protection.

Developing alternative raw materials to reduce the consumption

- Actively respond to the Initiative of Soybean Meal Reduction and Substitution, make ceaseless efforts in the R&D of local alternative raw materials, and replace soybean meals with corn gluten meals, dephenolized cottonseed protein, and sunflower seeds to reduce soybean meal consumption without compromising the protein content and quality of feed products.

⁴ For the calculation coefficient of waste gas emissions, refer to the Manual of Industrial Pollutant Production and Discharge Coefficients in the First National Survey of Pollution Sources.

⁵ The data of hazardous waste are from the statistical account recording the hazardous waste entrusted by the Group’s production and operation units to third-party units for compliant disposal in 2023.

⁶ In 2023, the Group further optimized the statistical caliber of non-hazardous waste, to exclude manure solids, which are recycled as bedding materials for dairy cows. The non-hazardous waste is mainly household waste, which is calculated with reference to the Urban Life Pollution Production and Discharge Coefficients in First National Survey of Pollution Sources issued by the State Council.



Production process control

Strengthen the control over raw milk production to achieve zero loss

- Strengthen comprehensive control over the entire process of raw milk production, and reduce the loss of raw milk at the source by optimizing the milking technology and process, and maintaining and upgrading the milking equipment; improve the cold chain system management for good control from milking to storage; establish a strict quality control system to conduct all-sided inspection of raw milk, thereby guaranteeing the quality of raw milk; improve the logistics system, and use GPS system to track vehicle tracks and reduce the loss of raw milk during transportation and storage; enhance the training for employees to increase their professionalism and sense of responsibility in raw milk treatment, and reduce food waste; use all milk mixture generated at the beginning of milking for feeding calves.

Operation process control

We implements the “Clean Your Plate” campaign to foster awareness of food conservation

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



Initiate the “Clean Your Plate” campaign to reduce food waste

Land Use and Biodiversity Conservation

Biodiversity conservation is of great significance for promoting the sustainable agricultural development, maintaining ecological balance, and enhancing human well-being. The Group strictly abides by relevant laws and regulations, such as the *Environmental Protection Law of the People's Republic of China*, the *Animal Husbandry Law of the People's Republic of China*, the *Forest Law of the People's Republic of China*, and the *Grassland Law of the People's Republic of China*. Upholding the concept of "harmonious coexistence and sustainable development", the Group continuously promotes the integrated development mode of farming and animal husbandry, and actively prevent and reduce the impact of production and operation activities on ecology and communities to facilitate the sustainable development of farming and animal husbandry ecosystem.

Biodiversity conservation

The Group attaches great importance to biodiversity conservation, and strictly abides by relevant national and local environmental protection regulations and requirements in all stages of production, operation, and upstream and downstream management. In order to maintain, enhance and protect biodiversity and ecosystems, we have made the following commitments:

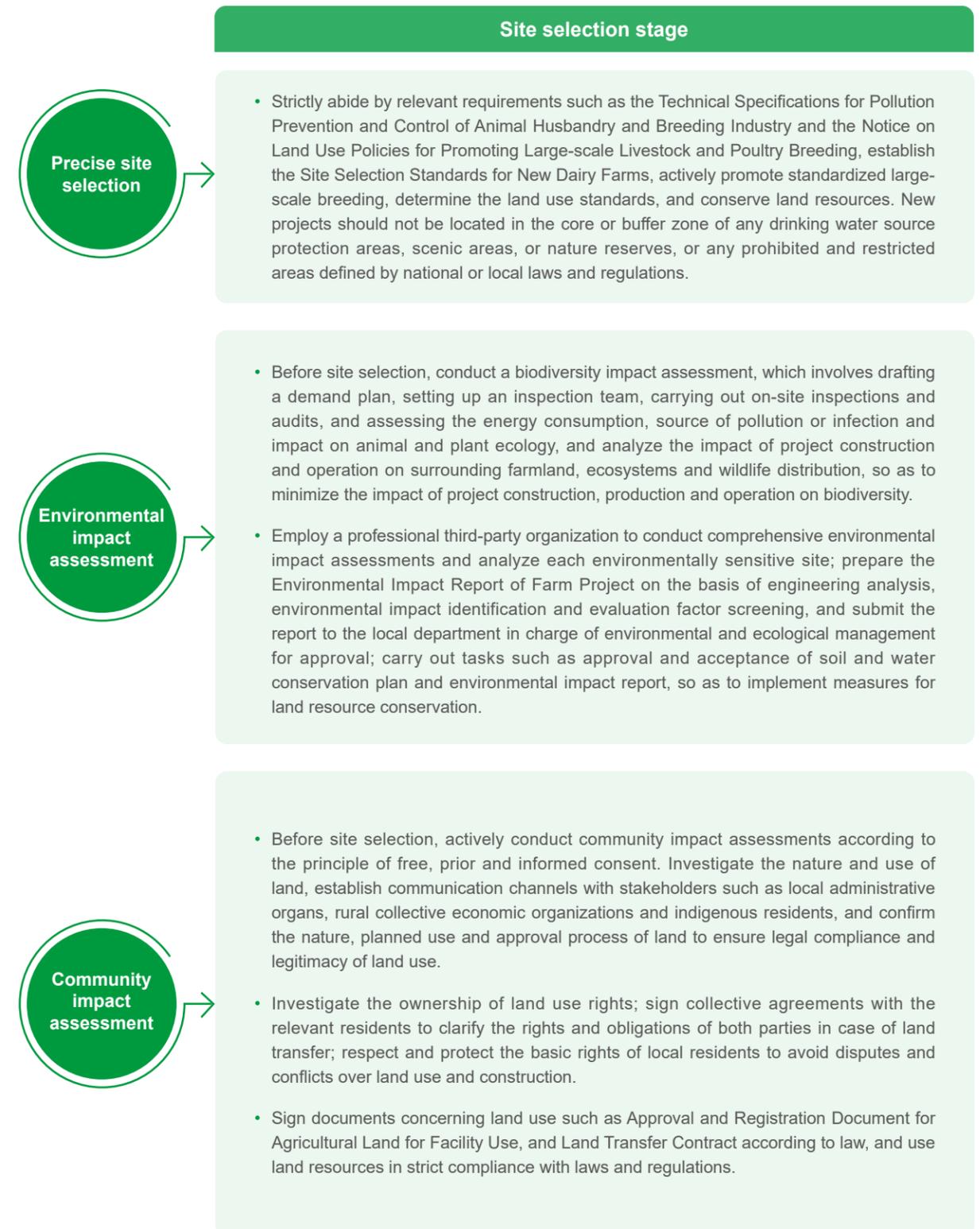
Production and operation stage

- Minimize disturbances to the ecosystem and avoid production activities near national key biodiversity areas (e.g., world heritage sites and nature reserves) according to the principle of "avoidance, minimization, restoration and offsetting";
- Scientifically evaluate the impact on biodiversity during site selection, production and operation of farms, and take appropriate measures to reduce negative impact and increase positive impact;
- Develop plans for habitat restoration and damaged land rehabilitation, regularly conduct land reclamation, restore damaged or disturbed land, and advocate the principle of "whoever damaging a land has the responsibility of restoration" to maintain ecosystem stability;
- Protect and restore native vegetation on the land we operate, protect soil health, prevent soil erosion and increase carbon sink.

Upstream and downstream management

- Purchase and use natural resources and raw materials in a sustainable way to reduce the damage to biodiversity and ecosystems caused by raw materials;
- Strengthen the communication and cooperation with external stakeholders to jointly promote biodiversity conservation and eco-environmental restoration.

Mitigation measures



Construction stage



Operation stage

Land Use Goal

When developing a new farm, Youran Dairy should follow the relevant laws and regulations of China and ensure the legal compliance of land development, utilization and reclamation activities. We will achieve these goals through regular monitoring and evaluation, and adjust our strategies to address any challenges that may arise.

Actions for Improvement of Land Use



Case Implementing the Land Reclamation Plan to Improve Regional Ecosystems

The Group has initiated a land reclamation project near the newly-built 24,000-cow breeding demonstration park in Tumed Left Banner (Shaerying). This project aims to restore the land, raise the land utilization rate and improve the local ecosystem by building an ecological project protection zone.

According to the assessment for land reclamation suitability, the proposed land area for reclamation in this project is 218.8845 hectares, with a land reclamation rate of 100%. This project combines engineering and biological measures to strip the topsoil, plow the land, add organic fertilizer, increase soil fertility and organic content, and recover land nutrients in the reclaimed area. In order to reduce surface runoff, conserve water sources and prevent soil erosion and desertification, and in combination with the special natural conditions of the ecological project protection zone, this project has opted to plant alfalfa suitable for local conditions. This vegetation helps adaptively improve the local soil environment. The reclaimed land is conducive to improving the local land use mode, restoring the value of land use and promoting the coordinated and stable development of agriculture, forestry and animal husbandry.



Germplasm resource conservation

The Group actively takes the advantages of its breeding technology to promote the sustainable development between species and ecosystems, and preserve biodiversity. Based on the productivity measurement, type classification and whole genome sequencing technologies, the Group has established an independent bull breeding system, and worked with Inner Mongolia University to co-found a genetic resource bank and information platform for the Mongolian plateau area, which collects and preserves samples of the unique farm animals (unique species and introduced species) and wild animals (somatic cells, semen, and embryos) in the Mongolian plateau area. The platform has collected a total of 194 species of farm animals and endangered wildlife resources unique to the Mongolian plateau area, and cryopreserved over 70,000 doses (tubes) of samples of somatic cells, embryos, and semen that were separated and collected from those samples, covering 47% of the mammal species, 100% of the farm animal species, and about 10% of other animal species in the region. It has basically become the world's first "genetic resource bank and information platform for Mongolian plateau animals", providing valuable biological resources for the exploration of the genetic characteristics of disease and stress resistance unique to Mongolian plateau animals, the farm animal breeding and new strain cultivation, the animal genetics and evolution, and helping realize the protection of animal genetic resources.

Responding to Climate Change

Climate change presents formidable challenges to both global ecological systems and socioeconomic development. Thus, elevating the capacity to mitigate climate change risks has emerged as a universally acknowledged imperative. Guided by an unwavering commitment to sustainable development principles, the Group consistently refines its climate change governance framework, drawing from the disclosure framework advocated by the Task Force on Climate-related Financial Disclosures (TCFD). We undertake a holistic approach to fortify climate change risk management, setting Carbon Peaking and Carbon Neutrality goals, perpetually refining and innovating climate action strategies, and vigorously advancing the implementation of carbon neutrality agendas. In doing so, we actively contribute to the global animal husbandry's transformation towards a greener, more carbon-efficient paradigm.

Climate governance

Construction of climate governance system

A sound governance mechanism is the fundamental bedrock for responding to the challenges posed by climate change. In order to effectively drive the management of climate-related risks and the successful implementation of carbon neutrality strategy, the Group has integrated climate change responses into its corporate governance structure. We have instituted a Strategic Committee on Carbon Neutrality, establishing a governance framework that spans across management tiers, functional departments, and business units. Clear delineation of responsibilities at each managerial level ensures the systematic execution of climate management initiatives, thereby propelling the realization of our Carbon Peaking and Carbon Neutrality goals.

To guarantee the efficient implementation of our carbon neutrality strategy, the Group has put in place a comprehensive monitoring, evaluation and incentive system. Annually, key carbon reduction action plans are decomposed into specific tasks, allocated to respective units and departments, and achieved through a framework of target-oriented responsibility. The Strategic Committee on Carbon Neutrality regularly tracks and evaluates the project execution of responsible units, and administers rewards or penalties based on their respective contribution and completion.



Organization Chart of the Strategic Committee on Carbon Neutrality

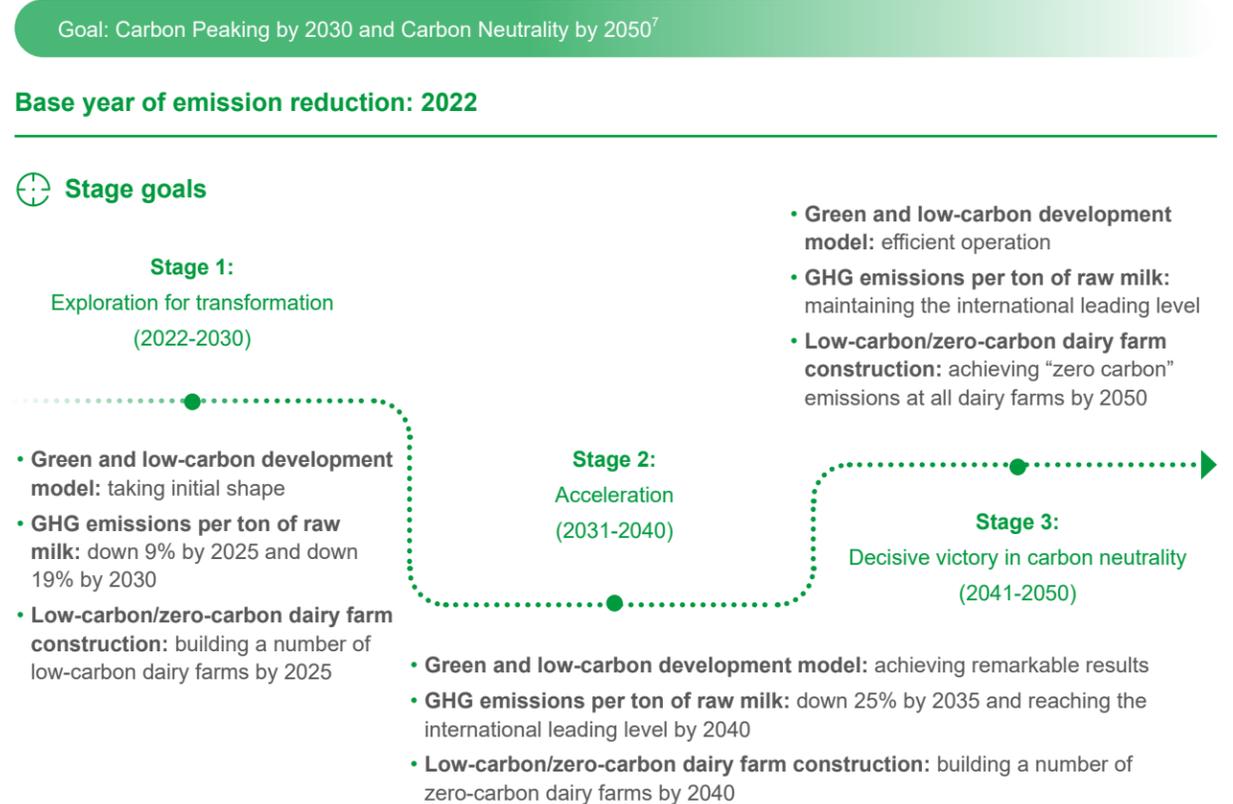
Responsibilities of organs at all levels

<p>Strategic Committee on Carbon Neutrality</p>	<ul style="list-style-type: none"> • Make arrangements for carbon peaking and carbon neutrality and invest sufficient resources in carbon neutrality according to China's Action Plan for Carbon Peaking and Carbon Neutrality • Establish an organizational structure of carbon neutrality and ensure its effective operation • Develop the major principles, policies, objectives and measures for carbon neutrality • Promote the implementation of major measures for carbon neutrality • Solve the major problems related to carbon neutrality
<p>Executive Office of the Strategic Committee on Carbon Neutrality</p>	<ul style="list-style-type: none"> • Develop the principles and major policies of carbon neutrality as per the work requirements of the Strategic Committee on Carbon Neutrality • Make the action plan for carbon neutrality • Establish a mechanism for guiding, supervising and empowering the implementation of the action plan for carbon neutrality, so as to help all units to realize carbon neutrality goals; organize communication meetings on carbon neutrality regularly to follow up the progress • Supervise and inspect the fulfillment of carbon neutrality tasks in each unit
<p>Departments and business units</p>	<ul style="list-style-type: none"> • Implement the Company's decisions on carbon peaking and carbon neutrality, and further take measures to reduce the emissions of biocarbon and fossil carbon • Promote the construction of zero-carbon plants and dairy farms • Manage carbon assets, and organize carbon check and carbon verification

Climate Action Strategy

As a frontrunner in China's upstream dairy market, the Group proactively aligns with the national "Carbon Peaking and Carbon Neutrality" strategy, embracing our role with an innovative thinking on development. Setting our sights on the target of "Carbon Peaking by 2030 and Carbon Neutrality by 2050", we lead the industry in pioneering research on carbon neutrality, crafting the Implementation Plan for Realizing a Zero Carbon Future. We have devised a "Three-Step" strategy for sustainable growth, operationalized the "Eight Core Emission Reduction Initiatives" for carbon neutrality, and steadfastly implemented the "Carbon Peaking and Carbon Neutrality" strategy while actively exploring novel patterns for low-carbon industry development.

Zero Carbon Future Plan Roadmap



Carbon emission reduction path

Scope 1	Scope 2	Scope 3
<ul style="list-style-type: none"> • Develop and introduce the core technologies and products for carbon emission reduction in the rumination process to reduce intestinal methane emissions • Foster core herds with low carbon, high yielding and longevity by making use of the biological breeding technology • Expand the application of low-carbon manure treatment technology to reduce carbon emissions and improve efficiency • Develop and adopt the land application technology of manure, so as to develop eco-cycling agriculture • Study and introduce the agricultural carbon sink technology to realize no-tillage • carbon sequestration 	<ul style="list-style-type: none"> • Introduce new PV energy to achieve own consumption of green electricity • Popularize power and electrical equipment, and accelerate the transformation of energy structure • Intensify energy-saving transformation, and improve energy efficiency 	<ul style="list-style-type: none"> • Expand nearby raw materials planting according to local conditions • Select low-carbon transportation methods for bulk raw materials, raw milk and feed products • Take into account the distance with milk processing plants and feed processing plants and ancillary resources in surrounding areas in selecting sites for new dairy farms, and reduce the consumption of fossil fuel in the process of transportation • Give priority to suppliers with carbon certification or using clean energy • Advocate green and low-carbon travel to reduce GHG emissions during travel

⁷ The carbon neutrality goal is set on the basis of Scope 1 and Scope 2. The Group is also promoting the reduction of emissions under Scope 3, and will further optimize the emission reduction targets based on the progress of Scope 3 in the future.

Climate Risk Management

Aligned with the TCFD's *Guide on Climate-related Financial Disclosures* and the *IFRS Sustainability Disclosure Standards*, the Group incorporates climate change risks into the comprehensive risk management framework. We regularly identify and evaluate climate change risks and opportunities, encompassing both transitional and physical risks over short, medium and long-term horizons. These evaluations consider potential financial impacts and serve as key reference factors for our business and strategic planning, enhancing our resilience to climate-related risks. Furthermore, in 2024, we will submit a climate change questionnaire to the Carbon Disclosure Project (CDP) for insights into climate-related issues during the 2023 fiscal year. This initiative will not only bolster the transparency of our climate change information but also fortify our preparedness and response mechanisms to effectively mitigate climate risks.

Assessed Risks Associated with Climate Change and Responses

Climate change risks	Climate risk descriptions	Measures
Physical risk		
 Acute risk	Extreme weather <ul style="list-style-type: none"> The premises may suffer extreme natural disasters such as extremely cold weather, snowstorm and high temperature, which may damage buildings and equipment of dairy farms and/or lead to death of cows, causing direct losses to the Company. The health and safety of employees may be affected, indirectly affecting the Company's operating costs. Suppliers may be affected by extreme weather, resulting in interruption of our supply chain and adding purchase costs. 	Improve the risk response capability of our own facilities <ul style="list-style-type: none"> Establish an early warning mechanism for natural disasters such as extremely cold weather, snowstorm, high temperature, high wind and flood, identify disasters that may be caused by heavy weather, and take appropriate measures in advance, such as cold protection, timely snow removal, heatstroke prevention, building reinforcement, and setting of diversion canals Develop emergency plans for extreme weather, and organize regular maintenance and drill of infrastructure such as water supply, power supply and equipment Provide employees with personal protective devices or prevent employees from outdoor operations to avoid risks and protect employees' health and safety Improve the climate resilience of supply chain <ul style="list-style-type: none"> Develop a number of high-quality feedstuff and roughage suppliers at home and abroad to avoid single source, prevent supply failure when any supplier is affected by extreme weather, and improve the resilience of supply chain Work closely with suppliers, make accurate feeding plans, and minimize supply chain interruption caused by extreme weather
	 Chronic risk	Global warming <ul style="list-style-type: none"> Risks caused by rising sea level temperature.
Transformation risk		
 Policies and laws	Increasingly tight environmental supervision <ul style="list-style-type: none"> Increase in compliance costs caused by increasingly strict government policies on GHG emission reduction. 	Pay close attention to climate policies and develop climate change response strategies <ul style="list-style-type: none"> Pay attention to climate policy changes and trends, and develop programs for implementation of the zero-carbon future plan Urge the Board and ESG Committee to constantly monitor climate-related matters, and promote the implementation of the core measures for carbon neutrality

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

Assessed Opportunities Associated with Climate Change and Responses

Climate Change Opportunity	Climate Opportunity Descriptions	Measures
 <p>Transitional Opportunities</p>	<p>Pioneering industry standards establishment</p> <ul style="list-style-type: none"> With the unveiling of the national “Carbon Peaking and Carbon Neutrality” goals, the green and low-carbon animal husbandry emerges as a key trend for future development. Leveraging its profound expertise in advancing the Integrated Planting-Farming Mode for the breeding industry, the Company stands poised to spearhead the establishment of industry standards. <p>Improved resource efficiency</p> <ul style="list-style-type: none"> Continually refining the energy structure transformation, augmenting the share of renewable energy utilization and elevating electrification levels are pivotal strategies to bolster energy efficiency and curtail operating costs. <p>Increased market opportunities</p> <ul style="list-style-type: none"> The Company pioneers the development of low-carbon, circular pastures, charting pathways for emission reduction in dairy farming. By enhancing brand influence, these initiatives can unlock fresh market opportunities. 	<ul style="list-style-type: none"> Develop a pattern of sustainable, green and circular development by harmonizing dairy farming with forage planting, thereby bridging the gap in the sector’s “planting-farming integration” technology; develop and introduce the low-carbon manure treatment technology, promote the Integrated Planting-Farming Model, and forge eco-friendly, low-carbon and circular pastures. This endeavor not only realizes the comprehensive utilization of resources and energy but also serves as a beacon guiding the industry’s transition towards green, low-carbon practices. Introduce new PV energy, popularize power and electrical equipment, improve energy efficiency and reduce purchased electricity to cut operating costs. Develop carbon assets from the aspects of manure management, cows’ intestinal carbon emission reduction and carbon sequestration by soils to obtain excess returns. Promote the low-protein diet technology and digestibility improvement technology, and take advantage of biological breeding technology to increase the unit yield and revenue.

