



**China Modern Dairy
Holdings Ltd.**

中國現代牧業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 1117

China Modern Dairy Code of Ethics



牧育健康牛

Raise **healthy** cows, **safeguard** each and every drop of milk.

守護每一滴好奶

Letter from CEO



SUN Yugang

Chief Executive Officer

Dear fellow colleagues:

The dairy industry is an indispensable industry for building a “healthy China” and enhancing the national physique. As a leading enterprise in the industry, CMD takes promoting the high-quality development of the dairy industry as its own responsibility, comprehensively proposes a “dual strategy” development model, and promotes a Five-year Lead Plan to build an industry leader position, establishes a bellwether for industry culture construction, and realizes rapid development of the company's entire industry chain.

For this the company has integrated the essence of wisdom from all parties, established a corporate culture system that fits the development of dairy farming, and created a consensus on the cultural core that we need to abide by together. Our vision is to deploy the whole industry chain, innovate with digital intelligence, and be a global dairy farming leader. The mission is to raise healthy cows and safeguard each and every drop of milk. The four core values are: safety and health come first, execute with high standards and efficiency, unleash the potential, and be honest and credible. The Code of Ethics (“Code”) we practice together is to unify thinking, consensus, and action.

According to the vision and core values, the Code for employees has been compiled from the following eleven dimensions as a moral guide to direct us to do the right thing. As a goal-oriented company, born to be strong, with people-oriented management, CMD advocates the business philosophy of win-win between the company and its employees and takes culture as the guide to provide us with a bigger and better career development platform, so that excellent people can work hard and achieve more.

Finally, I would like to thank the employees for their unwavering commitment to CMD. We uphold the working atmosphere of unleashing the potential, being good at empowering, and making each other better, enabling CMD to become a leader in the industry.

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1.0 Our Commitment

1.1 Culture Core



1.2 About this Code

In order to standardize the daily work behaviour and cooperation behaviour of the company’s employees, customers, shareholders, business partners, etc., CMD has clearly standardized the reward and punishment criterion, maintained the normal production and work order, defined the rules and ethics, implemented the company’s policies and standards to ensure company’s effective operation and long-term development.

1.3 Employee Responsibility

The Code for all employees of the company is based on “Ten Advocacies” and “Ten Prohibitions”. Those who perform advocacy actions will be rewarded depending on the case; those who violate the prohibited behaviour will be punished depending on the case. All our employees are required to actively fulfil the values and responsibilities of their positions.

1.4 Ethical Decision-making

In the process of work, if you encounter situations that harm the company’s interests or violate the company’s prohibited behaviour conducts, you shall consider values above all and make self-reminders and early warnings. When necessary, you shall seek guidance from relevant departments.

2.0 How to Report Concerns

In the process of business operation, if there is any violation of relevant operating guidelines and the requirements of building a clean government, all employees have the obligation to safeguard the interests and image of the company. Please provide relevant feedback through the following channels and correct deviations in a timely manner:

- Communicate with the direct superior or the first person in charge of the department
- Contact the Discipline Inspection Office

Allegations of non-compliance are taken seriously, and we investigate all complaints promptly. We will protect the confidentiality of our investigations to the extent reasonably possible, consistent with CMD's need to investigate the matter reported and the requirements of the law, to protect anyone who makes a report in good faith.

Any employee who retaliates against anyone who makes a report or participates in the investigation of a report will be subject to disciplinary action. If it constitutes a crime, it will be transferred to the judiciary authorities for handling.

What if the concern I raise is about my supervisor - could I lose my job?

The best way to raise concerns is usually to communicate with the direct superior or the first person in charge of the department, but since the concern is related to the behaviour of the immediate superior or the department's first responsible person, contacting the Discipline Inspection Office is a good choice.

3.0 Respect Each Other

3.1 Equal Employment

We follow the principle of equal employment and insist on equality between men and women and equal pay for equal work. We also value employee diversity and treat employees of different nationalities, races, ages and cultural backgrounds fairly. We will actively create a harmonious, inclusive, equal and caring organizational atmosphere.

We respect human rights, prohibit discrimination, abuse or inhumane treatment, prohibit restricting employees' personal freedom, and protect employees' rights and interests reasonably and legally.

3.2 Protection of Basic Rights and Interests

CMD is committed to providing all-round care for employees, so that CMD employees are full of happiness, gain, and security, and to implementing the employee happiness care plan, so that employees can always strive for, experience and share happiness! CMD has more than 20 welfare packages, of which statutory welfare projects account for 10% and non-statutory welfare projects account for 90%. For example, children are insured for commercial supplementary insurance, accident medical and serious illness medical insurance, as well as subsidies for employees in need, etc.

