



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

2025

Modern Dairy Sustainable Finance Framework



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1. Introduction

1.1 About Modern Dairy

China Modern Dairy Holdings Limited (the “Company” or “Modern Dairy”, stock code: 1117), together with its subsidiaries (the “Group”) is a leading dairy farming operator and raw milk producer in the industry in the People’s Republic of China (the “PRC”). Modern Farming (Group) Co., Ltd was established in 2005 in Ma’anshan City, Anhui Province, and listed on the Hong Kong Stock Exchange in 2010.

We have invested in and established 47 farm companies in Mainland China, spanning 13 provinces and autonomous regions, with a total herd size of approximately 491,000 dairy cows, and annual production volume reaching 3.01 million tons as of 31 December 2024.

The Company pioneered the production model of “Zero-distance Integration of Forage Grass Planting, Cows Breeding and Milk Processing within Two Hours”, being the first in the PRC with integrated production model certified by SGS. Modern Dairy’s branded milks have been awarded the Gold Prize of Monde Selection, known as the “Nobel Prize” in the food industry, for 12 consecutive years.

In recent years, the business scope of the Group has expanded to new areas such as intelligent digital platform, feed, forage grass and dairy cows breeding which have continuously contributed to the development of the Group.

1.2 Vision, Mission, Strategy and Target for Sustainable Development

Vision: Green leadership and harmonious coexistence

Modern Dairy upholds the concept of harmonious coexistence. We create long-lasting value for stakeholders through the sustainable operation and management across the industrial chain and the development model of circular agriculture and animal husbandry, thereby achieving the harmony between man and nature.

Mission: Creating a better and healthy future with quality and responsibilities

Modern Dairy is committed to protecting human health by providing the community with nutritious products and services of the best quality. We also continue to enhance the well-being of our employees, farmers and herdsman, and actively contribute to the rural revitalization, fulfilling our social responsibilities for a better future.

Strategy: FRESH Sustainability Development

Modern Dairy established the "FRESH Sustainable Development Strategy", which stands for “Future, Responsibility, Environment, Society, and Health”.

Future: Driven by innovation and a vision for the future, Modern Dairy is committed to exploring and promoting circular agriculture and animal husbandry, accelerating informatization and digitalization, and actively addressing climate change through the "Dual-carbon" Project.

Responsibility: Guided by its ESG governance framework, Modern Dairy integrates ESG factors into its decision-making. We are committed to ethics, anti-corruption, and maintaining high ethical standards with effective compliance and risk control systems.

Environment: Modern Dairy actively manages its environmental impact by practicing sustainable operations and procurement, adopting best practices to protect ecosystems, and committing to reducing its ecological footprint across the industrial chain and protecting biodiversity.

Society: Modern Dairy prioritizes the well-being and growth of its employees by providing equal and safe working conditions and opportunities. Recognizing the importance of community relations, we support community development and contribute to rural revitalization, benefiting farmers through various initiatives.

Health: Modern Dairy is committed to protecting the health and nutrition of raw milk, constantly pursuing excellent quality, and ensuring animal welfare by providing a comfortable and healthy living environment for cows.

The Company has set greenhouse gas (GHG) emission and water reduction targets and monitors the progress of these targets regularly.

Modern Dairy is also committed to fostering a collaborative and responsible ecosystem and promoting a sustainable agricultural model that respects natural resources and enhances animal welfare.