Pillar systems

Carbon accounting system

- Continuously optimize the carbon emission accounting system, and develop carbon assessment methods and data models for dairy farming industry.

Carbon monitoring system

- Establish a system for monitoring GHG emissions in the rumination process, introduce mature and reliable monitoring technology and equipment in conjunction with external scientific research institutions, evaluate intestinal emission reduction of cows, and formulate industrial intestinal methane monitoring standards.

Carbon management system

- Establish a carbon neutrality management system with industry characteristics by integrating ISO 14001 environmental management system, ISO 14064 GHG standard, ISO 14067 product carbon footprint standard, ISO 14068 carbon neutrality standard and ISO 50001 energy management system, and in combination with the Company’s business characteristics.
- Survey the present situation of carbon assets according to carbon asset development methodologies at home and abroad, establish a carbon asset development project library, develop diversified carbon assets, and formulate trading strategies based on the dynamics of the carbon market to achieve appreciation in asset value.

Climate Change Mitigation Measures

Management of GHG emission reduction

The Group continues to fortify its efforts towards achieving carbon neutrality, establishing a “three-pillar” framework centered around “accountability, surveillance and management”. This framework bolsters the realization of our carbon neutrality strategy. We place paramount importance on conducting thorough carbon footprint accounting and verification to assess our carbon emissions baseline. This move not only lays the groundwork for identifying carbon reduction potentials but also provides scientific basis necessary to propel our decarbonization endeavors forward. In 2023, we continued to conduct carbon footprint accounting and verifications, encompassing all production units within the Company and its subsidiaries. Leveraging the insights gained from these carbon footprint verifications, we fine-tuned our carbon neutrality action plan, ensuring a meticulous and comprehensive approach that guides the Group towards a new era of carbon-neutral development.



Management of GHG emission reduction

Develop a top-down management plan for GHG emission reduction

- Formulated the Implementation Plan for Realizing a Zero Carbon Future, the Evaluation Plan on Energy Consumption Targets, the Incentive Plan for Energy Conservation and Emission Reduction, and the Comprehensive Water Control and Consumption Reduction Plan.

Build a whole-industry-chain GHG accounting model

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

Product carbon footprint accounting

- With reference to the ISO 14067- 2018 Requirements and Guidelines for Quantifying the GHG Product Carbon Footprint, the Group developed a robust model to measure the carbon footprint during the transportation of raw milk products and important raw materials based on the Life Cycle Assessment (LCA) concept.

Verification criteria and scope

- Verification criteria: Carbon Verification Standard ISO 14064.
- Scope: covering all production and operation units of the Group and its subsidiaries, including Animal Husbandry Unit, Feed Unit, Grass Plantation Unit and SKX.
- Covering direct GHG emissions (Scope 1), indirect energy-related GHG emissions (Scope 2), and other indirect GHG emissions (Scope 3).

Build a carbon information management system

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

Carbon check and verification mechanism

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

Product carbon footprint management

The Group places a premium on discerning the carbon characteristics of our products, undertaking comprehensive assessments of their carbon footprints. Our pursuit of a circular economy ethos underscores our commitment to achieving carbon reductions across the entire production cycle, ensuring a sustained provision of eco-conscious, low-carbon products to society. With reference to the ISO 14067- 2018 Requirements and Guidelines for Quantifying the GHG Product Carbon Footprint, the Group initially measured the carbon footprint during the transportation of raw milk products and important raw materials such as silage, flaked corn, alfalfa and leymus chinensis at five dairy farms based on the Life Cycle Assessment (LCA) concept. Collaborating with third-party entities for product carbon footprint verification and certification, we endeavored to unearth potential optimization opportunities and avenues for carbon reduction, thereby furnishing the entire industry chain with scientific basis and directional guide for reducing GHG emissions.

GHG emission reduction initiatives

Guided by the principles of “value-centricity, technology leadership, efficient utilization, and eco-friendly progress” that underpin our “Carbon Peak + Carbon Neutrality” management strategy, the Group takes tailored and multifaceted approaches to target biological carbon and fossil carbon reduction. By implementing the “Eight Core Emission Reduction Initiatives”, we are steadily advancing towards our goal of establishing “zero-carbon dairy farm”, while catalyzing a holistic low-carbon and sustainable transition across the entire industry chain.

Fossil carbon emission reduction

The primary sources of fossil carbon emissions within the Group stem from the consumption of fossil fuels in boilers and mobile vehicles and the consumption of electricity. We actively promote the “pasture-PV complementarity” development pattern to accelerate the transformation and upgrading of our energy infrastructure. Through widespread deployment of energy-saving and emission reduction projects covering all production and operational sites, as well as core facilities, we are enhancing overall energy efficiency and further solidifying our commitment to fossil carbon emission reduction. During the Reporting Period, optimization of our energy mix facilitated photovoltaic power generation reaching 2.12 million kWh, resulting in a reduction of approximately 1,380.73 tons of GHG emissions. Concurrently, coal consumption witnessed a year-on-year decline of 94.78%, equivalent to mitigating 2,317.6 tons of GHG emissions.



Action plan for fossil carbon emission reduction

Introduce new PV energy to achieve own consumption of green electricity

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

Intensify energy-saving transformation, and improve energy efficiency

Key achievements

- By driving the adoption of clean energy sources such as photovoltaic and biogas, we have achieved comprehensive self-sufficiency in green electricity within our dairy farms. Our dairy farms' photovoltaic arrays now meet 40% of our electricity requirements, thereby advancing our dairy farms towards self-sustained green electricity usage. One 10,000-cow dairy farm can produce 6.25 million cubic meters of biogas per year, enabling full-scale power generation of up to 11.5 million kWh, which can satisfy 60% of the electricity demand for dairy farm operation.
- In 2023, completion of photovoltaic projects across three dairy farm saw a cumulative installed capacity of approximately 36.12MWp. To date, we have secured contracts for the construction of eight photovoltaic dairy farms and the construction of 12 dairy farms equipped with biogas power generation facilities.

- We've pioneering the introduction of electric milk delivery vehicles, contributing to a 22% reduction in carbon emissions compared to their fossil fuel counterparts. Additionally, we've deployed 19 electric loaders across 13 dairy farms.
- We've promoted the establishment of TMR stations across two dairy farms to expedite the transition of energy infrastructure and realize power electrification.
- A total of 48 electric motor-driven forage harvesters have been deployed, resulting in a conservation of 1.728 million liters of fuel.

- We've progressively enhanced the construction of a three-tier energy consumption measurement framework while intensifying the technological retrofitting for enhanced energy utilization efficiency.
- Across 53 dairy farms, the retrofitting of air-source heat pumps to supplant coal-fired and biomass boilers has been successfully implemented.
- 19 dairy farms have undergone the transformation for waste heat recovery, with a total of 52 farms completing this endeavor, culminating in the comprehensive integration of waste heat recovery across all aging estates, thereby amplifying energy usage efficiency.
- In the realm of factory illumination, the adoption of solar-powered street lamps has been advocated, with the installation of 22 sets of solar street lights, effectively curbing energy consumption.
- The upgrade and retrofitting of lighting fixtures in all dairy farms to light-sensitive timed switches, thereby facilitating automated control in response to ambient light intensity, has resulted in diminished power wastage, collectively saving 2.392 million kWh of electricity annually across all dairy farms.

Case Pioneering the Premier "Zero-Carbon Facility"

The establishment of a "Zero-Carbon Facility" stands as a pivotal cornerstone in our quest to pioneer net-zero emission development models and serves as a crucial stepping stone towards realizing our "Carbon Peaking and Carbon Neutrality" goals. In 2023, pursuant to the *Guidelines for Propelling the High-Quality Advancement of Wind Power and Photovoltaic New Energy Industries Across the Region* issued by General Office of the People's Government of Inner Mongolia Autonomous Region, the Group embarked on the construction of a distributed PV power generation project at the Group's Hohhot Feed Production Base. With an installed capacity of approximately 390 kW and an annual electricity generation of about 500,000 kWh, this initiative not only achieved self-sufficiency in green energy consumption but also orchestrated a comprehensive optimization of our energy utilization framework. Concurrently, the production base launched a campaign to promote the adoption of new energy equipment including high-efficiency motors and electric vehicles, thereby elevating our energy utilization efficiency and curtailing our reliance on non-renewable energy. Innovative technologies were introduced to curtail the usage of woven bag packaging, advocating instead for eco-friendly alternatives such as canned and jumbo bag-packaged products, thereby reducing our packaging footprint by 22%. Furthermore, extensive research endeavors were undertaken to develop low-carbon feed formulations, enzyme concoctions, and protein-reduced diets. Leveraging key nutritional technologies like nitrogen balance, enzyme engineering for nutrition regulation and amino acid equilibrium, we not only safeguarded the health and well-being of our dairy cows but also bolstered feed digestibility, thus mitigating carbon emissions from rumen fermentation and aiding our dairy farms in carbon reduction from the source. Moreover, proactive measures were taken to offset our carbon footprint, encompassing the procurement of China Certified Emission Reductions (CCER) (offsetting 50 tCO₂e) and Internally Certified Voluntary Emission Reductions (Verified Carbon Standard, VCS) (offsetting 427 tCO₂e), alongside International-Renewable Energy Certificate. The engagement of accredited third-party entities to oversee carbon-neutralization certification further solidified our commitment to achieving zero-carbon emissions, propelling the Group to become the premier "Zero-Carbon Facility" and expediting the Group's journey towards carbon neutrality.



Case The "Pasture-PV Complementarity" Development Pattern as a Catalyst for Green and Low-Carbon Transformation in the Livestock Industry

The Group has undertaken the establishment of eight "Pasture-PV Complementarity" dairy farms spanning territories such as Shandong, Gansu, Yunnan, and Inner Mongolia. This innovative approach integrates animal husbandry with PV power generation technology, characterized by the installation of BIPV components to entirely supplant traditional roofing materials atop cattle sheds, thereby optimizing resource allocation and fostering synergy. Employing energy-efficient design principles, the construction of PV power stations prioritizes the utilization of low-loss, high-efficiency inverters and other energy-saving apparatuses, thereby faithfully adhering to energy conservation policies. Our dairy farms' photovoltaic arrays now meet 40% of our electricity requirements, thereby advancing our dairy farms towards self-sustained green electricity usage.

As of 2023, the Group has secured contracts for the construction of eight photovoltaic dairy farms. Upon completion, the anticipated annual electricity output is estimated at approximately 43.344 million kWh, translating to an annual saving of roughly 13,067.3 tons of standard coal for the grid, accompanied by a reduction of approximately 35,886.3 tons of CO₂e in GHG emissions annually. This initiative also contributes to the reduction of atmospheric pollutants such as SO₂ by approximately 4.38 tons and NO₂ by about 6.57 tons annually. The "Pasture-PV Complementarity" development pattern serves as a catalyst for the Company's attainment of carbon neutrality objectives, carving out a novel path for the sustainable development of agriculture.



Biocarbon emission reduction

The Group's biocarbon emissions mainly come from manure management, cow rumination and agricultural planting. Our unwavering efforts to explore and develop biological ruminant carbon reduction technology, biological breeding technology, low-carbon manure treatment technology and agricultural carbon sink technology underscore our relentless pursuit of implementing bio-carbon emission reduction strategies with resounding success.

Action plan for biocarbon emission reduction	Key achievements
Develop and introduce the core technologies and products for carbon emission reduction in the rumination process to reduce intestinal methane emissions	<ul style="list-style-type: none"> We've spearheaded domestic research into low-carbon feed formulations, enzyme concoctions, and protein-reduced diets. Leveraging key nutritional technologies like nitrogen balance, enzyme engineering for nutrition regulation and amino acid equilibrium, we managed to bolster feed digestibility, thus mitigating carbon emissions from rumen fermentation and aiding our dairy farms in carbon reduction from the source. Empirical findings underscore that, standardized at a yield of 40 kilograms per unit, the incorporation of amylase markedly amplifies methane conversion rates, resulting in an annual methane emission reduction of 6.06 kilograms per cow. Extrapolating this impact to a dairy operation boasting 5,000 milking cows leads to a reduction of 30.3 tons in methane emissions annually. Furthermore, preliminary trials have validated the efficacy of our proprietary low-carbon feed additives in effectively mitigating methane emissions.
Foster core herds with low carbon, high yielding and longevity by making use of the biological breeding technology	<ul style="list-style-type: none"> Optimized the herd structure by using the biological breeding technology at dairy farms nationwide, purchased frozen semen with high comprehensive feed efficiency index and long production life, and increased the proportion of cows with high conversion rate and low consumption rate according to the Selective Breeding Plan on Cows with Low Carbon, High Yielding and Longevity (2022-2026). We've created a database relating to carbon emissions from and breeding of dairy cow, delving into key genes or molecular markers correlated with diminished methane emissions. Leveraging our in-house breeding techniques, we've cultivated a foundational cohort of low-carbon cows. As of the end of the Reporting Period, we've sorted and analyzed over 160,000 datasets encompassing mid-infrared spectroscopy and production performance metrics. Additionally, we've preliminarily developed a predictive model for estimating methane emissions from dairy cows. Concurrently, we've identified 1,308 cows each yielding more than 13 tons of milk, alongside 200 long-lived specimens (exceeding five parities), furnishing the bedrock for subsequent breeding of high-yield, longevity-focused, and carbon-mitigating cows.
Expand the application of low-carbon manure treatment technology to reduce carbon emissions and improve efficiency	<ul style="list-style-type: none"> Leveraging the climatic differences between Northern China and Southern China, we've developed the proprietary complete mix digester-based anaerobic fermentation technique and fully-automatic aerobic fermentation technique. This two systems process all manure streams in an automatic and eco-friendly way while augmenting biogas production to minimize carbon footprints, thus realizing the harmless, low-carbon, and eco-friendly treatment of manure. As of present, all dairy farms of the Group have transitioned to 100% environmentally friendly treatment of manure. 19 of these facilities have been outfitted with biogas fermentation technology, resulting in an annual biogas yield of 42,597,300 cubic meters during the Reporting Period.
Develop and adopt the land application technology of manure, so as to develop eco-cycling agriculture	<ul style="list-style-type: none"> Introduced the precise injection tank truck, improved the drip-irrigation type liquid fertilizer application system, and popularized the liquid fertilizer application model integrating water and fertilizers to realize the efficient utilization of liquid fertilizers and increase the yield and efficiency of crops. The solid byproduct derived from manure fermentation undergoes thorough harmless treatment before being reintegrated into the bedding, thereby amplifying the efficiency of manure resource utilization and effectively transforming waste into a valuable asset. Concurrently, the liquid fraction is refined into organic fertilizer for application in the fields, augmenting soil organic content and enhancing soil fertility to underpin the cultivation of premium-grade forage. In 2023, the combined solid and liquid fertilizers generated by dairy farm operations through field application could effectively displace approximately 48,800 tons of nitrogen-based fertilizers.
Study and introduce the agricultural carbon sink technology to realize no-tillage carbon sequestration	<ul style="list-style-type: none"> The Group continues its commitment to the no-tillage carbon sequestration initiative, delving deeper into innovative techniques such as no-tillage alfalfa cultivation and intercropping with oats. In 2023, our exploratory efforts in no-tillage alfalfa planting spanned 3,460 mu, contributing to an overall no-tillage planting area of 52,884 mu. This encompassed 35,811 mu of summer corn cultivated under no-tillage conditions and 13,613 mu of spring oats similarly planted, aligning with our ambitious target of achieving a 90% no-tillage rate.

Case Conducting Carbon Footprint Assessment for Dairy Farms, Pioneering Low-Carbon Standards in the Industry

In 2023, the Group engaged Alltech, a third-party agricultural environmental consultancy, to undertake a comprehensive evaluation of the carbon footprint across the entirety of its Pingdingshan Dairy Farm operations. Alltech conducted meticulous scrutiny of over a dozen distinct sources of carbon emissions at the farm, culminating in the issuance of a detailed carbon footprint assessment report.

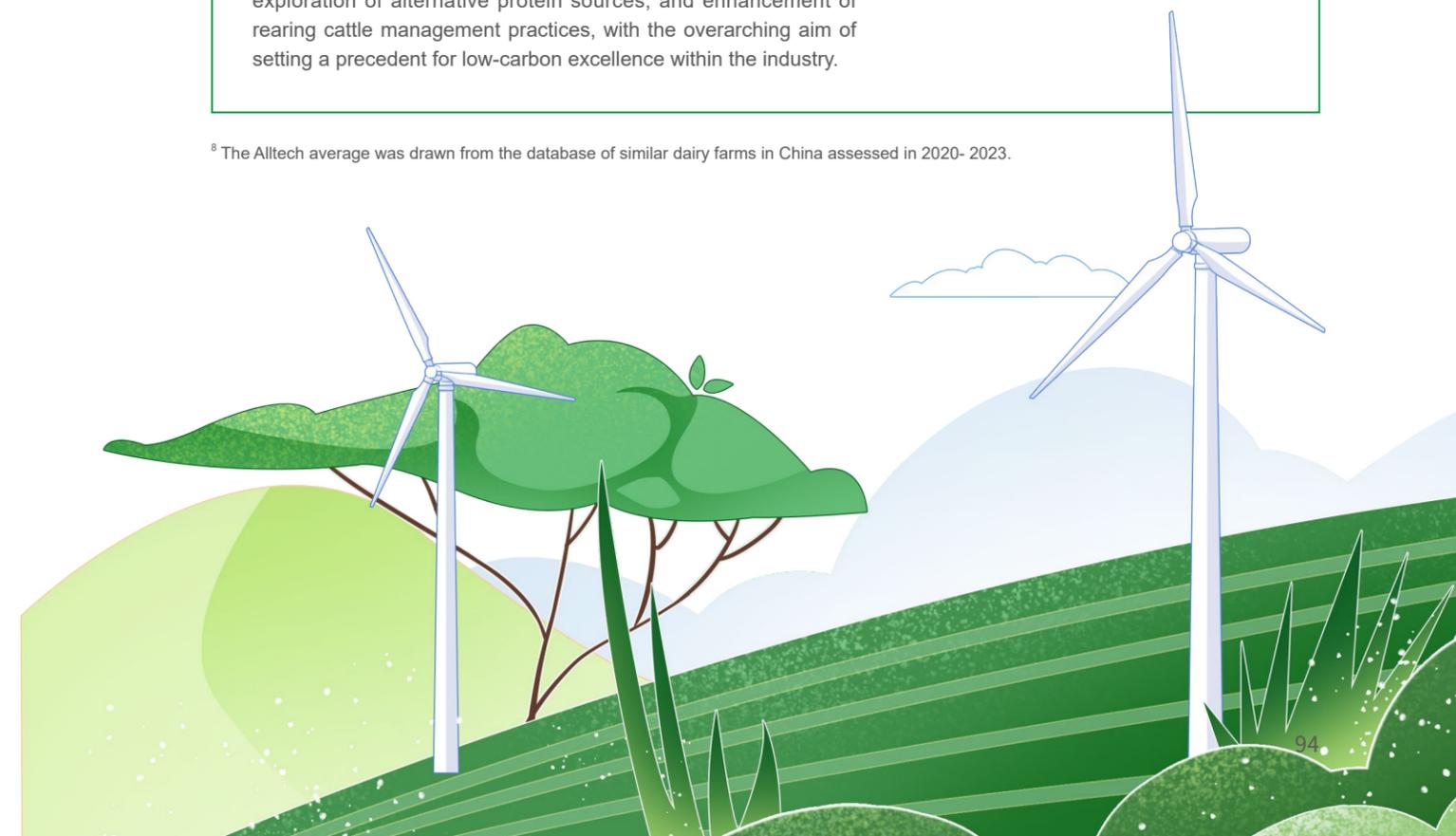
The findings of the assessment report underscored the exceptional carbon emissions performance exhibited by the Pingdingshan Farm of the Group. The carbon emissions per metric ton of milk outperformed the average of 10% of dairy farms in the Alltech database⁸, while the overall carbon footprint performance of the dairy farm surpassed that of its counterparts in China. This commendable performance was credited to the Pingdingshan Farm's outstanding dairy cow production, particularly in terms of emissions from ruminant animals, laying a robust foundation for the establishment of a high-yield, long-lived, and carbon-mitigating dairy cow herd. Moreover, the Pingdingshan Farm had already implemented a sophisticated biogas treatment system, thereby achieving automated, eco-friendly and resource-efficient management of manure, effectively mitigating the generation of carbon emissions.