While encouraging employees to achieve the best performance output, CMD fully respects the employees' right to rest, combining the characteristics of the company's production operations, and in accordance with the provisions of the "Labour Law" and the relevant provisions of the "Collective Contract", reasonably arranges the working time of employees and carefully implement the paid holiday system stipulated by the nation, such as statutory holidays, wedding and funeral leaves, maternity leave, family visit leave, annual leave, etc., to fully guarantee the employees' right to rest and vacate. CMD provides a total of 14 types of leave to meet the employees' right to enjoy leave under various reasonable needs, for example, statutory holidays, wedding and funeral leaves, maternity leave, family visit leave, annual leave, etc.

CMD always adheres to the concept of people-oriented, strives to promote the common prosperity of employees, highly respects the labour of employees, and provides competitive salaries. Every year, the company will implement differentiated salary increases based on operating conditions and market conditions.

In terms of personnel training, CMD closely focuses on the purpose of "creating a first-class elite team", pursues the talent value proposition of "being proficient in talents, intelligent in development, and successful in distinction", through the talent recruitment system and the talent development system to facilitate talent development measures, select internal and external elite talents, and strengthen the construction of the talent supply chain.

CMD does not tolerate workplace violence. CMD also prohibits working under the influence of alcohol, illegal drugs, or controlled substances.

3.3 Workplace Safety

CMD has attached great importance to and protected the occupational health and safety of employees, strictly implemented various national laws and regulations, passed the environmental (ISO14001:2015) and occupational health and safety (ISO45001:2018) management system certification, carried out occupational health and safety management and control in an all-round way, and implemented occupational hazard governance and management from three aspects: hardware, software and supervision methods, from environmental safety to occupational health and safety, from material safety to human safety, to create the safest development space and the healthiest living space for employees in an all-round way.

4.0 Accurate Business Records

4.1 Records Retention

CMD's financial books, records and accounts must be properly kept and retained in accordance with the legal and business requirements applicable to CMD. Employees who possess CMD's financial books, records or accounts are responsible for their security.

4.2 Accurate Business Records & Financial Reports

The records we create and maintain are important to the continued operation of the company. Accurate records are the first prerequisite for a company to make sound business decisions. Shareholders, business partners and various government agencies also need to make informed decisions based on accurate business records and disclosures. Because all business records are subject to public disclosure through litigation, government investigations or the media, employees must record any information clearly, concisely, truthfully and accurately.

We must comply with internal control requirements for accounting and financial reporting. Employees responsible for preparing such information must ensure that it is complete, fair, accurate, timely, understandable and transparent. All public disclosures must comply with applicable laws, regulations and professional standards.

5.0 Protect Our Assets

All employees have an obligation to protect company assets from theft, loss, waste, damage, fraud or other improper use. CMD assets include all resources we use to perform our job responsibilities.

5.1 Protecting Our Information

One of CMD's most valuable assets is information. Adhering to the concept of "everyone is responsible for protecting business confidentiality", all CMD employees have the responsibility and obligation to keep and protect all kinds of information of the company, strictly establish a sense of confidentiality red line, and shall not infringe on company information in any way and means, such as business strategy , processes, plans, potential acquisitions, etc.

All employees are required to handle all information with care, keep it secure, avoid discussing confidential information in public places (such as airplanes, elevators, and mobile phones), and protect themselves from cybersecurity intrusions.

Examples of Our Assets:

- Biological Assets: Heifers, calves, milkable cows, bulls
- Physical Assets: Equipment, inventory, supplies, credit cards, vendor samples
- Technology Assets: Computer hardware, software and systems, mobile phones and tablets
- Information / Intellectual Property Assets: Trademarks, copyrights and other confidential information

If you suspect any misuse of company assets, unauthorized disclosure of confidential information, or inappropriate use of personal information, report it immediately.

5.2 Safeguard Well-being of Cows

Based on pasture resources and combined with environmental protection requirements, CMD fully improves the comfort of the cowshed from bedding material selection and constant temperature design to ventilation management, avoids strict confinement and long-distance transportation of dairy cows, keeps the bed dry and moderate, ensures that the cowshed has smooth air, and scientifically and reasonably manage the light intensity to reduce the energy loss of cows caused by uncomfortable sleeping environment.

CMD pays high attention to the well-equipped, scientific and reasonable design, sanitation and safety within the range of activities of dairy cows, follows the natural habits of animals as much as possible, and implements management methods that conform to the habits of dairy cows.

CMD actively improves the epidemic prevention management and control system, improves the level of epidemic prevention technology, and avoids the risk of dairy cow epidemics. Adhering to the epidemic prevention concept of "prevention first, prevention is more important than cure", we standardize and systematize the epidemic prevention work of dairy cows, effectively reduce the risk of epidemic diseases, and improve the health level of dairy cows.