评估牧场: 平頂山牧场, 優然牧業
评估周期: 2023年全年

In order to elevate the management proficiency of carbon emissions at its dairy farms, the Group, leveraging insights gleaned from the carbon footprint assessment of the Pingdingshan Farm, devised targeted solutions for carbon emission reduction. These solutions encompassed the optimization of feed management, exploration of alternative protein sources, and enhancement of rearing cattle management practices, with the overarching aim of setting a precedent for low-carbon excellence within the industry.

⁸ The Alltech average was drawn from the database of similar dairy farms in China assessed in 2020- 2023.



Carbon asset development

The Group recognized the imperative of pursuing emission reduction and carbon sink increase in tandem to realize its strategic objective of carbon neutrality. Embracing this philosophy, the Group champions a dual-pronged approach to carbon neutrality, prioritizing both carbon emission reduction and carbon sink increase.

Management of Carbon Sources

In the realm of carbon emissions reduction, our primary focus revolves around the continual refinement of our energy infrastructure. We actively champion the development and application of cutting-edge technologies such as ruminant carbon reduction, biological breeding, and efficient low-carbon manure treatment technologies. In this way, we seek to forge a multifaceted approach to emission reduction, effectively diminishing the intensity of our greenhouse gas footprint.

Management of Carbon Sinks

In terms of the establishment of carbon sinks, we are actively engaged in the cultivation of an Integrated Planning and Farming Model. This entails robust initiatives aimed at bolstering grassland regeneration and the cultivation of forage crops. By driving the construction of low-carbon circular dairy farms, we continuously expand our capacity for carbon sequestration, thereby infusing our journey towards sustainable development with resolute momentum.

In our pursuit of carbon neutrality, carbon assets emerge as pivotal instruments, embodying unique value propositions that drive both emission reduction and carbon sink augmentation strategies. The Group developed the *Youran Dairy Plan for Carbon Asset Development*, and defined the carbon emission reduction by manure treatment, cows' intestinal carbon emission reduction and carbon sequestration by soils as its core development directions according to CCER (China Certified Emission Reduction), VCS (Verified Carbon Standard), GS (Gold Standard) and other domestic and foreign standards and requirements regarding carbon asset development. In 2023, our selection of the Jinan Dairy Farm biogas engineering as a vanguard for Verified Carbon Standard (VCS) carbon asset development underscores our commitment to pioneering solutions. Currently, having successfully navigated Verra's scrutiny, this project delivers a carbon emission reduction issuance of 49,600 tCO₂e, thus propelling the Company closer to the realization of our carbon neutrality goal.

Metrics and Objective Management

Targets on energy conservation and GHG emission reduction

Key environmental indicators	Targets	Target achievement
 Energy consumption	Take 2021 as the base year, we are expected to achieve the target of reducing comprehensive energy consumption to 5.72 tonnes of standard coals per million RMB of revenue and power usage to 25,000 kWh per million RMB of revenue by 2025.	In 2023, comprehensive energy consumption per million RMB of revenue was 7.05 tons of standard coal, while electricity consumption per million RMB of revenue decreased to 41,500 kWh.
 GHG emissions	Taking 2021 as the base year, the Group's GHG emissions are expected to decrease to 85 tons per million RMB of revenue over the next five years.	In 2023, GHG emissions per million RMB of revenue amounted to 140.59 tCO ₂ e, with a notable 9.17% decrease in carbon emissions per ton of milk compared to 2022.

Indicators of energy consumption and GHG emissions

Our key performance on energy consumption and GHG emissions in 2023 is as follows:

Indicators		Unit	2022	2023
Fossil energy	Coal consumption	tonne	1,151.56	60
	Natural gas consumption	ten thousand cubic meters	93.96	91.49
	Gasoline consumption	ten thousand liters	0.75	0.015
	Diesel consumption	ten thousand liters	2,490.71	2,462.04
	Purchased electricity consumption	ten thousand kWh	58,732.45	77,736.01
	Purchased heat consumption	GJ	9,061.24	11,207.52
	Purchased steam consumption	tonne	20,215.16	17,276
Renewable energy	Biomass fuel consumption	tonne	7,050.28	2,627.96
	Recycled biogas consumption ⁹	ten thousand cubic meters	1,734.36	4,259.73
Total comprehensive energy consumption		tonne of standard coal	112,003.72	131,873.71
Comprehensive energy consumption per million RMB of revenue ¹⁰		tonne of standard coal/million RMB	6.20	7.05
Total GHG emissions ^{11, 12}		tCO ₂ e	2,742,737.72	3,074,632.94
Including, direct GHG emissions under Scope 1		tCO ₂ e	2,273,878.37	2,628,297.93
Indirect GHG emissions under Scope 2		tCO ₂ e	468,859.35	446,335.01
Direct GHG emissions per million RMB of revenue		tCO ₂ e/million RMB	151.95	140.59
GHG emissions under Scope 3		tCO ₂ e	/	141,585.66
GHG emissions under Scope 3 - upstream transportation and distribution		tCO ₂ e	/	102,308.02
GHG emissions under Scope 3 - downstream transportation and distribution		tCO ₂ e	/	29,734.34
GHG emissions under Scope 3 - waste generated during operations		tCO ₂ e	/	7,281.65
GHG emissions under Scope 3 - business travel		tCO ₂ e	/	816.28
GHG emissions under Scope 3 - employee commuting		tCO ₂ e	/	1,445.37

⁹ The biogas is from the anaerobic fermentation of dairy farm manure, and is self-produced biogas.

¹⁰ The standard coal equivalent of energy is determined according to the General Principles for Calculation of Total Energy Consumption (GB/T 2589-2020 and 2589-2008).

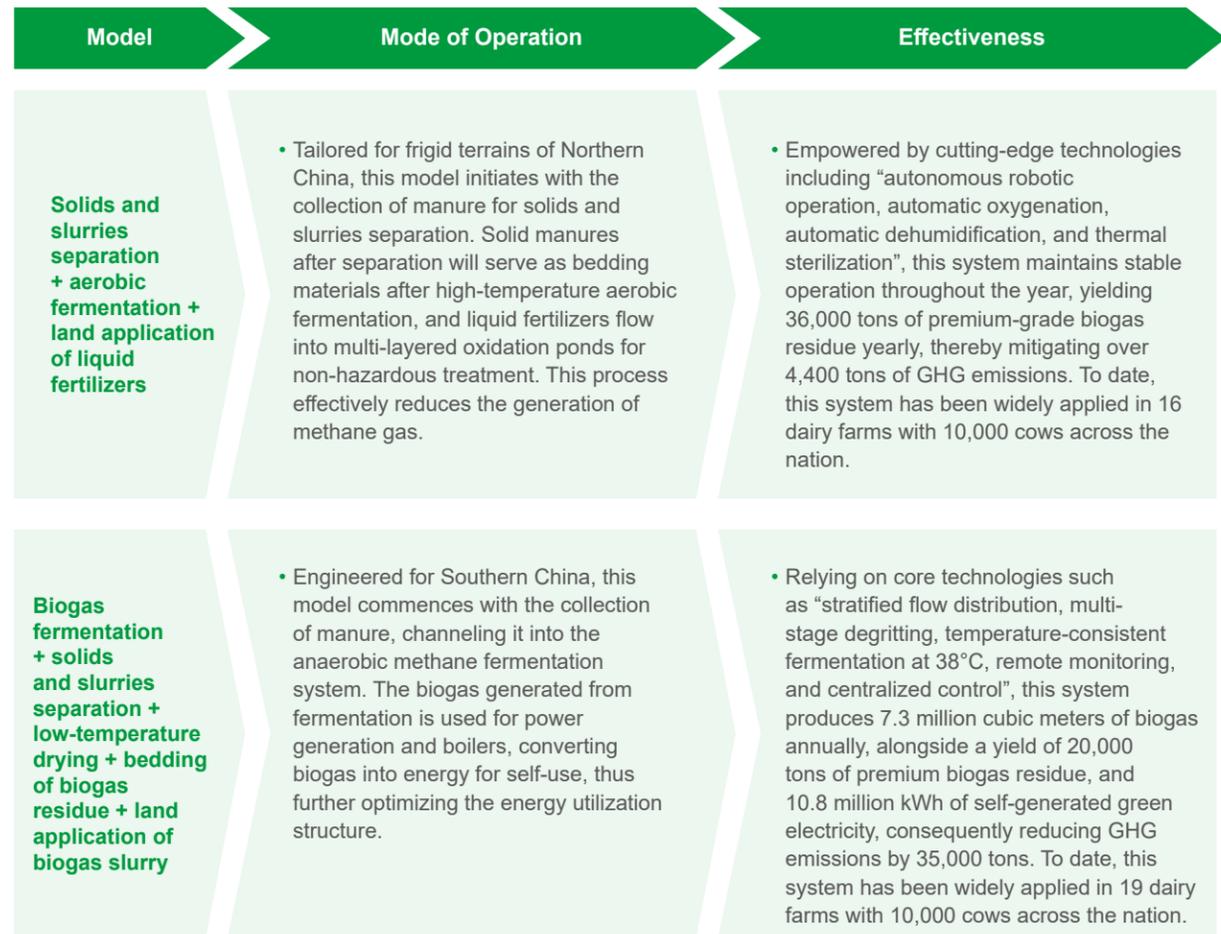
¹¹ The greenhouse gas accounting covers the Group's feed business, forage business, and animal husbandry business. However, the dairy goat plant in Qingshuihe was not yet operational in 2023 and is therefore not included in the animal husbandry business. To calculate greenhouse gas emissions, we followed the method outlined in the Fifth Assessment Report and Guideline of Greenhouse Gas Emissions Accounting for Animal Products issued by the Intergovernmental Panel on Climate Change (IPCC). Additionally, we followed the methods specified in the Guidelines of the Greenhouse Gas Emissions Accounting and Reporting for the Enterprise: Electricity Generating Facilities (2022 Revision) issued by the Ministry of Ecology and Environment of the People's Republic of China to calculate grid emission factors for Scope 2 - Purchased Electricity.

¹² The total GHG emissions presented herein encompass both Scope 1 and Scope 2 emissions, excluding those falling within Scope 3.

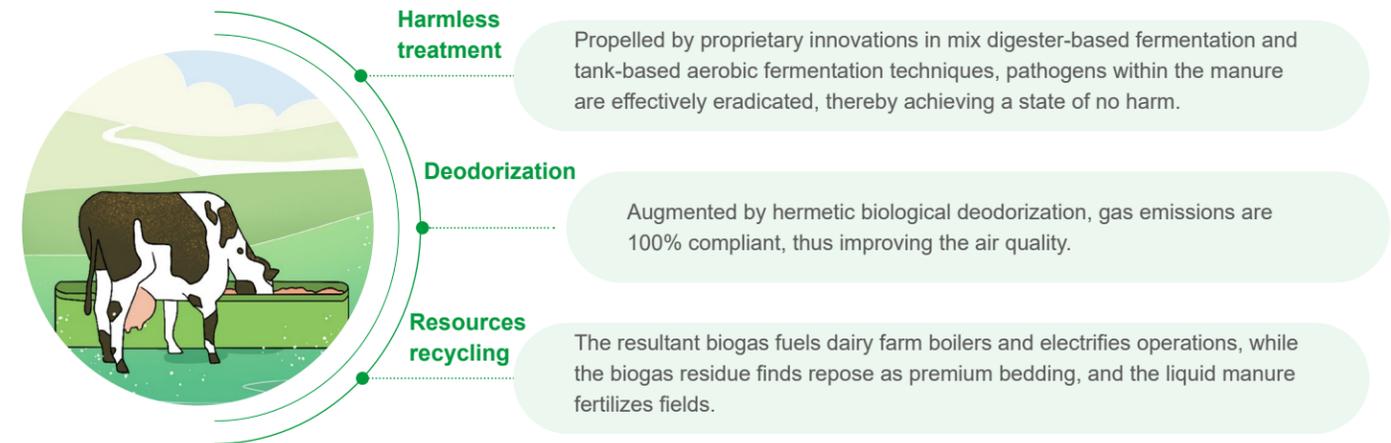
Building Low-carbon Recycling Dairy Farms

As a frontrunner in China's upstream dairy market, the Group steadfastly upholds the principle of green, sustainable development. Embracing a governance philosophy centered around "source minimization, process control, and end-cycle utilization", we adhere the principles of "harmless treatment, emission reduction and resource utilization". Firmly rooted in the principle of adapting cultivation to local landscapes and tailoring husbandry practices accordingly, we champion the Integrated Planting-Farming Model, thereby spearheading a transformative journey towards ecological innovation, equilibrium, and low-carbon circulation.

The Group remains resolute in championing the Integrated Planting-Farming Model. Leveraging the climatic differences between northern and southern regions, we've pioneered the development of both complete mix digester-based anaerobic fermentation technique and tank-based aerobic fermentation technique. These innovations have yielded two distinct models for ecologically sound manure management: the "solids and slurries separation + aerobic fermentation + land application of liquid fertilizers" model, and the "biogas fermentation + solids and slurries separation + low-temperature drying + bedding of biogas residue + land application of biogas slurry" model. All resultant manure is repurposed as bedding material, replacing conventional fine sand bedding within cattle enclosures. This practice not only mitigates the ecological disruption of sand excavation but also circumvents the desertification risks posed by conventional manure application methods. Meanwhile, following bio-safety disposal, liquid manure serves as an invaluable source of basal fertilizer for neighboring farmlands. Application rates are calibrated based on soil carrying capacities and the nutritional demands of silage crops, effectively curtailing pesticide residues, mitigating agricultural pollutants, and improving soil fertility and organic content. Such endeavors fortify ecosystem resilience and sustainability, fostering an agricultural model underscored by ecological primacy, planting and farming integration, and commitment to environmental projection—a model poised to propel high-caliber agricultural advancements.



Through the integration of planting and farming, this system yields benefits from three aspects:



To further advance the Integrated Planning and Farming Model, the Group has devised a set of standards including the *Quality Standard for Fermented Manure Bedding*, *Operational Procedures for Manure Bedding Fermentation*, and *Technical Specifications for Regenerated Manure Bedding*. These guidelines serve to steer the production and utilization of manure bedding across our dairy farms. Simultaneously, the Group has pioneered the formulation of three primary manure bedding fermentation models and corresponding bedding standards within the industry. We've pursued and secured recognition for four regional standards from the Inner Mongolia Autonomous Region, encompassing the *Manure Treatment Engineering Technical Specifications for Large-scale Dairy Farms*, *Quality Standards for Manure Fermentation Bedding*, *Technical Specifications for Preparation of Bedding Materials from Manure Recycling at Large-scale Dairy Farms* and *Technical Specifications for In-situ Treatment of Wastewater at Dairy Farms*. Additionally, we've applied for a group standard, i.e. *Technical Specifications for Recycling of Bedding Materials at Dairy Farms* and obtained four national patents, including inventions such as "A Composite Fermentation Agent for Manure Fermentation and Its Production Method", "A Method for Environmentally Sustainable Bedding Material Production from Dairy Farm Manure", "An Anaerobic Device for Harmless Treatment of Liquid Manure" and "A Storage Tank for Odor Control in Natural Storage of Liquid Manure", thereby fortifying our commitment to green, low-carbon, and sustainable practices.

The Group advocates the eco-agriculture model of integrated planning and farming, fostering optimal resource allocation both within and beyond the organization. Leveraging synergies between livestock husbandry and forage grass cultivation segments, we've established fifteen forage cultivation hubs encircling national pastures. Through the promotion of integrated water and fertilizer management, efficient liquid fertilizer utilization, and enhanced crop yields, we've realized the sustainable utilization of manure resources, thereby perpetuating a virtuous cycle wherein superior breeding yields superior cows, premium feed cultivates superior cows, and exceptional cows yield quality milk.



Integrated Planting-Farming Model (Example)



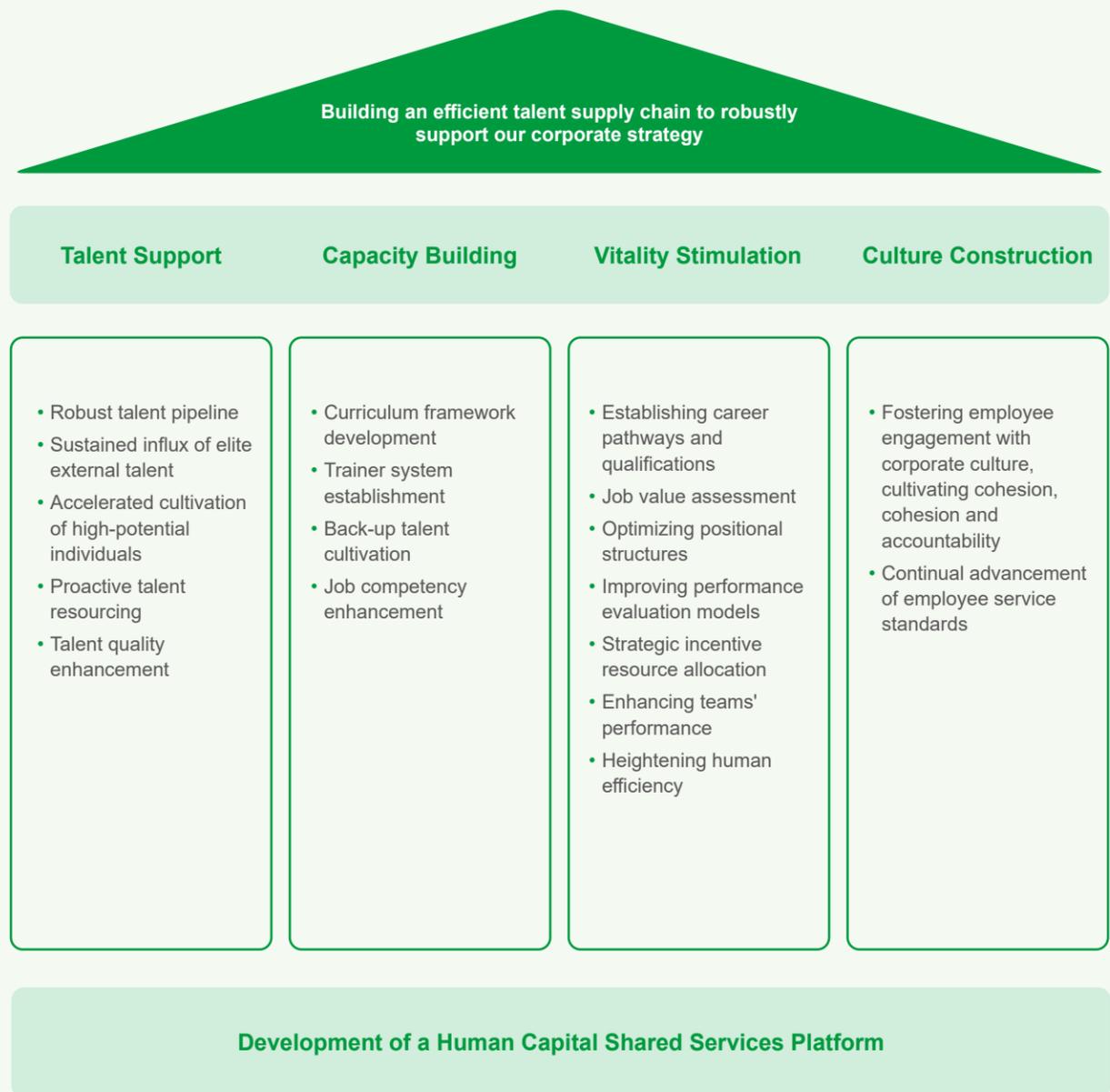
04

Remaining People-oriented and Creating a Brighter Future Together

The Group upholds a “people-oriented” management philosophy, dedicated to fostering a work environment that values and champions diversity and inclusion. We prioritize the well-being of our employees, fostering their personal growth and unleashing their potential through comprehensive incentives to enhance their sense of belonging and fulfillment.

Guided by the strategic orientation of “building an efficient talent supply chain” and based on the future business development and new project planning, we have identified and forecast the talent requirements for key technical roles over the next five years. Based on a thorough analysis of both internal talent dynamics and external market conditions, we have devised a talent replenishment strategy that integrates in-house training with external recruitment, ensuring the stability and efficacy of our talent pipeline.

To underpin this strategic talent development approach, we have erected four foundational pillars: talent support, capability building, vitality stimulation, and cultural construction. Our aim is to cultivate an enterprise ecosystem that continuously attracts, nurtures, and retains exceptional talent, providing a solid bedrock of human capital and intellectual prowess to propel the Group’s sustained growth.



Safeguarding Employees’ Rights and Interests

The Group regards its workforce as the bedrock of its sustained growth, committing to uphold all lawful rights of employees through tangible actions. It delves into the deeper needs of its employees, fostering a sense of belonging, cohesion, and unity.

Equal and Compliant Employment

Embracing a steadfast spirit of equality and regulatory compliance in employment, the Group meticulously abides by the *Labor Law of the PRC* and *Labor Contract Law of the PRC*. It has formulated frameworks such as the *Recruitment Management System* and the *Anti-Harassment and Anti-Discrimination Management Measures* to preclude any instances of employment bias stemming from gender, ethnicity, or other factors, thereby ensuring equitable opportunities for all employees.

The Company maintains diversity within its workforce, abiding by gender equality principles across recruitment, hiring and promotions. We uphold the principle of equal remuneration for equal work, effectively safeguarding the employment rights and interests of women. Employees from diverse nationalities, ethnicities, age groups, and educational backgrounds are treated with parity, actively fostering an atmosphere of harmony, equality, and compassion within the organization. Throughout the Reporting Period, the Company achieved a 100% labor contract signing rate, with all contracts structured under direct employment, and no reports of human rights violations.

Additionally, the Group actively addresses the employment concerns of local farmers and herdsmen in its operational locality, prioritizing local recruitment under equitable conditions to bolster employment and income, thus alleviating the strain on job opportunities. Over the Reporting Period, local employment rate stood at 71.94%.

In 2023, we added **851** ethnic minorities employees, and **34** female employees were promoted to management positions through internal promotion. The percentage of female employees in the management is **14.27%**, with **16.25%** of female employees in the middle management, and **3.70%** of female employees in the senior management.



Protection of Employees' Rights and Interests

The Group attaches great importance to safeguarding employee rights and interests, steadfastly adhering to lawful employment practices. We have formulated a [Human Rights Policy](#) in line with the *International Bill of Human Rights*, the *International Labor Convention*, the *Declaration on Fundamental Principles and Rights at Work*, and the *Guiding Principles on Business and Human Rights*. Upholding the human rights of our employees, we denounce all forms of discrimination and ensure the preservation of their personal liberties, rights and interests within the bounds of reason and law. We conduct routine dissemination and training sessions on human rights policies and frameworks across our workforce, fostering a culture of heightened human rights awareness and facilitating the effective implementation of safeguards, thereby preempting any infringement on human rights.

The Group maintains an unwavering stance of absolute intolerance towards forced labor and the exploitation of child labor in any guise. We have instituted a complete recruitment and onboarding process, rigorously scrutinizing age, educational qualifications and professional backgrounds before engagement, while steadfastly prohibiting the employment of minors within our operational spheres. Throughout our operations, we verify the ages of applicants and employees, addressing any instances of unlawful employment. Furthermore, a channel for employee complaints underscores our commitment to upholding the integrity of our employment practices. During the Reporting Period, the Company reported no incidence of violations associated with the use of child labor or coercion.

Anti-discrimination and Anti-harassment

In order to foster an environment conducive to mutual respect and free from all forms of harassment, including unfair treatment, discrimination, sexual misconduct, and inappropriate behavior, we have formulated and disseminated the [Anti-Harassment and Anti-Discrimination Management Measures](#). Maintaining a steadfast "zero-tolerance" stance towards all forms of harassment and discrimination, we implore each member of our workforce to actively monitor and report any deviations from our stringent standards. For any breaches of our protocols, a thorough investigation will ensue, accompanied by the imposition of commensurate disciplinary measures against the offenders. Maintaining a steadfast "zero-tolerance" stance towards all forms of harassment and discrimination, we implore each member of our workforce to actively monitor and report any deviations from our stringent standards. We encourage and support the reporting of bona fide grievances or instances of non-compliance, and have instituted protective measures to safeguard whistleblowers, ensuring the confidentiality of their disclosures and respecting the privacy rights of all involved parties. In 2023, there was no incident of discrimination or harassment that we reviewed.

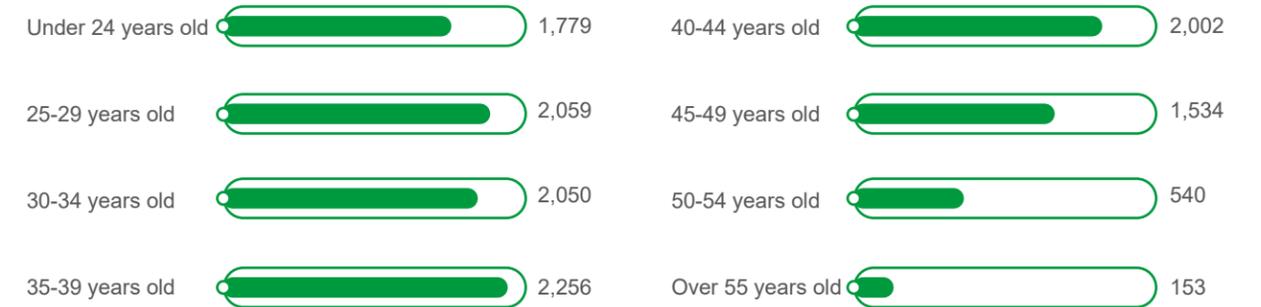
Our total number of employees is 12,373, and our key performance data on employment in 2023 is as follows:



Number of employees by gender



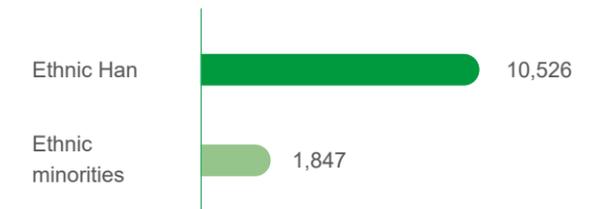
Number of employees by age



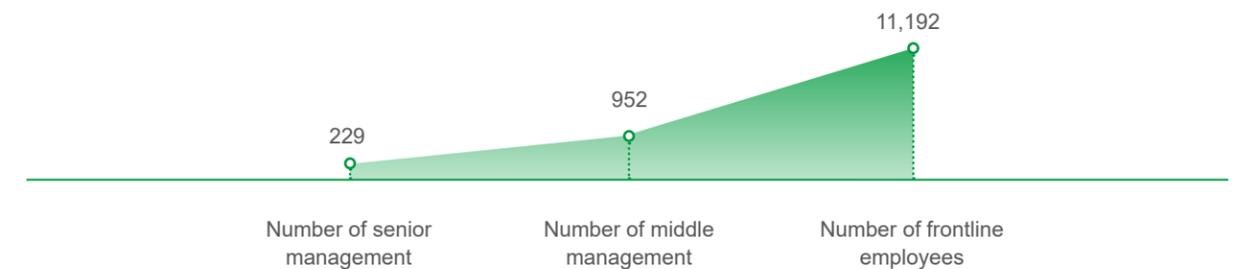
Number of employees by region



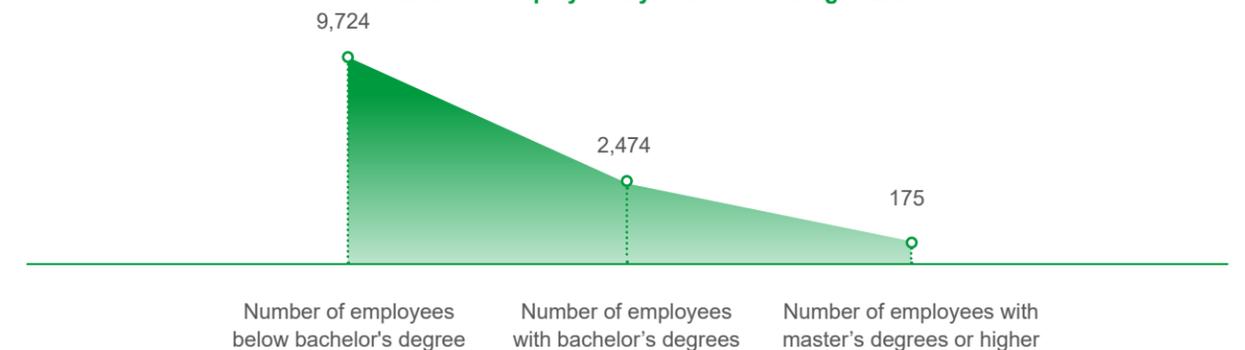
Number of employees by ethnic group



Number of employees by rank



Number of employees by education background



Increasing Care for Employees

The Group is committed to cultivating an environment that fosters efficiency, well-being and care for its workforce, striving to provide abundant compensation and benefits, actively engaging in diverse humanitarian initiatives, boosting employee engagement in democratic management, harmonizing the work-life balance, and fostering a sense of belonging and cohesion, thereby establishing a harmonious and gratifying workplace.

Remuneration and Welfare

Consistently enhancing employee satisfaction and well-being, the Group implements a comprehensive compensation and benefits management system that prioritizes economic remuneration while also addressing non-monetary rewards, long-term prospects, and ensuring equitable distribution of value. Adhering strictly to the regulations outlined in the *Labor Law of the RPC*, the Company protects the health and well-being of its employees, establishing a multi-dimensional, multi-channel and inclusive system of compensation, benefits and care.

- Living wage**

Based on the local social average wage, coupled with considerations of regional economic indicators, cost of living index and housing prices, the Company sets employee wages above the local minimum wage standard. With wages disbursed promptly and fully for full-time employees, the actual average wage significantly surpasses the living wage benchmark.
- Basic benefits**

The Company covers contributions towards pension, medical, unemployment, accident, and housing provident funds, ensuring fundamental safeguards for employees' occupational health and safety. In 2023, the coverage of supplementary insurances was up to 100%.
- Living allowances**

Provide employees with affordable working meals, subsidy of telephone charge, traffic allowance, allowance for work in high temperature in summers, nutrition allowance for employees' children, wedding gifts, birthday gifts, funeral subsidy, hardship allowance, nutrition subsidy for voluntary blood donation and other benefits to satisfy employees' living needs.
- Employee group purchasing privileges**

Through partnerships with vendors in sectors such as floral arrangements, home furnishings, health checkup, home electronics, dining establishments, accommodations, and corporate gifting, the Company extends exclusive membership benefits to its workforce. Hosting large-scale procurement events for dairy products, fuel cards, automobiles, and more, it assists employees in realizing savings on their routine expenditures.
- Holiday care**

The Company extends holiday benefits to all employees on traditional holidays such as Chinese New Year and Mid-Autumn Festival, while also allocating supplementary allowances and recognizing ethnic holidays for minority groups. This initiative aims to foster a sense of care and warmth within the organization.

Caring for Employees

The Group diligently upholds its commitment to employee care by formulating the *Constitution and Working System of the Labor Union of Inner Mongolia Youran Dairy Co., Ltd.*, the *Administrative Measures for the Use of the Fees for the Labor Union* and other protocols and regulatory frameworks. These guidelines have a particular emphasis on employee care, distinctive initiatives, and democratic dialogue, ensuring that employee care is not just a concept but a tangible reality within the organization.

- Care for female employees**

Establish nurturing spaces like the Maternal and Child Sanctuary; set childcare leave and breastfeeding leave, and allow breastfeeding mothers to enjoy one-hour breastfeeding time in the morning and afternoon every day; carry out activities and giving gifts for female employees on the Women's Day, aiming to improve the satisfaction of its female workforce.
- Care for ethnic minorities**

Acknowledging the culinary preferences of minority communities, the Company institutes halal dining facilities across five locations, including the Chilechuan Ecological Intelligent Pasture and Demonstration Park in Tumed Left Banner. This initiative not only facilitates the integration of minority employees into the organization but also underscores the Group's spirit of embracing diversity and inclusion.
- Care for employee health and well-being**

We prioritize the health and well-being of our workforce by facilitating complimentary health screenings. These initiatives not only assist in the early detection and prevention of illnesses but also foster a deeper sense of belonging among employees.
- Leisure facilities enhancement**

We provide employees with spaces and facilities for physical activities. Establishing home of staff and innovation studios within our ranch and feed division, alongside the creation of libraries and fitness centers, adds richness to our employees' leisure pursuits.
- Cultural activities**

We organize all operations under the Group across the country to launch approximately 280 nationwide events over the past year, including cultural festivities, celebrations, and observances of traditional holidays. From festive Spring Festival gatherings to International Women's Day, Dragon Boat Festival, Mid-Autumn Festival and National Day festivities, "Sending Warmth" caring activities and employee birthday parties, these events offer a diverse array of activities, enriching the cultural and social lives of our employees.
- Skills development initiatives**

We organize skills competitions and a variety of knowledge contests to improve the professional skills of our workforce. These activities are seamlessly integrated into our business operations and annual corporate events, fostering a culture of unity and progress among our employees. They play a pivotal role in uplifting morale, enhancing team cohesion, and driving the success of our business endeavors.



Democratic Management

We are dedicated to promoting democratic principles within our organization, exemplified by the establishment and refinement of democratic governance structures. Upholding employees' rights to information, participation, oversight, and expression, we strive to nurture an environment of mutual respect and collaboration. We have established a labor union in accordance with the stipulations of the *Trade Union Law of the PRC*, the *Constitution of the All-China Federation of Trade Unions* and other laws and regulations together with relevant documents of the All-China Federation of Trade Unions. Through fostering open dialogue based on equal consultation and harmonizing labor relations, we actively contribute to the advancement of democratic governance within business entities.

The Company convenes its annual Workers' Representative Congress, where pivotal issues concerning employees' immediate interests are tabled for examination and negotiation. Upon reaching consensus, a Collective Wage Contract is formally signed. In 2023, the execution rates for collective agreements across various operations, specialized collective agreements safeguarding the rights of female workers, and negotiated wage contracts all soared to an impressive 100%. Both the Company and its workforce fervently honor their commitments and obligations, meticulously implementing every clause, thereby accomplishing the contractual objectives and ensuring the lawful entitlements of employees.

Routine surveys on employee satisfaction are conducted to measure their contentment. In 2023, the Company's employee satisfaction benchmark was set at 4.2 points. Employing questionnaire methodologies, the evaluation process targeted three principal groups of employees: functional, technical, and operational, scrutinizing 11 major dimensions including remuneration packages, working environment, and training provisions. Employing comprehensive analytical tools, we conducted a holistic assessment of employee satisfaction from diverse aspects of the Company, culminating in an overarching satisfaction rating of 4.51 points for 2023, up 3.4% over the previous year. Strategies for enhancement were meticulously crafted in light of the survey findings, with an unwavering commitment to advancing administrative services. A multipronged approach was adopted to implement initiatives aimed at nurturing employee welfare—ranging from improving living conditions to incentivizing staff and upgrading fundamental infrastructural amenities, thus catering to the multifaceted material and psychological needs of the workforce.

The adoption of Cultural Talk Plan A entails fostering intimate dialogues between company leaders and employees, facilitating unobstructed communication channels, and comprehending employees' trials and tribulation, ranging from career development blueprints to personal and familial spheres, thereby aiding in delineating pathways for advancement. By mobilizing employees to offer suggestions and organizing forums for discourse, avenues for open dialogue are fortified, thereby fostering a congenial professional ambiance. In the 2023 employee voice campaign, an overwhelming influx of over 11,000 suggestions concerning work safety, energy conservation and quality service were received. Over 800 of these propositions were adopted and operationalized, effectively addressing and redressing operational impediments, thereby invigorating employees' zeal for making meaningful contributions.

Build a Platform for Employee Growth

Talent Management System

In order to effectively implement its development strategy and improve the win-win cooperation and benefit sharing mechanism between employees and the Group, the Group has comprehensively established talent management system based on talent team building, performance-driven model, talent training mechanism and digital human resources management.

Industry-leading talent team

The Group has actively formed an internal and external expert system and an industry-leading reserve of talents based on its strong talent pool and excellent talent training mechanism. We have established long-term strategic cooperation with global top experts in the cow farming industry and feed processing and manufacturing industry, and built an empowerment system of domestic and overseas exchange and interaction. We have created a fully-developed internal talent training system, which provides the Company with strong and reliable talent support required for its fast expansion and accelerated development through special class training, on-line classroom, external talent training cooperation and further study abroad. A total of 186 employees with master's degree and above are serving the Group, and over 30 employees with overseas study experience.

A total of

186 employees

with master's degree and above are serving the Group

over

30 employees

with overseas study experience

All-staff performance-driven model

The Group has broken down its business plan based on its strategic goals and developed a KPI assessment system covering all staff from senior management down to front-line employees to provide matching incentives and enhance performance process review. This not only ensures the articulation of the indicators and the successful completion of the tasks, but also creates a favorable environment in which all employees participate in and contribute to corporate management.

Effective talent training mechanism

By taking "building an efficient talent supply chain" as its strategic talent development goal and relying on its "Qihang 6+1" system, the Group has developed learning path maps for employees at different levels and planned training courses and training mechanisms at different levels, while strengthening the leadership construction of managers, so as to change the behavior patterns of managers, improve the recognition reward, empower the teams, and facilitate the implementation of its organizational strategy.

Digitalized human resources management

As the first upstream dairy enterprise to promote human resource sharing in the husbandry, the Group builds on the EHR system, takes human resources sharing platform as the core and relies on digital means to break down data silos and enable end-to-end data transmission, thus supporting the business development through agile organization building, strategy implementation capability enhancement and quality and efficiency improvement.

Talent Training

The Group has developed a talent training system integrating management talent provision, position competence development and expert nurturance, set the training plan for key positions at all levels through “excellence training” project, created a “five-path training model” around the culture-based path, course-based path, scenario-based path, experience-based path and coaching-based path, and embedded this model into various training projects to strengthen the mode of “training plus practice” with dual drivers of education and professional cultivation, standardize the talent training process, and facilitate the output of high-quality talents. In the recent 3 years, 87.99% of the management talent demand has been met internally, and 25 new dairy farms have been self-sufficient in terms of talent supply.

To implement the talent training system, the Group has formulated and perfected training systems such as the *Management and Training System of Youran Dairy*, the *System on Internal Trainers of Youran Dairy* and the *Administrative Measures for Going Abroad* to provide guarantee for employees’ career development and corporate development. We have continuously improved the expertise and professional ability of our employees, provided guarantee for employees’ career development and corporate development, worked out annual training plan and carried out the plan as scheduled to effectively support the realization of the Company’s business objectives as well as its development plan.



In the recent 3 years,

87.99% of the

management talent demand has been met internally



25 new dairy farms have

been self-sufficient in terms of talent supply

Leadership potential assessment

- Introducing the “Leadership Quality Model” to assess leadership, conducting 9-box talent review based on performance, capability and potential, and utilizing the appraisal tools from third parties such as “Ruitu” and “Beisen” to carry out potential and capability assessment. With the help of capability assessment tool, identifying the capability gap between the staffs on the position and the standard by comparing to the exemplary employees. Filling the capability gap, strengthening the construction of talent team and improving the quality of talent through the mode of training plus practice.

Position competence improvement

- **Middle and senior management and personnel with potential:** focusing on the improvement of core competence of middle and senior management and personnel with potential from the dimensions of basic knowledge, general skills and vision broadening. Helping senior management to hone systematic and strategic management thinking by arranging the MBA Program of Renmin University of China.
- **New management personnel:** carrying out the “four-step training for new managers” based on the position-specific growth pattern and helping new managers to grow at an accelerated pace, increase overall management capability and fit in with the role quickly by taking the culture-based path as the basis, the course-based path as the support and the coaching-based path as the core while giving consideration to the working scenarios and task experiences.
- **Sales person:** setting empowerment plan for sales personnel at different levels from dimensions of market, strategy, brand and marketing to enhance their expertise, sales skills and professional capabilities.

Back-up talent cultivation

Designing differentiated training programs for employees at different levels, launching training programs including “Linghang Program”, “Yuanhang Program” and “Qihang Program” respectively for key positions at all levels, and improving the professional and management capability of personnel at all levels, meeting the business needs and realizing their rapid personal growth and development through the training mode of “training plus practice”.

- **“Linghang Program”:** The training program is applicable to the reserve personnel for farm heads/branch managers, and based on the model of training camp. Improving the professional and management capability of relevant personnel, meeting the business needs and realizing their rapid personal growth and development through on-line professional courses + required competence and courses for farm heads/branch managers + leadership courses + internal benchmarking learning and improvement.
- **“Yuanhang Program”:** applicable to the reserve personnel for managers and based on the special class training mechanism. Setting up regional special classes + systematic special classes, and improving the capacity of reserve personnel through professional knowledge + management knowledge + debriefing + benchmarking + topic improvement.
- **“Qihang Program”:** applicable to new employees. Developing the training camp themed by “Building a Dream, Running into the Future”, and adopting the talent training mode of “on-line learning + training camp + learning through experience and coaching + internal training by external experts”, so as to help new employees to better fit in with the corporate culture and team, have a full understanding of the business operation model, achieve rapid empowerment, understand the knowledge required in the workplace and the corporate culture, and realize the role transformation into working people.