6.0 Public Communications & Social Media

We need a clear and consistent voice when providing information to the public (including the media, analysts and shareholders) about CMD's business plans or positions on public issues. Therefore, all employees are not allowed to disclose, divulge or reveal non-public material information to the media or other outsiders without authorization.

Additionally, all media requesting for CMD information should be referred to the company's Public Relations (PR) team; any requests from analysts or shareholders for financial or other business performance information should be forwarded to the Investor Relations team (info@moderndairyir.com) .

CMD strictly prohibits employees from operating self-media accounts that are strongly related to the industry in their own names, including but not limited to WeChat public accounts (including video accounts), TikTok, RED, Baijia Account, NetEase Account, Sohu Account, and Tencent Account , Dafeng Account, Toutiao Account, etc. At the same time, without authorization, no department or individual may publish or post any confidential information about CMD or its clients or use CMD's trademark.

7.0 Gifts & Entertainment

CMD's "Sunshine Agreement Implementation Measures" and the anti-corruption system have clearly stipulated related behaviours. In principle, no department or individual should accept gifts from business units or related individuals, nor should they accept gifts or money from subordinates and cooperative units for reasons such as marriage, funeral, marriage, etc. When a department or individual receives a gift or cash from the other party, they should politely refuse it. If the gift has been accepted for various reasons and it is really impossible to return it, it must be implemented in accordance with the requirements of the "Gift Delivery Registration Management System" and promptly report to the same level or the superior department and submit the full amount according to the actual situation.

8.0 Conflict of Interest

CMD requires all employees to make business decisions that are in the best interests of the company. The behaviour of employees must be based on reasonable business judgments, not for personal interests, and to avoid conflicts between corporate interests and personal interests in the process of exercising management power and implementing business. . At the same time, CMD has established the "Regulations on Appointing Relatives and Preventing Conflicts of Interest" and "Regulations on Prohibiting the Spouses and Children of Leading Cadres, Their Spouses, and Other Specific Related Persons from Operating Businesses in Violation". Situations that may give rise to a conflict of interest include, in particular:

8.1 Personal Relationships

Friends or family members who have business dealings with employees, and those who have business dealings with CMD, adopt the principle of avoidance. Comply with the "Disciplinary Inspection Management System" implementation.

8.2 Corporate Opportunities

When an opportunity arises, employees are obliged to give priority to the interests of CMD, to adopt a program of action in which personal interests are subordinated to the interests of the company, and shall not use CMD's property, information or position to seek personal interests or compete with CMD.

8.3 Investments

If the employee himself, his spouse, children and their spouse or through other relatives, specific related persons have a financial interest (or exercise control over it) in one of the business partners or competitors, directly or indirectly have a material interest in any entity that has business dealings with CMD, seeks to do business with it, or competes with it, the principle of avoidance shall be adopted and the company's regulations shall not be violated

8.4 Outside Employment

The CMD human resources system clearly stipulates that during the period of employment, employees are not allowed to work part-time outside or construct double labour contracts.

8.5 Disclosure Requirements

Employees are obliged to disclose any potential conflict of interest to their direct supervisor.

9.0 Conduct Business with Our Partners

CMD relies on strong relationships with our suppliers, vendors, and other business partners (collectively, "Partners") who help us provide the high-quality, high-value goods and services our customers' demand. We rely on professional functions, procurement, and sales management teams to select and manage our partners, continuously empowering partners' business development and increasing profitability, and creating a win-win ecosystem with partners.

9.1 Cooperative Sourcing

CMD adheres to the principles of openness, fairness, justice, and integrity, uses digital media platforms to release procurement information, integrates industry resources, and extensively searches for thousands of suppliers to settle in and participate in competitive negotiations for different procurement projects, so as to choose better cooperation partner.

In order to ensure the stability of the upstream core supply chain, CMD has maintained good cooperation with excellent companies in the industry chain and has established strategic alliance partnerships with suppliers of upstream key materials.

9.2 Admission review

According to the review standards of various materials, the supplier review team conducts an entry review of new suppliers and follows the unified principle to conduct strict reviews of qualifications, resource allocation, and management systems. Among them, the access standards for feed suppliers include supplier control, quality control management and traceability, production process control and traceability, recall and complaint handling, human resources and other environmental and social issues.

Suppliers are classified according to quality risk level, supplier category and material category, and the scope of cooperation and review methods are clarified during the admission process.