Training resources sharing

- Coordinating the development of “Yiqiyi”, an on-line digital learning platform, and relying on the abundant courses and experience sharing offered by the platform to enable the accumulation of various learning resources and the sharing of knowledge, allow students to learn from anywhere at anytime, and realize efficient digital learning. An annual login rate of 83.04% has been achieved.
- By making full use of external suppliers’ training resources, enabling training resources sharing, integrating training resources effectively and applying them in training programs designed for talents at different levels to realize vertical specialization, expand thinking, broaden visions and improve professional and management capacities.



In August 2023, Wang Dian, the Technical Director of the Group, was awarded as the high-level talent under the “Grassland Talents” High-level Talent Training Project.

Case Arranging seminars for middle and senior leaders

In 2023, the Group subscribed to the courses offered by Chaos Academy for the middle and senior management, so as to further improve the comprehensive abilities of its middle and senior management and personnel with potential and help them have a good command of management theories and cutting-edge knowledge. For dairy farm heads, branch managers and senior managers above the deputy director level, we arranged the MBA Program of Renmin University of China and the Operation Management Program of Shanghai Jiaotong University to develop the systematic management thoughts, operational thoughts and innovative management thoughts of senior managers with the goal of promoting the rapid development of business. This project won the “Best Education Award of RUC Business School EE Project”.



Case Fostering Leading Talents through Overseas Exchange

With the help of various advantageous resources, the Group, aiming at the dairy cow health-related technologies and intellectual resources of the global dairy industry, learned from advanced breeding technologies and dairy farm management philosophies with an open and humble attitude and provide high-grade veterinarians of the dairy farms with high-quality training opportunities. In 2023, the Group deepened its cooperation with Ohio State University and assigned high-potential employees to learn comprehensive knowledge about breeding and management of large dairy farms in large dairy farms in the United States for one year. These employees were tasked with learning foreign cutting-edge breeding technologies and dairy farm management philosophies and introducing the advanced management philosophies and techniques of the countries with a developed dairy industry into China, in order to promote the quality and efficiency reforms of the Company as well as the cow breeding industry in China and make more contribution to the “revitalization of dairy industry”.



Our key performance data on training and development in 2023 is as follows:

Indicators	Unit	2023
Amount of training expenses	RMB '0,000	312.92
Total training sessions	Time	7,857
Total number of trainees	Person-time	196,425
Percentage of trainees by gender	Male	98.92
	Female	97.45
Percentage of trainees by rank	Ordinary employee	98.49
	Middle management	98.84
	Senior management	98.35
Percentage of trainees by ethnic group	Ethnic Han	98.43
	Ethnic minorities	99.04
Percentage of trainees by education background	Below Bachelor's degree	98.40
	Bachelor's degree	98.99
	Master's degree or above	98.86
Average training hours of employees by gender	Male	73.69
	Female	73.69
Average training hours of employees by education background	Below Bachelor's degree	73.69
	Bachelor's degree	73.69
	Master's degree or above	73.69
Average training hours of employees by ethnic group	Ethnic Han	73.69
	Ethnic minorities	73.69
Average training hours of employees by rank	Ordinary employee	74.70
	Middle management	65.63
	Senior management	71.50
Average training hours of employees by age	Under 30 years old	74.01
	31-50 years old	73.68
	Over 51 years old	72.03
Total training hours by training type	Specialized training	533,201
	Management training	378,565

Talent Promotion and Retention

The Group has formulated internal systems such as the *Administrative Measures for the Appointment of Personnel in Managerial Positions*, the *Administrative Measures for Promotion of Professional Positions of Youran Dairy* and the *Employee Performance Management System* to regulate the employee remuneration and promotion management process, set up an open and transparent promotion platform for employees and provided employees with diverse and all-round promotion channels.

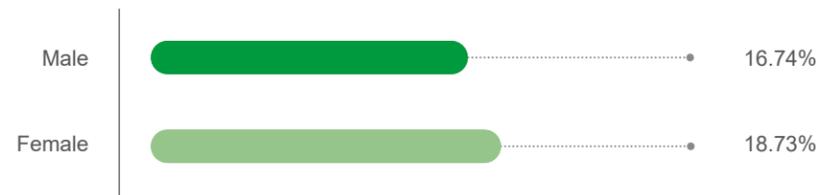
We have provided employees with three channels for promotion, namely the promotion of management positions, the promotion of management ranks, and the promotion of professional positions, defined career development path and created equal conditions and opportunities for promotion to stimulate the potential of talents working for Youran Dairy. Meanwhile, the Group has established remuneration and performance management strategies that adapt to both external market and internal demand, fully inspiring the enthusiasm and initiative of employees at all levels and reducing employee turnover.

Our key performance data on employee turnover in 2023 is as follows:

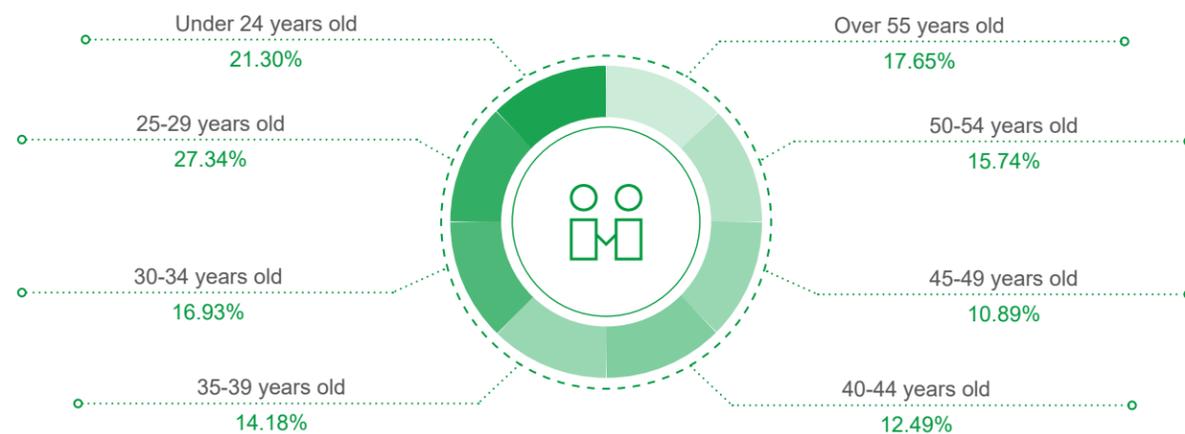


In 2023

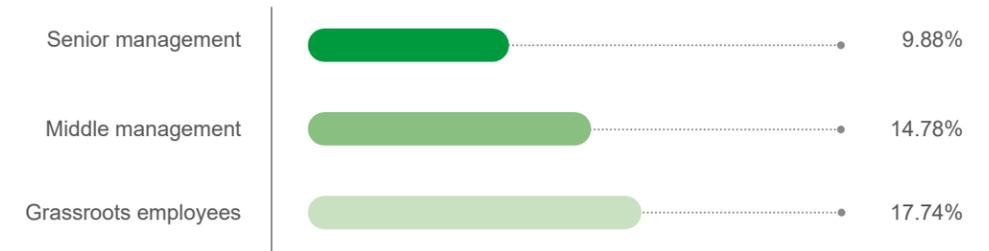
Annual employee turnover rate by gender



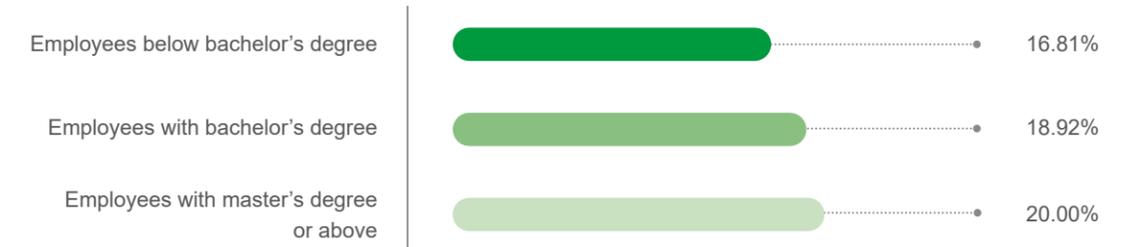
Annual employee turnover rate by age



Annual employee turnover rate by rank



Annual employee turnover rate by education background



Annual employee turnover rate by region



Ensuring Occupational Health and Safety



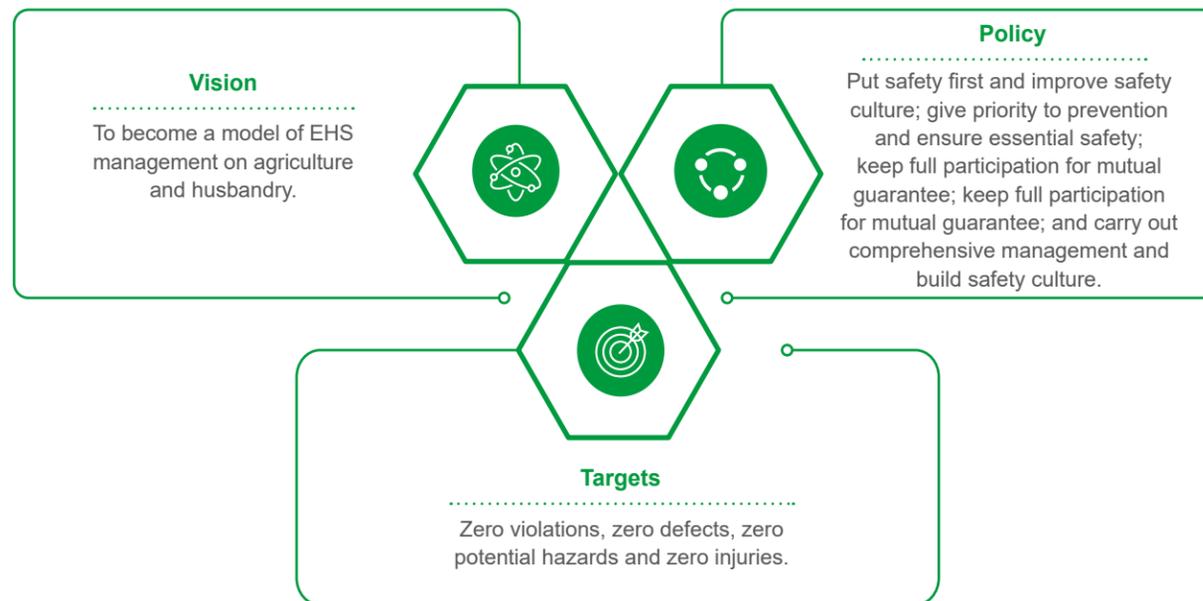
The Group practices the concept of people-oriented safety management, and always regards safety as the top priority of enterprise work. By being committed to becoming a model of safety management in agriculture and animal husbandry, establishing a long-term control mechanism, and setting a safety benchmark for the industry, the Group provides its employees with effective safety assurance. As of the end of the Reporting Period, our seven units have passed the national level 3 safety standardization system certification.





Safety management system

The Group has established a animal husbandry-specific safety management system according to ISO 45001 occupational health and safety management system standards. Aiming at “zero accidents”, the Group has took standard procedures and a series of measures to fully implement various responsibilities for production safety and effectively lower the safety risks at the production sites based on the safety organization system, risk management and control system, technical standards on safety and safety culture system.



Safety production responsibility system

- **Safety production responsibility system:** We set up the Production Safety Management Committee, improved the all-staff production safety responsibility system, and fulfilled the health and safety responsibilities. According to the principle that “the person who is responsible for the business or the territory is responsible for production safety”, we defined the production safety responsibilities of employees at different levels (corporate headquarter, business units and grassroots units), and established a production safety responsibility system which covers all employees from senior management to front-line employees. We held regular production safety meetings to share warnings about the safety performance and industrial accidents and summarize and analyze the problems found in the safety management process.
- **Signing of letter of production safety responsibility:** the General Manager of the Company set the annual production safety targets and process targets, had the business units, grassroots units and grassroots department break down these targets and assign them to every employee, and required every employee to sign the letter of production safety responsibility to ensure a sound safety performance throughout the Company.

Safety performance management system

- **Setting accident appraisal standards:** we defined the accident appraisal standards from the dimensions of accident casualties and economic losses.
- **Implementing assessment and motivation from management to grassroots employees:** in case of accidents at different levels, we carried out performance assessment for the heads of grassroots units and senior management and provided them with performance incentives in the forms of fines, monthly performance, annual performance, business incentives and annual commendation.

Potential hazards identification and governance system

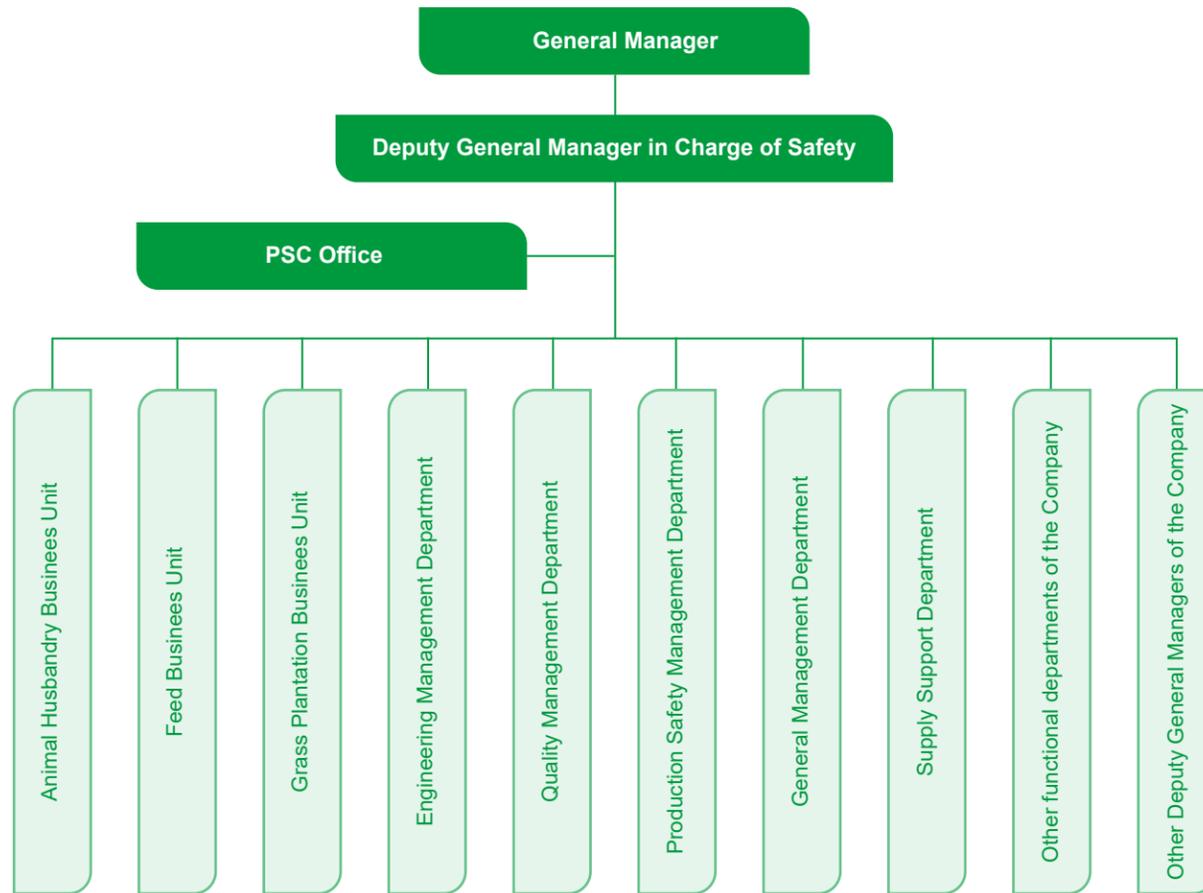
- The heads of various grassroots units worked out safety inspection plans, led and organized a safety inspection on a weekly basis, and rectified the potential hazards identified. The business units followed up the work carried out by subordinate grassroots units on a monthly basis, reviewed and summarized the safety work at the safety meeting, and ranked the grassroots units and provided them with incentives accordingly on a quarterly basis.

Safety review and guidance system

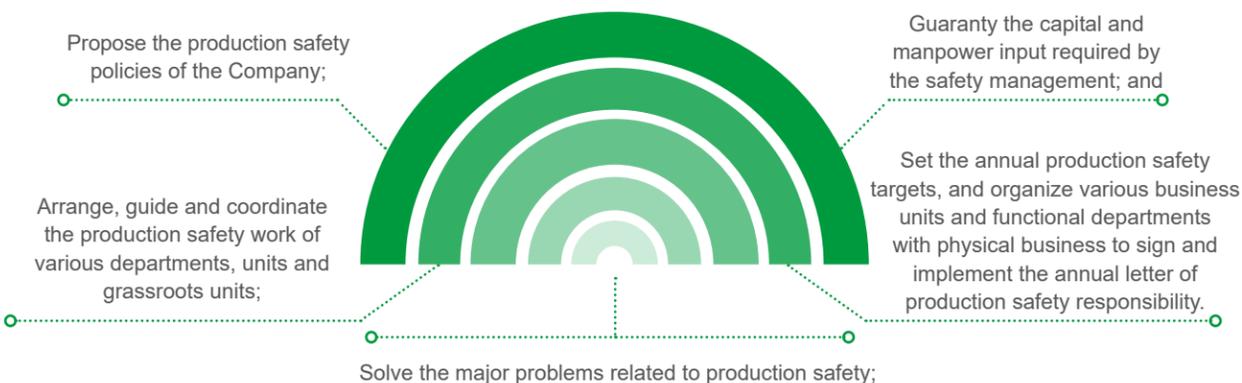
- We conducted safety review and guidance for subordinate production and operation units according to safety review rules from the dimensions of system and culture construction, management mechanism implementation, core risk control, and safety capability enhancement to ensure Group-wide coverage in the year. In addition, we set up a module to verify the completion of key tasks from the dimension of safety capability enhancement, so as to monitor and supervise the work of various grassroots units.

Organizational Structure of Safety Management

The Production Safety Committee (PSC), the Group's highest governing body of safety production, is in charge of the coordination and guidance of safety production and the centralized management of health and safety performance of the Group. A PSC Office has been set up under the Committee as its working body.



The Production Safety Committee should:



Production Safety Control

■ Safety Management Targets

The Group has set up the absolute target ("zero accidents") for Level 1-6 production safety accidents, and the relative target (expressed as the accident rate per thousand people) for Level 1-7 accidents in 2023. These targets were incorporated into the performance indicators of the head of the Production Safety Management Department and broke down and assigned by the Production Safety Management Department in order to carry out production safety management through processes of safety performance guidance, safety capacity guarantee, potential hazard identification and governance, regional safety spot check and core risk control.

Health and Safety Performance Targets

The number of Level 1-6 production safety accidents was **0** and the accident rate per thousand people for Level 1-7 production safety accidents was below **1.89‰**.

Target Achievement

The number of Level 1-6 production safety accidents in 2023 was **0** and the accident rate per thousand people for Level 1-7 accidents has been reduced to **1.29‰**, achieving its health and safety performance targets.



■ Ensuring Production Safety

The Group has formulated health and safety policies such as *Management Measures for Safety Goals*, *Management for Safety Review*, *Promotion Plan for Independent Investigation and Treatment of Potential Safety Hazards*, *Fire Risk Management and Control Plan*, *In-House Vehicle Management and Control Plan*, *Implementation Plan for Grid Management of Production Safety*, and *Improvement Plan for Professional Safety Ability*, so as to realize full policy coverage throughout the Group, provide its employees with effective production safety assurance, and lay a solid foundation for achievement of safety management targets.

Key Practices and Achievements in Safety Management in 2023

Conducting safety review	<ul style="list-style-type: none"> ○ We reviewed our health and safety policies and performance on a regular basis according to safety review rules, and provided review guidance from the dimensions of system and culture construction, management mechanism implementation, core risk control, and safety capability enhancement to ensure Group-wide annual review.
Perfecting safety management mechanism	<ul style="list-style-type: none"> ○ Working out guidance mechanism to facilitate execution of duties: we set up safety change management mechanism, and developed and distributed the <i>Safety Change Management System</i>; organized units and departments at all levels to sign the letter of safety responsibilities, and defined annual tasks of risk mitigation improvement, capacity enhancement and mechanism building based on business risks and loopholes in management. We followed up the progress of 102 annual tasks and found that over 95% of the tasks have been completed as scheduled. ○ Developing special coaching mechanism to facilitate capability matching: we recorded 1,364 hazards identified throughout the production process and conducted spot checks accordingly, identified and eliminated 99,690 fire hazards in total; checked the safety management system awareness of the heads of grassroots units on a quarterly basis and increased the pass rate from 97.7% in 2022 to 98.5%. ○ Setting up process supervision mechanism to control risks: we set up the red-line-crossing whistleblowing mechanism and the safety management review mechanism, conducted the safety management review of 34 dairy farms and 5 feed production bases and completed the rectification of the problems identified during the Reporting Period.
Adopting the model of grid-based safety management	<ul style="list-style-type: none"> ○ By adopting the innovative grid-based safety management, we managed to track safety issues throughout the process, provide safety management guidance at any time and make timely rectification. Through the continuous improvement of the standardized operation and safety management awareness of employees, we achieved all-round risk control, ensured that every employee is aware of the occupational risks, potential consequences and preventive measures and thereby enabled standardized, precise, digitalized and systematic safety management.
Controlling and managing core safety risks	<ul style="list-style-type: none"> ○ We continuously controlled and managed core risks such as fire risks, vehicle-related risks, hazardous operation risks, exploration risks and electrical risks by completing systems, developing standards, strengthening training and reducing risk degree.