9.3 Integrity & Safety

CMD shall sign the "Sunshine Agreement" with suppliers, actively maintain fairness and justice in public competition, inquiry and price comparison, business negotiation, business procurement, and business cooperation, and create a law-abiding and honest cooperation atmosphere; shall irregularly conduct integrity education, enterprise management knowledge and other training for key material suppliers. At the same time, CMD shall clarify the responsibilities and requirements for safe production and management; ensure that suppliers purchase insurance for their employees as required and ensure that their certificates and insurance are complete; and conduct hazard identification and safety production education and training for relevant suppliers.

9.4 Continuous monitoring

CMD shall regularly (monthly) conduct a routine comprehensive review of all suppliers to identify environmental and social risks in all links of the supply chain. Especially CMD shall conduct regular sampling inspection of special materials whether the supplier has environmental hazards such as excessive discharge of wastewater in the supply process and completes the supplier's regular business review.

CMD shall carry out hierarchical management on suppliers and fill in the "Supplier Comprehensive Evaluation Form" through regular quality inspection and communication. Finally, according to the evaluation of suppliers, we will eliminate suppliers who have repeatedly failed in product quality and violated laws and regulations and establish long-term cooperative relationships with high-quality suppliers.

9.5 Evaluation and improvement

CMD shall set up a special department to track the rectification of supplier audit issues to ensure that unqualified items are effectively rectified; formulate strict one-vote veto management regulations, and cancel cooperation with unqualified suppliers; encourage partner actively offer advice and suggestions through the communication platform, laying the foundation for management improvement.

10.0 Conduct Business Lawfully

10.1 Compliance with Law

CMD is committed to being a responsible corporate citizen by complying with the laws and regulations of every area and community in which it does business. You also have a personal obligation to become familiar and comply with the laws and regulations related to your job responsibilities. Any violation of these laws can result in severe penalties, both civil and criminal. If you are not sure what is within the law or what laws apply, you should seek advice from the Legal Department.

10.2 Anti-trust / Fair Competition

CMD believes in free and open competition that is grounded in integrity and fair dealing. CMD will compete vigorously on the merits of its products and services in compliance with all competition and antitrust laws. Training and more detailed information are available from the Legal Department for any employee who has a question or concern. It is the responsibility of any individual who has a question about potential antitrust implications of a discussion, decision or action to consult with CMD's Legal Department before such action has taken place.

10.3 Intellectual Property

Employees are responsible for respecting and protecting intellectual property rights, and have the right to reasonably and legally use intellectual achievements protected by intellectual property rights. In order to avoid infringing on the relevant legitimate rights and interests of others protected by laws and regulations related to intellectual property rights, valid authorization or permission should be legally obtained before using the above-mentioned rights and interests of others.

10.4 Insider Trading

Securities laws and CMD policy prohibit you from trading in CMD's stock or other securities of other companies when you have inside information that is not available to the public. This type of illegal trading is sometimes referred to as insider trading. Important information could include, for example, news about acquisitions, investments, or changes in business relationships, cybersecurity risks or incidents, sales or financial results, management changes or any other information that has the potential to affect prices of these securities. We refer to this type of information as inside information. You may also not share such information with others.

If you are unsure as to whether you have inside information, do not trade or share that information until you have consulted with CMD's Legal Department.

10.5 Anti-Bribery & Anti-Corruption

CMD attaches great importance to anti-bribery and anti-corruption ("ABAC"). We have established management systems and set up the Discipline Inspection Office to implement various requirements on anti-corruption work to strictly manage corruption issues and ensure that every employee adheres to the bottom line of business ethics. CMD has perfected the ABAC policy, strictly prohibits the employees from accepting any form of rebates, agency fees and facilitation fees, and strictly prohibits management from taking advantage of their positions to seek personal benefits for relatives and specific related persons to prevent conflicts of interest.

11.0 Being a Good Corporate Citizen

11.1 Community Commitment

CMD is committed to giving back to the communities we serve. We encourage your personal involvement in the communities where you live and work, but all corporate contributions to charitable organizations must be consistent with CMD's values and interests as well as benefit the we serve.

11.2 Commitment to Environmental Sustainability

CMD is committed to providing a healthy and engaging environment for all employees, clients and their families. CMD strives to reduce our footprint by finding solutions that encourage long-term sustainability.

CMD upholds high ethical standards and expects employees to work towards a sustainable tomorrow. To this end, CMD supports the strategy of energy saving, emission reduction and resource utilization, provides customers with options to reduce environmental footprints, constantly evaluates the performance of business activities, and sets goals to improve energy efficiency and reduce greenhouse gas emissions.

CMD has taken and continues to take various steps to ensure fruitful results in creating a more sustainable tomorrow and expects employees to do their part in promoting ecological protection.



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