■ Contractor Safety

The Group attached great importance to the contractor safety, extended its safety management-related policies and systems to contractors and required the contractors to align their health and safety standards, such as the standards of accountability for safety incident, evaluation and motivation and performance assessment, with the standards implemented by the Group; developed and distributed the *Regulation on Relevant Parties' Safety Management*, set up four contractor audit mechanisms of "safety deposit, health and age, special qualification and redline suspension" to avoid the safety risks in the operation process of contractors and prevent and control the production safety accidents of contractors.





Contractor safety training on the site

Contractors' key performance data on health and safety in 2023 is as follows:

Indicators	Unit	2023
Number of days lost by contractors due to work-related injuries	(days) (Number of days lost per 200,000 working hours)	234.04
Lost-time injury rate (LTIR) of contractors	(%) (per 200,000 working hours)	0.08
Consolidated work-related injury rate (IR) of contractors	(%) (per 200,000 working hours)	0.08



Safety Culture Construction

The Group has carried out a series of activities such as “Zero Accident Pep Rally”, “Three-Safety Activity”, “Fire Safety Month”, “Production Safety Month” and “November 9th Fire Control Day” to build up consistent safety values among managers, and has created a safety culture atmosphere in which managers fulfill their duties and employees take an active part.

Zero Accident Pep Rally

During the Reporting Period, we held 89 Zero Accident Pep Rallies. 5,126 participants have signed on the oath and various units have signed the department-specific letter of production safety responsibility to promote the consistent safety values.



Three-Safety Activity

We set a safety benchmark by building up an excellent benchmark team. 6 Safety Leadership Pioneers have been elected and a total of 6 units have been awarded as the “Excellent Organizations in Production Safety Campaign” in the “Three-Safety Activity”.



Production Safety Month

5,759 participants have contributed to the promotion of production safety in the Production Safety Month. A total of 1,555 potential hazards have been eliminated and 389 videos for internal promotion have been shot to promote production safety.



Fire Safety Day

We have rectified 2,136 potential fire hazards, instructed 69 units to carry out “Double-blind Drill” on key areas, and organized 276 sessions of special training for volunteer fire brigade and 324 fire safety campaigns, such as fire fighting competition and fire safety quiz, to promote fire safety throughout the Group.



Zero Accident Pep Rally on the Site

Occupational Health

The Group abides by the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other relevant laws and regulations, and has internally formulated the *Management Measures for Occupational Health* to prevent, control and eliminate occupational hazards. To protect the physical health and related rights and interests of all employees, the Group has carried out zoonosis management, production environment management, occupational hazard information communication, occupational health training management and occupational diseases monitoring and early warning to prevent, control and eliminate occupational hazards. In 2023, the Group organized an internal review of its occupational health compliance and identified 18 occupational health-related laws and regulations. During the Reporting Period, 2 branches of the Group have been ISO 45001-certified.

Zoonosis management

Facility management: strengthen the standardized management of the dressing room, allocation of laundry facilities, provision of drinking water and disinfection facilities to cut off the transmission route of pathogens.

Good personal hygiene: strictly exercise management and work uniform laundry, secure distribution of protection equipment and implement measures for labor protection to avoid cross-infection.

Disinfection: carry out strict disinfection management of vehicles, hands, belongings, equipment and tools through environment disinfection.

Prevention and control of infectious diseases among livestock: adhere to the principle of "self-breeding" and strictly prohibit the import of new cows from epidemic areas or risk areas to eliminate the source of infection.

Production environment management

Strictly control dust and noise which are detrimental to occupational health, eliminate the sources of pollution in terms of equipment and facilities, and carry out management with focus on operator protection.

Occupational hazard information communication

Managers of production and operation facilities should take effective actions, and inform operators of the information about occupational hazard factors in the operation process by posting relevant prompt signs and warning signs, developing defined operating procedures and publicizing the testing results.

Occupational health training management

Enable relevant operators to understand the knowledge about occupational hazards and avoid damage, through knowledge training, skills training and formulation of operating procedures.

Occupational diseases monitoring and early warning

Test the control of occupational hazard factors such as dust, noise and high temperature once a year, and organize special physical examination for occupational health and occupational health evaluation according to the test results.

Qualification

ISO 45001 Occupational Health and Safety Management System Certification Certificate



Carry out process reform to reduce dusts and noises and thereby improve the working environment



Distribute protection equipment to production workers on a daily basis.

During the period from 2021 to 2023, the Group reported zero work-related fatalities of employees. The key performance data on health and safety for 2023 is as follows:



¹³ Number of days lost due to work-related injuries = total number of days of lost time/total working hours of all staff*200,000

¹⁴ Lost time injury rate of employees (per 200,000 working hours) (LTIR = (number of lost-time injuries)/(total working hours during the accounting period) x 200,000)

¹⁵ Consolidated work-related injury rate of employees (per 200,000 working hours) (IR = (total number of work-related injuries)/(total working hours during the accounting period) x 200,000)



05

Collaborating and Forging Ahead with Partners

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

Creating Sustainable Supply Chain

The Group has continuously improved the sustainable supply chain management system, strengthened supplier compliance and ESG management, carried out in-depth cooperation and collaboration with suppliers and practiced sustainable development in a comprehensive manner with partners to build a responsible supply chain.

Sustainable Procurement Policies

Based on the *OECD Due Diligence Guidance for Responsible Business Conduct* and *IPC-1401 Supply Chain Social Responsibility Management System Guidance*, the Group has developed the *Youran Dairy's Full Lifecycle Supplier Management System*. We incorporated sustainable development into our purchasing strategy, and developed and included overall ESG management targets and improved the stability and standardization of the entire supply chain in the process of supplier admission, audit, performance evaluation and portfolio management to reduce procurement risks and promote procurement value-added.

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

Purchasing environmentally friendly equipment

- When purchasing production equipment, prioritize low-energy consumption equipment, and develop electric equipment to replace fuel-powered equipment in operation.
- When constructing barns, prioritize suppliers of environmentally friendly and renewable materials, and plan to use solar panels to replace the existing color steel panels on the roofs of the barns.
- Ensure that the investment in environment protection account for no less than 20% of total investment in fixed assets.

Suppliers' green production

- Choose suppliers that isolate the production line of ruminant animal additive premix feed from other production lines that contain animal-sourced or antibiotic ingredients. In 2023, 100% of our feeds were sourced from suppliers that isolate the production line of ruminant animal additive premix feed.
- Choose suppliers whose wastewater and waste disposal meet legal requirements and are properly handled.
- Choose suppliers that provide facilities such as buffer rooms, airlocks, or air showers to prevent contamination between clean and non-clean areas.
- Require suppliers to have environmental impact assessment procedures (environmental impact assessment report or form, environmental impact assessment approval, and environmental protection acceptance opinion), and prioritize products and suppliers certified or recognized for energy conservation, water conservation, environmental labeling, etc.

Meanwhile, the Group is committed to building a responsible supply chain, enhancing suppliers' sense of responsibility, and promoting sustainability-related certifications of crops such as soybean and palm oil. We encourage raw material suppliers to establish organic agriculture production systems, ensure that the processing, packaging, transportation, storage, and sales processes are not contaminated, and improve quality control and tracking review systems to minimize ecological damage and environmental pollution during the production process and drive the transformation and upgrading of supply chain management to green supply chain management. In addition, the Group strives to promote sustainable procurement by reducing the deforestation risk of supply chain, continuously improving the traceability of suppliers' raw materials, tracking the origin of products, and reducing deforestation.



Organic Product Certificates of raw & auxiliary materials

Supplier Management System

To regulate the management of suppliers, optimize supply resources, reduce procurement risks and promote procurement value-added, the Group has adopted the *Youran Dairy's Full Lifecycle Supplier Management System* and integrated ESG concepts into full lifecycle supplier management, covering the processes of supplier sourcing, supplier categorization, supplier performance, supplier risk, supplier relation, supplier improvement and supplier exit management.

The Group has formulated and released the *Supplier Code of Conduct* based on the Ten Principles of UNGC of Sustainable Development, which includes labor standards, health and safety, environmental protection, and business ethics. We have asked all of our suppliers to sign and implement the Code and regulate our cooperation with suppliers in terms of operation, social responsibility and environment protection, so as to promote engagement of all stakeholders and create a source of energy for healthy human living. Our goal is to have 80% of our first-level key suppliers sign the *Supplier Code of Conduct* by 2025. By the end of the Reporting Period, the signing rate of first-level key suppliers was 41.05%.

In addition, we have formulated the *ESG Red Lines for Supplier Management*, which includes issues such as prohibition of forced labor, prohibition of child labor, anti-discrimination, employee health and safety protection, environmental compliance and ecosystem protection, to regulate the conduct of suppliers and constantly improve supply chain management and social risk management. The Company adopts a zero-tolerance policy towards violations of ESG red lines in supplier management and implements the *Exit Management Measures for Supplier* in a strict manner.

The Group has driven strategic cooperation in terms of benchmark farm building, carbon emission management, joint sales, sharing of talent training resources and introduction of new products and technologies, conducted business collaboration with a focus on product agency, application of new technologies, technology sharing, and enhancement of industry influence, and established 74 strategic collaborative projects with 32 strategic suppliers in 2023. The strategic collaboration projects cover various categories in the industry chain, totaling 14 categories. We will deepen our cooperation with strategic suppliers on sustainable development of animal husbandry, achieving mutual benefits and creating a more sustainable future.

In 2023, our key performance in supply chain management is as follows:

Indicator	Unit	2023
Total number of cooperative suppliers	unit	1,482
Number of cooperative suppliers by region	Chinese Mainland	1,438
	Hong Kong, Macao and Taiwan	8
	Overseas region	36
Number of cases implementing relevant practices to cooperative suppliers	unit	1,482
Annual evaluation rate of cooperative suppliers implementing relevant practices	%	100

Supplier Admission

Our company has formulated the *Development and Management Measures for Youran Dairy's Suppliers*, which determines the supplier admission standards and audit certification methods based on the type of demand for goods and services, industry characteristics, and cooperation content. Strict and standardized admission audits are required for new suppliers before they can participate in procurement activities. Employees responsible for supplier sourcing organized on-site visits to suppliers, generated on-site visit reports or on-site audit evaluation forms, and recorded the data in the module "SRM-Supplier Evaluation" in accordance with the *Validation for Supplier Admission and Detailed Division of Management Responsibilities*. We carry out admission inspection with an emphasis on ESG performance of suppliers and defined the performance indicators and the review criteria to manage the ESG risks of supply chain from the source. In addition, we conduct evaluations of contractors and suppliers through means such as Tianyancha and Qichacha to verify whether there are labor disputes or other issues with suppliers and contractors.



In 2023, the signing rate of the Sunshine Agreement with our suppliers reached

100%

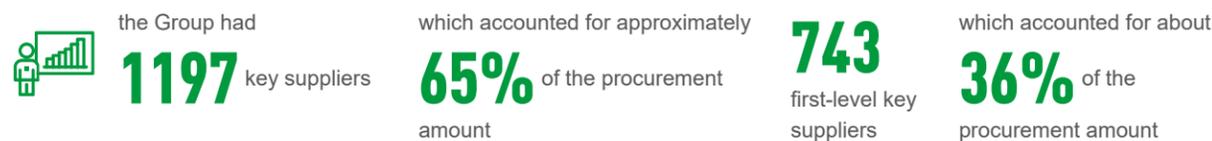
In the procurement process, we follow the principles of "openness, fairness, impartiality, thrift, and integrity", stipulate "Youran Dairy Administrative Measures for the Procurement of Materials and Services", establish an independent review committee, implement accountability, and rely on the SRM-supplier relationship management system to increase transparency in the procurement process from pricing to procurement. At the same time, we also require suppliers to sign the Sunshine Agreement against commercial bribery to strengthen the awareness of clean procurement, standardize commercial cooperation behavior, and create a clean procurement environment. In 2023, the signing rate of the Sunshine Agreement with our suppliers reached 100%.

Identification of Key Suppliers

Our Company has formulated the *Supplier Quality Management Measures*, which specifies the criteria to identify key suppliers that have a material impact on our production and operation. In the selection of key suppliers, we focused on suppliers with major ESG risks and/or having significant business with the Company to screen for country-specific, industry-specific, and commodity-specific risks. We evaluated key suppliers and worked out development plans accordingly from dimensions of sustainable development and quality to lower the risks of key suppliers and drive the sustainable development of the industry chain.

Based on the above screening principles, our first-level key suppliers include manufacturers of organic raw materials, ordinary raw materials, frozen semen, vaccines, veterinary drugs, medicated baths, cleaning liquids, and import agents for dairy cows. During the Reporting Period, the Group had 1197 key suppliers, which accounted for approximately 65% of the procurement amount, and 743 first-level key suppliers, which accounted for about 36% of the procurement amount.

During the Reporting Period,



ESG Risk Assessment and Audit of Suppliers

To further strengthen ESG management of supply chain, effective identify suppliers' ESG risks and improve the ESG risk control of supply chain, we have formulated and implemented the *ESG Assessment Criteria for Suppliers*.

The ESG Assessment Criteria for Suppliers

- ⊗ Does the company have a policy against forced labor and child labor (minors under the age of 16)?
- ⊗ Does the salary level of the employees of the company exceed the local minimum wage?
- ⊗ Does the company carry out employee satisfaction survey?
- ⊗ Has the company been certified against the occupational health and safety management system?
- ⊗ Does the company prepare the occupational hazard factor monitoring report?
- ⊗ Does the company have environmental management policies (covering pollutant discharge, water resource management, forest protection and GHG emission reduction) in place?
- ⊗ Has the company been certified against the environmental management system?
- ⊗ Has the company been certified against the energy management system?
- ⊗ Does the company purchase or use renewable energies, such as wind and solar power?
- ⊗ Has the company conducted carbon check and received carbon verification certificate?
- ⊗ Has the company conducted water resource check and received water footprint certificate?
- ⊗ Does the company have any anti-corruption policies and business code of conduct in place?
- ⊗ Does the company have open corruption reporting channel?
- ⊗ Has the company been certified against the quality management system?

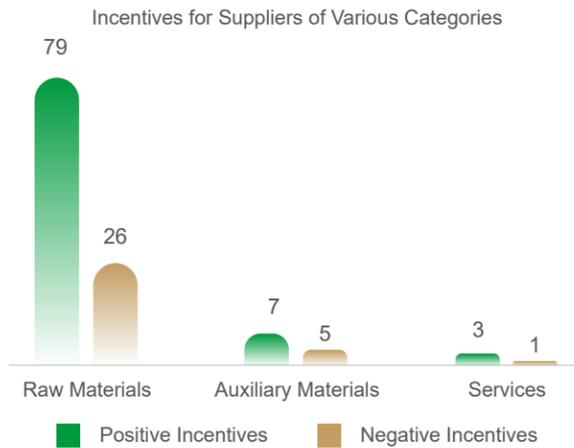
During the Reporting Period, a total of 334 first-level key suppliers have been assessed and audited by us in accordance with the *ESG Assessment Criteria for Suppliers*, accounting for 44.95% of all first-level suppliers. There are 14 criteria in total. One point is awarded for meeting a criterion and zero points for not meeting a criterion. 307 first-level key suppliers scored 0-5 points and 27 first-level key suppliers scored 6-10 points, accounting for 91.92% and 8.08% of the first-level key suppliers assessed respectively. None of the first-level key supplier has scored more than 10 points.

Based on the results of ESG risk assessment, we conduct semi-annual evaluation for high-risk ESG suppliers, annual evaluation for medium-risk ESG suppliers, and biennial evaluation for low-risk ESG suppliers among key first-tier suppliers. Specific evaluation methods include online audit, on-site inspection, document review, etc. , and improvement suggestions and targeted improvement measures are proposed for the identified issues.

Moreover, due consideration has been given to the ESG factors, including factory design, fraud risk, environmental impact, energy conservation and emission reduction measures, workforce management, personnel development, pest management, drug management, etc., in the field evaluation of raw & auxiliary material suppliers to progressively refine and implement supplier ESG management.

Supplier Performance Management

In accordance with the Supplier Code of Conduct and the Supplier Performance Management System, the Group includes ESG performance of suppliers in the multidimensional comprehensive performance evaluation system, and conducts sustainable development performance evaluations of suppliers based on on-site audit results and their improvement status. We divide suppliers into A (excellent), B (good), C (qualified), D (improvement required), and E (exit), and issue supplier performance results and grades annually. The results of supplier performance are made public through letters or public meetings. For suppliers with sound ESG performance, the Company will increase the share of purchase from them at the same conditions and give priority to them in respect of business cooperation opportunities; for suppliers with poor ESG performance, especially those who violate the *ESG Red Lines for Supplier Management*, rectification is required within a time limit, and we will reduce the share of purchase from them or restrict business cooperation opportunities; for suppliers who fail to make rectification within the specified time limit, the cooperation will be terminated.



In 2023, we conducted performance evaluations for 48 important category suppliers. For high-performance suppliers, we provide positive incentives such as honor incentives, more cooperation opportunities, and more favorable payment conditions. For low-performance suppliers, we promote their self-improvement or implementation of the exit strategy. During the Reporting Period, we introduced 1 strategic suppliers, and helped 12 suppliers to improve. At the same time, we developed 121 supplier performance incentive plans, including 89 positive incentives and 32 negative incentives, to promote the development of a sustainable supply chain. Incentives for various categories of suppliers Raw materials Accessories Service Positive incentives

Collaborating with Suppliers to Build Capability

The Group is committed to healthy development through collaborating with partners to build capacity and achieve win-win situation with a mission to drive the mutual development of the industry chain. We carry out pragmatic innovation with partners along the supply chain and seek joint solutions for mutual problems faced by the industry to promote rapid and high-quality development of the industry. We pay attention to the capability building of suppliers and identify problems with suppliers and possible improvements in terms of supplier capability through on-site audit, evaluation of cooperation performance and assessment of strategic potential, while establishing supplier capability enhancement system to ensure effective and well-organized improvement of supplier capability from four aspects, including root cause analysis, program planning, prioritization and program implementation. Additionally, we provide supplier capability training on a regular basis to drive suppliers to improve their performance and enhance their management level and risk resistance ability, and thereby stimulate high-quality development of the upstream and downstream of the industry chain.

Framework of Supplier Capability Enhancement Management

Analyzing root causes

- "Treat not only the symptoms but also the root cause";
- Explore the root cause through "root cause analysis";
- Focus on the key points in capability enhancement to maximize the value of capability enhancement programs.

Implementing capability enhancement programs

- Set up an IT-based program management platform;
- Utilize various program progress monitoring and reporting tools;
- Track and record program outcomes.



Planning capability enhancement programs

- Use the Checkerboard Context Model to present the results of root cause analysis;
- Analyze the distribution of root causes of each supplier to determine the number of programs needed;
- Select appropriate capability enhancement measures.

Prioritizing the implementation of programs

- Conduct comprehensive evaluation from dimensions of value creation and degree of difficulty in implementation;
- Prioritize the implementation of capability enhancement programs;
- Adhere to a "step-by-step and from-easy-to-hard" approach.

We have integrated quality, delivery management and financial capacity into the supplier capability building, introduced advanced ideas of other countries and learned from good industry practices to improve suppliers' integrated management level and performance. At the same time, we attach great importance to the ESG capability enhancement of suppliers. We have provided suppliers with promotion and training on supplier code of conduct and certain relevant ESG issues, actively launched a first-tier supplier carbon reduction plan, and signed a strategic framework agreement with strategic suppliers such as Cargill and Bunge, committing to sourcing relevant raw materials from Bunge and Cargill's green or low-carbon factories, actively exploring and promoting carbon reduction throughout the entire supply chain. Additionally, we have vigorously led upstream suppliers to strengthen their water resource management and continued to leverage supply chain synergies by providing guidance, giving support and developing cooperation to promote innovation of water saving technologies relentlessly and increase water efficiency. We will continue to cooperate with our suppliers on sustainable agriculture issues, such as reducing water consumption, decreasing GHG emissions, protecting soil and curtailing deforestation, to promote green supply chain and sustainable agriculture.

Driving high-quality agricultural development

SOP production management system

- We pioneered and implemented the standardized SOP management system for agriculture and achieved standardized whole-process management covering from site selection, planning, land archives, agricultural resources management, production plan, budget, field management, operation quality acceptance to harvesting and warehousing of farms to drive the agricultural planting to shift from extensive management to fine management and switch to the scientific informatization development model.

Informatization of agricultural machinery

- We used Internet agricultural terminal devices and automated driving systems to carry out remote real-time monitoring of planting operations and field management, which significantly increased the field operation efficiency, realized smart and mechanized forage production throughout the whole process with a mechanical operation accuracy of more than 99%, and thereby improved the agricultural production efficiency and boost efficient agricultural development.

Fertilization system integrating water and fertilizers

- We promoted the water and fertilizer integrated technology for forage planting. The water and fertilizer integrated facilities were used to deliver fertilizers to leaves and roots of crops according to the law of fertilizer demand during irrigation. This highly efficient and environmental friendly technology can save significant amount of water and fertilizers and is capable of improving soil fertility while saving water, thus contributing to the sustainable development of agriculture.

Industrial development driven by scientific and technological innovations

- We set up the alfalfa overwintering system independently and controlled various factors, such as fertilizers, irrigation and harvesting to increase the overall rate of returning green to over 85%. The alfalfa silages with a protein content of 50% of the alfalfa silages, all alfalfas reached Level 1 or above in terms of quality, and the top-grade and special-grade alfalfa accounted for more than 60% of the alfalfas. This helped us to establish a leading position in China in the field of alfalfa production and contributed to the sound development of agriculture.

Case **Joining hands with compressed corn suppliers to build capacity together**

Capability enhancement programs for 2 compressed corn suppliers have been developed by the Group jointly with the suppliers based on the results of their performance assessment and analysis in 2023. The suppliers were pushed to transform their production equipment and carry out on-line moisture monitoring and benchmark testing and their sampling process was regulated through PDCA (Plan-Do-Check-Act). Along with the unfolding of these programs, the pass rates of these 2 suppliers' compressed corns were increased by 12% and 16% as compared with that in 2022, respectively, indicating a remarkable development of them.



Case **Promoting integrated planting-breeding model to facilitate water conservation collaboration along supply chain**

The bio-slurry produced during dairy farming can be used as a liquid fertilizer with rich nutrition after fermentation. As a irrigation water source, not only can it improve the soil fertility, but it can help to save water too. The Group has developed an integrated planting-breeding model with upstream farmers and achieved efficient and environmental friendly operation by supporting upstream farmers to improve irrigation models and increasing the water use efficiency of crop planting through optimized resource allocation.

The Group has carried out cooperation projects with upstream wheat suppliers and corn suppliers. According to the arrangement, the integrated planting-breeding model was adopted in irrigation for wheat and corn fields to deliver liquid fertilizer to the crops, and different liquid fertilizer ratios were used according to the growth stage of the crops. The overall ratio of liquid fertilizers to irrigation water of dairy farms reached 1:1, indicating a water-saving percentage of up to 50%. This significantly improved the water use efficiency of upstream supply chain and accelerated the sustainable development of modern intensive and renewable agriculture.

Case **Jointly developed the Program of Carbon Emission Reduction through Healthy Farming with strategic supplier Boehringer Ingelheim and received the first "Carbon Footprint Certificate in the Field of Animal Health" in China**

In 2023, the Group reached an agreement on cooperation on animal health-based carbon emission reduction, developed the *Program of Carbon Emission Reduction through Healthy Farming* and carried out the joint project on carbon emission reduction through maintaining and improving dairy cows' health at pilot farms with its strategic supplier Boehringer Ingelheim. By conducting the innovative animal health-based carbon emission reduction project, we proved that healthy dairy cows contributes to the carbon emission reduction per unit of milk and created a virtuous cycle consisting of "conducting healthy farming, producing high-quality milk and reducing carbon emission". The results of the joint research showed that, during the period of effective health management, a dairy cow under health management helps to reduce carbon emission by 10% while having higher milk yield, and the input-output ratio of the project reaches 1:5. Thanks to the meaningful results achieved by the project, Youran Dairy received the first "Carbon Footprint Certificate in the Field of Animal Health" in China.



Practicing Corporate Citizenship

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

Community Relationship

The Group strives to serve the communities, actively communicates with community stakeholders and timely responds to concerns raised by the communities while pursuing self-development and the development of the supply chain. When managing ESG issues, the Group gives due consideration to the impact on communities, respects the habits and customs of local residents, and carries out and enhances community engagement through local employment, industry assistance, public donations and voluntary activities of employees to help building a harmonious and beautiful home.

In 2023, our key performance indicators for community investment are as follows:

Charitable donation amount

926.1 thousand RMB



Driving Economic Development of Communities

Local Procurement

The Group has developed the *Promotion Program for Local Procurement of Raw Materials* and the *Control Plan for Feed Cost Per Kilogram of Milk* to improve dairy farms' initiative to purchase raw materials from local suppliers while expanding the categories of raw materials and diversifying the source of suppliers. By promoting local procurement through implementation of the Program, we managed to carry out supplier sourcing locally and lower down the transportation cost for long-distance transfers. We also drove local suppliers to improve their management capability and helped them rise and thrive, thus contributing to the development of local economy.

Local Procurement Practices

- In 2023, the value of the wheat straws purchased from local suppliers in Shandong and Henan areas totaled RMB 27,840,600, and that of the wheat straws purchased from local suppliers in Hefei area amounted to RMB 2,349,800. These suppliers accounted for 100% of the procurement amount in terms of wheat straws.
- We have optimized and promoted the mini-program for silage harvesting and storage in an all-round way in 2023. A total of 2,888 land parcels were recorded for harvesting and storage purposes, and resources were allocated in accordance with the principle of proximity based on the location of the dairy farms.
- HP planting bases were developed in 2023 to adjust the distribution of land parcels in order to develop land resources in accordance with the principle of proximity and optimize plant bases with long transportation distance. Through the optimization of the HP planting bases, silage baling and wrapping bases were built in Hohhot area and 100% of the demand for baled silage was met by nearby bases.

Solving Employment Issues for Surrounding Farmers and Herders

The Group supports local employment through relevant policies, actively establishes stable local staff teams. The majority of our dairy farms are located in rural pastoral areas, and 71.94% of the dairy farm staff are from the local area. One of our dairy farm with ten thousand heads of cattle requires more than 200 employees. Nationwide, our dairy farms can solve employment issues for more than 10,000 farmers and herders. Working on our dairy farms, staff are provided with free board and lodging. The average annual income per person is up to RMB 60,000, which not only relieves local employment pressure but also effectively reduces social issues such as left-behind children by encouraging farmers and herders to work locally.



Solving employment issues for surrounding farmers and herders to support local employment

Boosting the Development of Surrounding Agriculture and Animal Husbandry through Industry Assistance

The Group actively leverages our industrial and technological advantages, formulating specialized assistance policies based on different regions, implementing silage poverty alleviation, providing technical services and knowledge to farmers and herders and helping them solve real problems through technical services. At the same time, some dairy farms developed specialized industry assistance plans based on local conditions and boosted local industrial development through free provision of high-quality frozen sperm for breeding, local silage procurement, special talent training courses and other models.

Currently, the Group has 91 scaled dairy farms and more than 580,000 dairy cows. By adopting the model of "enterprise + qualified enterprise/cooperative + farmers", local farmers were motivated to grow silages, covering an area of up to nearly 2 million mu, and the average silage purchase volume of the Group's dairy farms around the country exceeded 3.5 million tonnes/year. The Group also provided local farmers with free agricultural technical guidance and organic fertilizers to improve soil composition and enhance the quality of agricultural products. These not only helped dairy farms to meet their forage demand locally, but also drove the innovation of local planting practices, promoted crop rotation, prevented pests from ravaging crops, and thereby increased agricultural productivity.



Youran Dairy's Yuanxing Feed Technical Service Team provided technical services and knowledge to farmers and herders in rural areas



Youran Dairy motivated local farmers to grow silage

Giving Full Play to the Advantages of Leading Enterprise to Facilitate Industrial Development

As the world's largest raw milk provider, the Group has a whole industry chain extending from upstream seed industry, forage industry, feed, dairy farming to transaction center of the industry. The Group is committed to giving full play to the advantages of leading enterprise and carrying out extensive cooperation to support healthy and rapid development of the industry.

Trade associations to which Youran Dairy belongs:

- Member Unit of Dairy Association of China, D20 enterprise
- Member of the United Nations Global Compact (UNGC)
- Standing Vice Chairman Unit of Feed Industry Association of Inner Mongolia Autonomous Region
- Member Unit of China Feed Industry Association
- Member Unit of China Dairy Industry Association

Case

Helping Inner Mongolia Autonomous Region to establish an important national production base for agricultural and livestock products and develop county animal husbandry service centers to “open up the ‘last kilometer’ of industrial development”

To actively contribute to the “construction of an important national agricultural and livestock products production base” (one of the “Five Strategic Tasks” set by Inner Mongolia Autonomous Region), the Group established county animal husbandry service centers in December 2023 to leverage the promoting effect of leading enterprise in the industrial chain and combine the technical advantages of the enterprise with the characteristic industries of the autonomous region to provide professional products and technical services and further the upgrading of the agriculture and animal husbandry of the autonomous region, so as to provide Inner Mongolia with strong momentum in its construction of an important national agricultural and livestock products production base.



Case

Joining the UNIDO’s “Food Industry Green, Low Carbon, and Low Water Footprint Forum” to share low-carbon farming technologies

The Group was invited to join the “Food Industry Green, Low Carbon, and Low Water Footprint Forum” held by UNIDO in June 2023. By focusing on the green, low-carbon and low-water-footprint development of the upstream whole industry chain in the dairy industry, Youran Dairy shared some thoughts on how to carry out front-end work of dairy industry in a low-carbon and low-water-footprint manner and its achievements in “promotion of electrical power equipment, fostering of core herds with low carbon emission, exploration of low-carbon feed for ruminant animals and development and application of green electricity” at the Forum. In addition, Youran Dairy took part in the Low Water Footprint Initiative to protect water resource, water environment and water ecology, so as to lead the industry to achieve green, low-carbon and sustainable development.

Case

Participating in the presentation of key achievements of key projects of UN Global Compact Belt and Road Initiative Action Platform

The Group was invited to participate in the presentation of key achievements of important projects of UN Global Compact Action Platform on Sustainable Infrastructure for the Belt and Road Initiative to Accelerate the SDGs in October 2023. A total of five key achievements have been presented during the meeting, providing guidance and tools to accelerate the 2030 Agenda for Sustainable Development.



The Group supports the “Ten Principles” proposed by the UNGC, and takes green, low-carbon and sustainable measures to carry out various core businesses along the upstream whole industry chain in the dairy industry. To further contribute to the high-quality and sustainable development of the Belt and Road Initiative, we continued to make great efforts to foster dairy cows with low carbon emission, protect biodiversity of plateau animals and germplasm resources, research and develop low-carbon feeds and promote the model of “self-consumption of green electricity” and the green model of “crop-livestock integration” and gave full play to the leading role of industry leader by focusing on the green and low-carbon development of the whole industry chain extending “from grass to milk”.

Future outlook

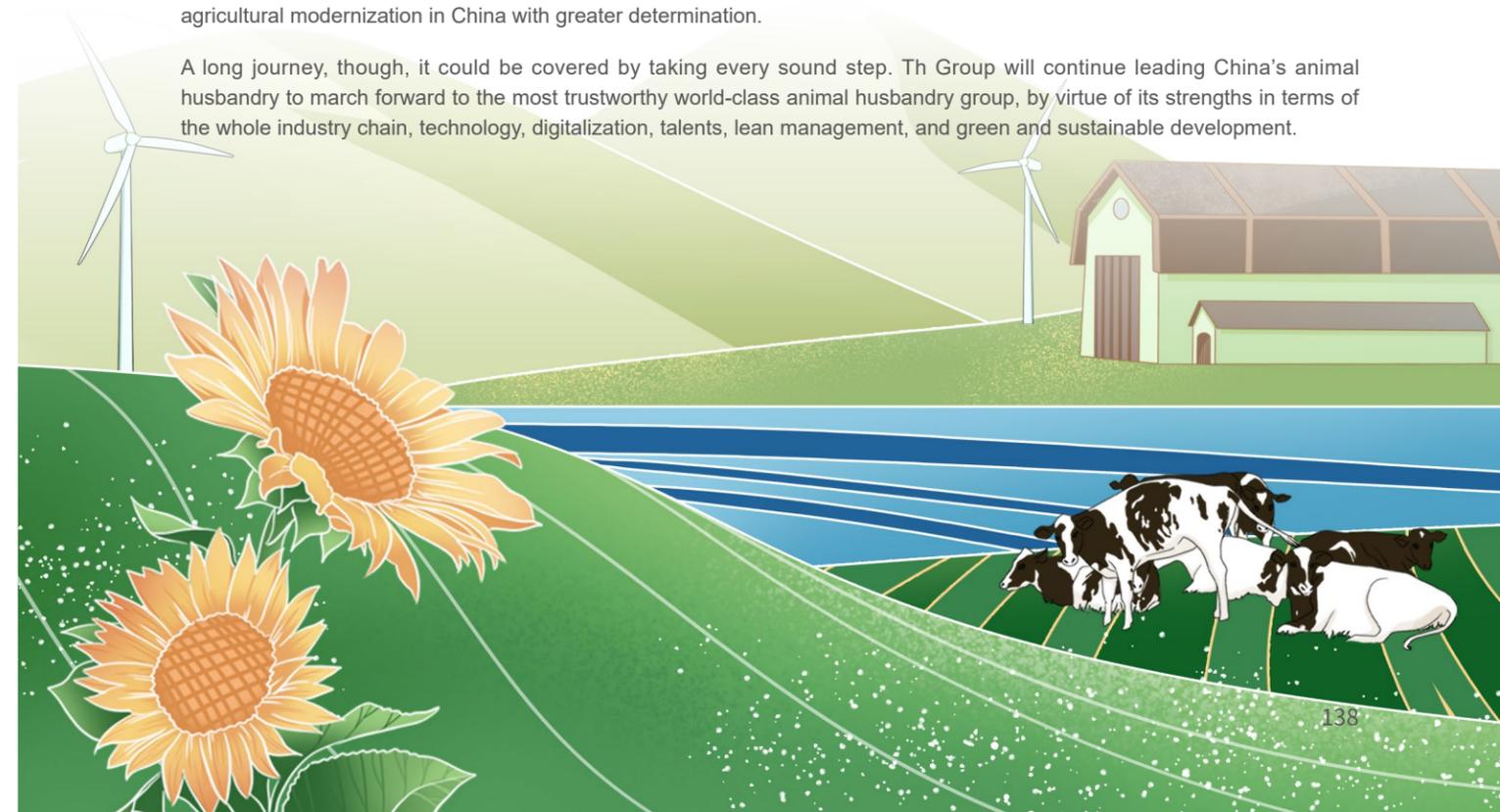
In 2024, the Group will adhere to our core values of “excellence, undertaking, innovation, win-win and respect” and the mission of “creating the source power of human healthy life by its high-quality products” and continue to dive into the six strategic areas of “technology, platform, lean management, digitalization, talent development and green sustainability” to ensure successful implementation of each and every policy.

We will be committed to stable operation and stick to the bottom line of risk prevention and control and secure the steady development of the enterprise through transparent corporate governance and scientific risk management. Meanwhile, we will strive to empower the high-quality development of the Company with intelligent technologies. To grasp the trend of the times and embrace the change, priority will be given to the building of smart dairy farms, smart factories and smart ecological value-sharing platforms and the sharing of the benefits of digital transformation, so as to provide partners along the industry chain with excellent services. We will endeavor to provide the source power of human healthy life and continuously improve product quality. We will improve our business by relying on the technical innovation, combine lean management with digital tools and reinforce the solid foundation of healthy development of the enterprise to achieve world-leading operation efficiency.

We will seek to integrate the ecological conservation and environmental protection into operation and production, further the exploration of green and low-carbon future, promote the “dual-carbon” strategy, innovate energy-saving and environmental-friendly technical processes with low carbon emission, develop the “crop-livestock integration” model of eco-cycling agriculture, and promote the green and sustainable development with a focus on the coexistence between nature and human activities. We will pursue equal and fair employment, protect the legitimate rights and interests of employees, ensure safe production and occupational health and safety, and provide employees with humanistic care. We will make unremitting efforts to build a professional talent team with high efficiency and proven capabilities, so as to provide talent guarantee for high-quality development.

By taking advantages of the synergy along the whole industry chain, we will drive the enterprise to develop in an accelerated fashion. Meanwhile, we will actively practice social responsibility, promote the rapid development of surrounding agriculture and animal husbandry by relying on the industry, and contribute to the revitalization of the autonomous region’s dairy industry, seed industry, and rural revitalization; and help the Group realize its vision of “Leading China’s Animal Husbandry to March Forward to the Most Trustworthy World-class Animal Husbandry Group” as soon as possible. With a more open mind, we will welcome new partners around the world to join us to explore potential technologies for animal husbandry and create a better future. We will pursue our goal of creating a world-class animal husbandry group and make greater contribution to the agricultural modernization in China with greater determination.

A long journey, though, it could be covered by taking every sound step. Th Group will continue leading China’s animal husbandry to march forward to the most trustworthy world-class animal husbandry group, by virtue of its strengths in terms of the whole industry chain, technology, digitalization, talents, lean management, and green and sustainable development.



Independent Assurance Report



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邮政编码: 200002

INDEPENDENT LIMITED ASSURANCE REPORT

DTT(24)BAR00007

To the Board of Directors of China Youran Dairy Group Limited:

We have undertaken a limited assurance engagement on selected 2023 Key ESG Indicators (the "Selected Indicators") in the 2023 Environmental, Social and Governance Report (the "2023 ESG Report") prepared by China Youran Dairy Group Limited (the "Group").

Subject Matter Information

The subject matter information of this assurance engagement include the following Selected Indicators in the 2023 ESG Report:

- | | |
|--|--|
| 1. Total number of employees | • Outside the Inner Mongolia Autonomous Region |
| 2. Number of employees by gender | 6. Number of employees by ethnic group |
| • Male | • Ethnic Han |
| • Female | • Ethnic minorities |
| 3. Number of employees by age | 7. Percentage of female employees at different management levels |
| • Under 24 years old | • Percentage of female employees in the management |
| • 25-29 years old | • Percentage of female employees in the middle management |
| • 30-34 years old | • Percentage of female employees in the senior management |
| • 35-39 years old | 8. Annual employee turnover rate |
| • 40-44 years old | 9. Annual employee turnover rate by gender |
| • 45-49 years old | • Male |
| • 50-54 years old | • Female |
| • Over 55 years old | 10. Annual employee turnover rate by age |
| 4. Number of employees by education background | • Under 24 years old |
| • Number of employees below bachelor's degree | • 25-29 years old |
| • Number of employees with bachelor's degree | |
| • Number of employees with master's degree or higher | |
| 5. Number of employees by region | |
| • Inner Mongolia Autonomous Region | |

- 30-34 years old
 - 35-39 years old
 - 40-44 years old
 - 45-49 years old
 - 50-54 years old
 - Over 55 years old
11. Annual employee turnover rate by education background
 - Employees below bachelor's degree
 - Employees with bachelor's degree
 - Employees with master's degree or above
 12. Annual employee turnover rate by region
 - Inner Mongolia Autonomous Region
 - Outside the Inner Mongolia Autonomous Region
 13. Annual employee turnover rate by rank
 - Grassroots employees
 - Middle management
 - Senior management
 14. Number of newly granted patents in 2023
 15. Lost time injury rate (LTIR) of employees
 16. Complaints about feed products
 17. Coal Consumption
 18. Natural gas consumption
 19. Gasoline consumption
 20. Diesel consumption
 21. Purchased electricity consumption
 22. Purchased heat consumption
 23. Purchased steam consumption
 24. Biomass fuel consumption
 25. Recycled biogas consumption
 26. Total comprehensive energy consumption
 27. Comprehensive energy consumption per million RMB of revenue
 28. NO_x emissions in waste gas
 29. SO₂ emissions in waste gas
 30. Soot emissions in waste gas
 31. Hazardous waste production
 32. Hazardous waste production per million RMB of revenue
 33. Amount of plastic packaging materials used
 34. Amount of packaging materials used per million RMB of revenue
 35. Carbon offsets
 36. Verified Carbon Standard (VCS) carbon emission reduction issuance

Our limited assurance engagement does not extend to information in respect of any earlier periods or to any other information included in the 2023 ESG Report.

Applicable Criteria

The applicable criteria used by the Group in the preparation of the Selected Indicators are set out in the Appendix to this report.

Responsibility of Management and Those Charged with Governance

The management of the Group is responsible for establishing and selecting applicable criteria, and the preparation of the Selected Indicators in accordance with the applicable criteria. This responsibility includes designing, implementing and maintaining internal

control relevant to the preparation of the Selected Indicators that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the reporting process.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements"* issued by the International Auditing and Assurance Standards Board, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to report the limited assurance conclusion about whether the Selected Indicators have been prepared, in all material aspects, in accordance with the applicable criteria. We performed the limited assurance engagement in accordance with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information*, which requires us to plan and perform works to obtain limited assurance about whether the Selected Indicators have been prepared, in all material respects, in accordance with the applicable criteria.

Summary of the Work Performed

The procedures performed in a limited assurance engagement substantially vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance about whether the Selected Indicators in the 2023 ESG Report have been prepared, in all material respects, in accordance with the applicable criteria. Our work included identifying areas where a material misstatement of Selected Indicators is likely to arise, designing and implementing procedures to address these identified areas, and obtaining evidence accordingly. The procedures we performed were based on our professional judgment and risk assessments in the engagement.

In carrying out our limited assurance engagement on the Selected Indicators, we:

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- Interviewed the Group's management and staff responsible for information collection, consolidation and disclosure to understand the process of reporting the Selected Indicators;
- Tested relevant supporting documents, on a sample basis;
- Performed analytical procedures on the Selected Indicators; and
- Recalculated the Selected Indicators, if applicable.

Inherent Limitations of Applicable Criteria

We draw attention of the users of this report to the fact that there is no generally accepted evaluation and measurement basis for the preparation of non-financial information, which may affect the comparability of sustainability information between entities and over time.

Assurance Conclusion

Based on the above work performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Indicators in the 2023 ESG Report are not prepared, in all material respects, in accordance with the applicable criteria.

Use of Independent Limited Assurance Report

This independent limited assurance report is solely for the purpose of the preparation of the 2023 ESG Report and cannot be used for other purposes. We do not assume responsibility or accept liability to any other person or third party other than the Group's Board of Directors for this report.



Deloitte Touche Tohmatsu Certified Public Accountants LLP
 China · Shanghai
 April 25, 2024

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Appendix

- 1. Total number of employees:** As of 31 December 2023, the number of employees who have signed labour contracts with China Youran Dairy Group Limited and its subsidiaries.
- 2. Number of employees by gender:** As of 31 December 2023, the number of male and female employees who have signed labour contracts with China Youran Dairy Group Limited and its subsidiaries.
- 3. Number of employees by age:** As of 31 December 2023, the number of employees under 24 years old, 25-29 years old, 30-34 years old, 35-39 years old, 40-44 years old, 45-49 years old, 50-54 years old, over 55 years old who have signed labour contracts with China Youran Dairy Group Limited and its subsidiaries.
- 4. Number of employees by education background:** The number of employees with education background below bachelor's degree, bachelor's degree, master's degree and above who have signed an employment contract with China Youran Dairy Group Limited and its subsidiaries as of 31 December 2023.
- 5. Number of employees by region:** As of 31 December 2023, the number of employees working in Inner Mongolia Autonomous Region and regions outside Inner Mongolia Autonomous Region who have signed labour contracts with China Youran Dairy Group Limited and its subsidiaries.
- 6. Number of employees by ethnic group:** As of 31 December 2023, the number of employees of ethnic Han and ethnic minorities who had signed labour contracts with China Youran Dairy Group Limited and its subsidiaries.
- 7. Percentage of female employees at different management levels:** As of 31 December 2023, the percentage of female employees in the management, the percentage of female employees in the middle management, and the percentage of female employees in the senior management who have signed employment contracts with China Youran Dairy Group Limited and its subsidiaries. Management positions and managers are positions and individuals engaged in formulating strategies, objectives and plans, managing, motivating, and counselling subordinate personnel, controlling budgets and resources, establishing and maintaining internal and external relationships, etc., to ensure the achievement of the Company's strategic plans and business objectives. Among them, middle managers include Youran supervisors, managers and centre directors, while senior managers include Youran dairy farm managers(branch general managers), deputy farm managers (branch/office deputy general managers), directors, deputy directors, unit assistant general managers, deputy general managers of Youran and general managers of Youran.

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- 8. Annual employee turnover rate:** The ratio of the number of employees leaving China Youran Dairy Group Limited and its subsidiaries on their own initiative during the period from 1 January 2023 to 31 December 2023 to the total number of employees as of 31 December 2023.
- 9. Annual employee turnover rate by gender:** The ratio of the number of employees leaving China Youran Dairy Group Limited and its subsidiaries on their own initiative by gender during the period from 1 January 2023 to 31 December 2023 to the total number of employees in that category as of 31 December 2023.
- 10. Annual employee turnover rate by age:** The ratio of the number of employees leaving China Youran Dairy Group Limited and its subsidiaries on their own initiative by age during the period from 1 January 2023 to 31 December 2023 to the total number of employees in that category as of 31 December 2023.
- 11. Annual employee turnover rate by education background:** The ratio of the number of employees leaving China Youran Dairy Group Limited and its subsidiaries on their own initiative by education background during the period from 1 January 2023 to 31 December 2023 to the total number of employees in that category as of 31 December 2023.
- 12. Annual employee turnover rate by region:** The ratio of the number of employees leaving China Youran Dairy Group Limited and its subsidiaries on their own initiative by region during the period from 1 January 2023 to 31 December 2023 to the total number of employees in that category as of 31 December 2023.
- 13. Annual employee turnover rate by rank:** The ratio of the number of employees leaving China Youran Dairy Group Limited and its subsidiaries on their own initiative by grassroots employees, middle management, and senior management, during the period from 1 January 2023 to 31 December 2023 to the total number of employees in these categories as of 31 December 2023. Among them, the grassroots employees include employees in the technical, professional, skill and supportive ranks of Youran. Middle management and senior management have the same meaning as middle management and senior management in article 7 above.
- 14. Number of newly granted patents in 2023:** From 1 January 2023 to 31 December 2023, the number of patents granted to China Youran Dairy Group Limited and its subsidiaries.
- 15. Lost time injury rate (LTIR) of employees:** The frequency of work-related injuries per 200,000 working hours during the working day from 1 January 2023 to 31 December 2023 for employees of China Youran Dairy Group Limited and its subsidiaries. $LTIR = (\text{number of lost-time injuries}) / (\text{total working hours during the accounting period}) \times 200,000$.

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- 16. Complaints about feed products:** From 1 January 2023 to 31 December 2023, the number of times that China Youran Dairy Group Limited and its subsidiaries have received complaints about feed products from the official complaint telephone dial-in or feedback from offline communication.
- 17. Coal Consumption:** The total amount of coal consumed in the production and operation from 1 January 2023 to 31 December 2023 by China Youran Dairy Group Limited and its subsidiaries. (Unit: tonnes)
- 18. Natural gas consumption:** The total amount of natural gas consumed by China Youran Dairy Group Limited and its subsidiaries in the production and operation from 1 January 2023 to 31 December 2023. (Unit: ten thousand cubic meters)
- 19. Gasoline consumption:** The total amount of gasoline consumed by China Youran Dairy Group Limited and its subsidiaries in the production and operation from 1 January 2023 to 31 December 2023. (Unit: ten thousand liters)
- 20. Diesel consumption:** The total diesel oil consumption in the production and operation from 1 January 2023 to 31 December 2023 of China Youran Dairy Group Limited and its subsidiaries. (Unit: ten thousand liters)
- 21. Purchased electricity consumption:** From 1 January 2023 to 31 December 2023, the total purchased electricity consumption in the production and operation of China Youran Dairy Group Limited and its subsidiaries. (Unit: ten thousand kWh)
- 22. Purchased heat consumption:** From 1 January 2023 to 31 December 2023, the total purchased thermal power consumption for municipal heating in the production and operation of China Youran Dairy Group Limited and its subsidiaries. (Unit: GJ)
- 23. Purchased steam consumption:** From 1 January 2023 to 31 December 2023, the total consumption of purchased steam in the production and operation of China Youran Dairy Group Limited and its subsidiaries. (Unit: tonnes)
- 24. Biomass fuel consumption:** From 1 January 2023 to 31 December 2023, the total biomass fuel consumption in the production and operation of China Youran Dairy Group Limited and its subsidiaries. (Unit: tonnes)
- 25. Recycled biogas consumption:** From 1 January 2023 to 31 December 2023, the total amount of biogas recycling from the manure management system of the farms in the production and operation of China Youran Dairy Group Limited and its subsidiaries. (Unit: ten thousand cubic meters)
- 26. Total comprehensive energy consumption:** The total comprehensive energy consumption in the production and operation of China Youran Dairy Group Limited and its subsidiaries from 1 January 2023 to 31 December 2023, calculated mainly in accordance with the *General Principles for Calculation of Comprehensive Energy*

- Consumption (GB/T 2589-2020)* (corporate energy includes coal, natural gas, gasoline, diesel fuel, purchased electric power, purchased heat, purchased steam, biomass fuel). (Unit: tonnes of standard coal)
- 27. Comprehensive energy consumption per million RMB of revenue:** From 1 January 2023 to 31 December 2023, the consolidated energy consumption per million RMB of revenue of China Youran Dairy Group Limited and its subsidiaries. Comprehensive energy consumption per million RMB of revenue = the consolidated energy consumption / revenue of the Group. (Unit: tonnes of standard coal/million RMB)
- 28. NO_x emissions in waste gas:** The total amount of NO_x emission in the waste gases generated from the combustion of fossil fuels in the boilers of China Youran Dairy Group Limited and its subsidiaries from 1 January 2023 to 31 December 2023, calculated by reference to the standardized conversion factors for coal, natural gas and biomass fuel consumption. (Unit: kilograms)
- 29. SO₂ emissions in waste gas:** The total amount of SO₂ emissions in waste gas in production and operation of China Youran Dairy Group Limited and its subsidiaries from 1 January 2023 to 31 December 2023, calculated by reference to the standardized conversion factors for coal and biomass fuel consumption. (Unit: kilograms)
- 30. Soot emissions in waste gas:** From 1 January 2023 to 31 December 2023, the total amount of soot emission in production and operation of China Youran Dairy Group Limited and its subsidiaries, calculated by reference to the standardised conversion factors for coal and biomass fuel consumption. (Unit: kilograms)
- 31. Hazardous waste production:** The total amount of hazardous waste (including used oil drums, waste engine oil, waste batteries, waste activated carbon, and medical waste) generated from 1 January 2023 to 31 December 2023 by China Youran Dairy Group Limited and its subsidiaries, according to the statistics of the Joint Declaration on the Movement of Hazardous Waste. (Unit: tonnes)
- 32. Hazardous waste production per million RMB of revenue:** From 1 January 2023 to 31 December 2023, the total amount of hazardous waste generated per million RMB of revenue of China Youran Dairy Group Limited and its subsidiaries, i.e., the waste generated per million RMB of revenue = hazardous waste generated / revenue of the Group. (Unit: tonnes / million RMB)
- 33. Amount of plastic packaging materials used:** From 1 January 2023 to 31 December 2023, the amount of plastic packaging materials used in production and operation by China Youran Dairy Group Limited and its subsidiaries. (Unit: ten thousand pieces)

- 34. Amount of packaging materials used per million RMB of revenue:** From 1 January 2023 to 31 December 2023, the plastic packaging material usage per million RMB of revenue of China Youran Dairy Group Limited and its subsidiaries, that the plastic packaging material usage per million RMB of revenue = plastic packaging material usage / revenue of the Group. (Unit: ten thousand pieces / million RMB)
- 35. Carbon offsets:** The total amount of China Certified Voluntary Emission Reductions (CCERs) and International Certified Voluntary Emission Reductions (VCUs) used by China Youran Dairy Group Limited and its subsidiaries from 1 January 2023 to 31 December 2023. (Unit: tCO₂e)
- 36. Verified Carbon Standard (VCS) carbon emission reduction issuance:** CO₂ emission reductions issued by a third-party validation and certification body for VCS projects in accordance with the *Validation and Verification Manual, v3.2*, by China Youran Dairy Group Limited and its subsidiaries from 1 January 2023 to 31 December 2023.

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Greenhouse Gases Verification Report



Bureau Veritas Certification

Greenhouse Gases Verification Statement

is awarded to

Inner Mongolia Youran Dairy Co.,Ltd.

Verified address: No.169,Hexi Road,Saihan District,Hohhot,Inner Mongolia,China

Organizational boundaries: GHG emissions of production pastures, grass production bases and self-operated feed production bases operated by Inner Mongolia Youran Dairy Co., Ltd. in China in 2023.

Reporting boundaries: Direct GHG emissions and energy indirect GHG emissions generated in the activities related to dairy farming, grass cultivation and feed production within the organizational boundaries of Inner Mongolia Youran Dairy Co., Ltd. This statement does not include other indirect GHG emissions.

Restrictive statement: Elimination of indirect GHG emissions

Level of assurance: Limited

Base Year: 2022

Bureau Veritas Certification (Beijing) Co., Ltd.

certifies that the organization has conducted Greenhouse Gas inventory in accordance with the requirements of the standard detailed below, and verification data are reasonable measurement and calculation. Other details are described in the appendix.

ISO 14064-1:2018

Verified from 01/01/2023 to 31/12/2023:

Category 1: Direct GHG emissions(Fossil carbon) :	89988.94 tonnes of CO ₂ e
Direct GHG emissions(Biochar) :	2538308.99 tonnes of CO ₂ e
Category 2: Indirect GHG emissions from imported energy:	446335.01tonnes of CO ₂ e
Total GHG emissions:	3074632.94 tonnes of CO ₂ e

Lead verifier: Haoyu Zhang

Verification date: 03/16/2024

Statment No.: EMICN100335A

Issue date: 01/04/2024

Version No.: No.1

Signed on behalf of BVC (Beijing) Co., Ltd.

Certification body address: Room 02, 9 / F, West Office Building 1, Oriental Economic and Trade City, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing, China. 100738
Further clarifications regarding the verification scope of this statement may be obtained by consulting the organization.
To check this statement validity please call: +86 01 59683888



Bureau Veritas Certification

Greenhouse Gases Verification Statement

is awarded to

Inner Mongolia Youran Dairy Co.,Ltd.

Verified address: No.169,Hexi Road,Saihan District,Hohhot,Inner Mongolia,China

Organizational boundaries: GHG emissions of production pastures, grass production bases and self-operated feed production bases operated by Inner Mongolia Youran Dairy Co., Ltd. in China in 2023.

Reporting boundaries: Significant indirect GHG emissions generated in the activities related to dairy farming, grass cultivation and feed production within the organizational boundaries of Inner Mongolia Youran Dairy Co., Ltd.

Restrictive statement: Elimination of direct GHG emissions

Level of assurance: Limited

Base Year: 2023

Bureau Veritas Certification (Beijing) Co., Ltd.

certifies that the organization has conducted Greenhouse Gas inventory in accordance with the requirements of the standard detailed below, and verification data are reasonable measurement and calculation. Other details are described in the appendix.

ISO 14064-1:2018

Verified from 01/01/2023 to 31/12/2023:

Upstream transport and distribution GHG emissions:	102308.02 tonnes of CO ₂ e
Downstream transportation and distribution GHG emissions:	29734.34 tonnes of CO ₂ e
Waste from operations GHG emissions:	7281.65 tonnes of CO ₂ e
Business travel GHG emissions:	816.28 tonnes of CO ₂ e
Employee commuting GHG emissions:	1445.37 tonnes of CO ₂ e
Quantified other indirect GHG total emissions:	141585.66 tonnes of CO ₂ e

Lead verifier: Haoyu Zhang

Verification date: 03/16/2024

Statment No.: EMICN100336A

Issue date: 01/04/2024

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Appendix: ESG INDEX

ESG Guide	GRI Standard	Position
A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. <i>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</i> <i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i> <i>Hazardous wastes are those defined by national regulations.</i>	Environmental Management Packaging and Waste Management Climate Action Strategy
	A1.1 The types of emissions and respective emissions data.	GRI 305-7 Nitrogen Oxides (NO _x), Sulfur Oxides (SO _x) and other significant air emissions Packaging and Waste Management
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305-1 Direct (Scope 1) greenhouse gas (GHG) emissions GRI 305-2 Energy indirect (Scope 2) greenhouse gas (GHG) emissions GRI 305-4 GHG emission intensity Metrics and Objective Management
	A1.3 Total hazardous waste produced (by weight or volume) and, where appropriate, intensity (e.g. per unit of production volume, per facility, per official employee).	GRI 306-3 Waste generated Packaging and Waste Management
	A1.4 Total non-hazardous waste produced (by weight or volume) and, where appropriate, intensity (e.g. per unit of production volume, per facility, per official employee).	GRI 306-3 Waste generated Packaging and Waste Management Climate Action Strategy Climate Change Mitigation Measures
	A1.5 Description of emission target(s) set and steps taken to achieve them.	GRI 305-5 GHG emission reduction Metrics and Objective Management Building Low-carbon Recycling Dairy Farms
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	GRI 306-1 Waste generation and significant impacts of waste GRI 306-2 Management of significant impacts of waste Packaging and Waste Management
A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>	Water Resource Management Packaging and Waste Management Land Use and Biodiversity Conservation

ESG Guide	GRI Standard	Position
A2 Use of Resources	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI 302-1 Energy consumption within the organization GRI 302-3 Energy intensity Metrics and Objective Management
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	GRI 303-5 Water consumption Water Resource Management
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	GRI 302-4 Reduction of energy consumption GRI 302-5 Reduction in energy requirements of products and services Climate Change Mitigation Measures Metrics and Objective Management
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	GRI 303-1 Organization's interactions with water (as a shared resource) GRI 303-2 Management of impacts related to water discharge Water Resource Management
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301-2 Materials used for recycling and reuse GRI 301-3 Recycled products and packaging materials Packaging and Waste Management
A3 The Environment and Natural Resources	General Disclosure General Disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources.	GRI 304-2 Significant impacts of activities, products, and services on biodiversity Land Use and Biodiversity Conservation
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI 304-2 Significant impacts of activities, products, and services on biodiversity Land Use and Biodiversity Conservation
A4 Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Action Strategy
	A 4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Governance Climate Risk Management Climate Change Mitigation Measures Building Low-carbon Recycling Dairy Farms

ESG Guide	GRI Standard	Position	
B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Equal and Compliant Employment Protection of Employees' Rights and Interests Anti-discrimination and Anti-harassment Remuneration and Welfare Care for Employees Democratic Management Talent Management System Talent Training Talent Promotion and Retention	
	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	GRI 2-7 Employees GRI 405-1 Diversity of governance bodies and employees Anti-discrimination and Anti-harassment	
	B1.2 Employee turnover rate by gender, age group and geographical region.	GRI 401-1 New employee and employee turnover rates Talent Promotion and Retention	
	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	GRI 403-1 Occupational health and safety management system Safety Management System Organizational Structure of Safety Management Production Safety Control	
B2 Health and Safety	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	GRI 403-9 Occupational injuries Production Safety Control Occupational Health	
	B2.2 Lost days due to work injury.	GRI 403-9 Occupational injuries Production Safety Control Occupational Health	
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	GRI 403-2 Hazard identification, risk assessment, and incident investigation GRI 403-3 Occupational health services GRI 403-5 Occupational health and safety training for workers GRI 403-6 Promotion of worker health GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly related to the company's business activities	Production Safety Control Occupational Health

ESG Guide	GRI Standard	Position
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>	GRI 404-2 Employee skill enhancement and transition assistance programs Talent Management System Talent Training
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.)	GRI 404-1 Average hours of training per employee per year Talent Training
	B3.2 The average training hours completed per employee by gender and employee category.	GRI 404-1 Average hours of training per employee per year Talent Training
B4 Labor Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Protection of Employees' Rights and Interests
	B4.1 Description of measures to review employment practices to avoid child and forced labor.	Protection of Employees' Rights and Interests
	B4.2 Description of steps taken to eliminate such practices when discovered.	Protection of Employees' Rights and Interests
B5 Supply Chain Management	Management General Disclosure Policies on managing environmental and social risks of the supply chain.	Supplier Management System ESG Risk Assessment and Audit of Suppliers
	B5.1 Number of suppliers by geographical region.	Supplier Management System
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier Management System Supplier Admission Identification of Key Suppliers ESG Risk Assessment and Audit of Suppliers
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	GRI 308-1 Screening of new suppliers using environmental criteria GRI 414-1 Screening of new suppliers using social criteria Supplier Management System Supplier Access Identification of Key Suppliers ESG Risk Assessment and Audit of Suppliers

ESG Guide	GRI Standard	Position
B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	GRI 308-1 Screening of new suppliers using environmental criteria	Sustainable Procurement Policies Supplier Admission
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.		Quality Management Strategy Quality Management System
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	GRI 416-1 Assessment of the health and safety impacts of products and services categories	Quality Management System
B6.2 Number of products and service related complaints received and how they are dealt with.		Quality Management System
B6.3 Description of practices relating to observing and protecting intellectual property rights.		Quality Management System
B6.4 Description of quality assurance process and recall procedures.		Quality Management System
B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.		Quality Management System
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Improving Management Mechanism Strengthening Supervision with Audits
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.		Strengthening Supervision with Audits
B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	GRI205-3 Confirmed incidents of corruption and actions taken	Establishing Open Whistleblowing Channels
B7.3 Description of anti-corruption training provided to directors and staff.	GRI 205-2 Communication and training on anti-corruption policies and procedures	Cultivating a Culture of Integrity

ESG Guide	GRI Standard	Position
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Relationship Driving Economic Development of Communities
B8 Community Investment	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Driving Economic Development of Communities
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Relationship

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



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