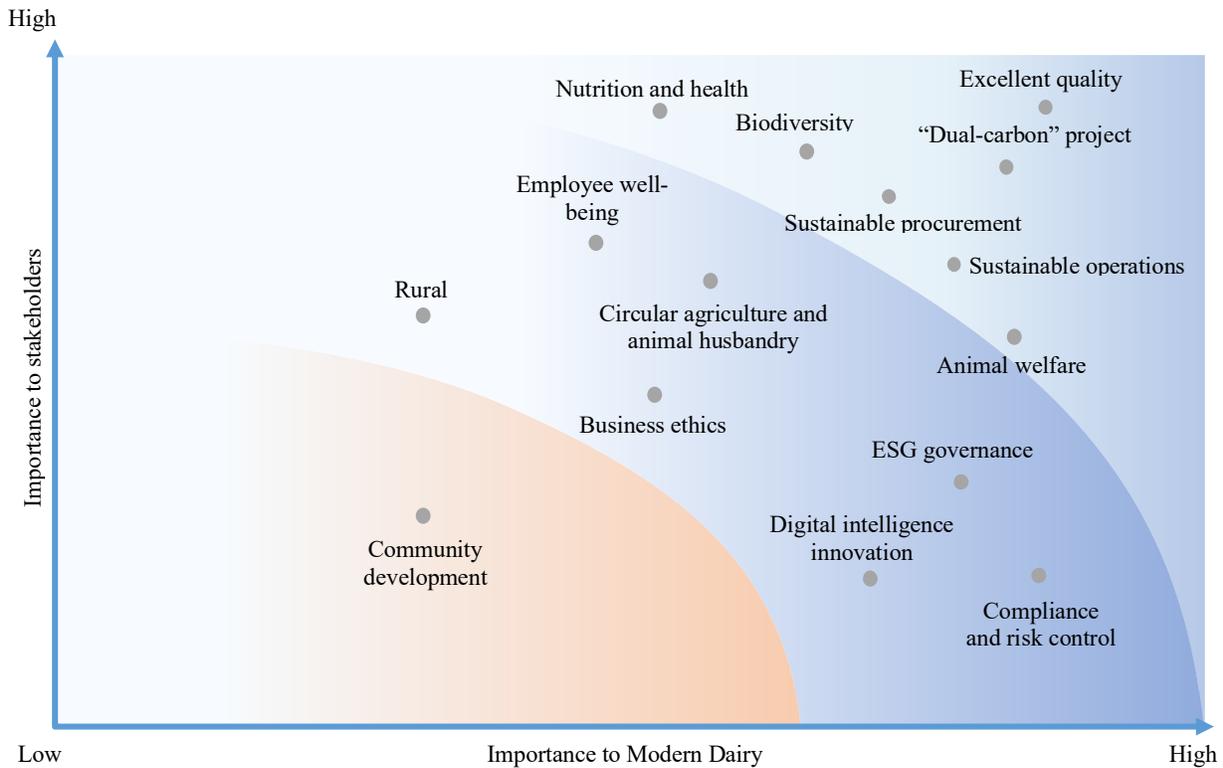
1.3 ESG Achievements and Recognitions

Modern Dairy has made significant strides in its Environmental, Social, and Governance (ESG) performance, as evidenced by several recent recognitions and ratings upgrades.

- **MSCI ESG Rating:** On 9 May 2025, MSCI Inc. ("MSCI"), one of the world's largest index companies, released its latest ratings report and upgraded Modern Dairy's ESG assessment to A, ranking first in China's animal husbandry industry.
- **S&P Global CSA:** On October 31, 2024, S&P Global Corporate Sustainability Assessment (CSA) awarded Modern Dairy a score of 56 (ESG score of 57) in its 2024 assessment. This marks a 30% improvement compared to the previous year. Among industry peers assessed in 2024, Modern Dairy ranks within the top 8%. Modern Dairy has been included in S&P Global Sustainability Yearbook (China Edition) for two consecutive years (2024-2025).
- **Coller FAIRR Protein Producer Index:** On November 19, 2024, Modern Dairy rose 6 places in the Coller FAIRR Protein Producer Index, a ranking of the 60 largest listed global meat, dairy, and aquaculture companies on ten ESG factors, and is now the second-highest ranked Chinese company included in the index.
- **CDP:** On February 7, 2025, Modern Dairy received a "B" rating from the Carbon Disclosure Project (CDP) across climate change, water security, and forests, demonstrating management-level performance in addressing these environmental risks.

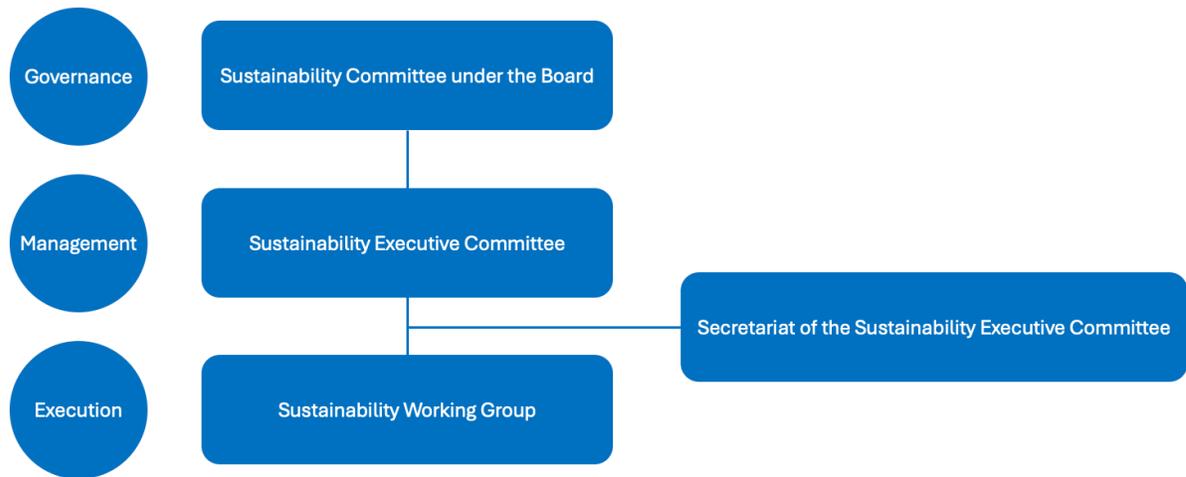
1.4 Materiality Assessment

Based on the expectations of internal and external stakeholders as well as the business characteristics, Modern Dairy identified, evaluated and sorted out material issues, and disseminate them to stakeholders for questionnaire survey. Based on the questionnaire results, we analyzed and verified ESG issues that were relevant and significant to our business. After filtering, we created a materiality matrix, which serves as the basis for the Company's focus and disclosure on ESG.



1.5 ESG Governance

In order to enhance sustainable development governance capabilities, and improve ESG issue management and responsibility performance, Modern Dairy strictly complies with the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other relevant laws and regulations and developed a comprehensive ESG governance structure for standardized and effective governance. Modern Dairy established an ESG governance structure composed of the governance, management and executives to lead and monitor the sustainable development of the Company. Meanwhile, a regular and multi-channel communication mechanism is in place to proactively respond to the concerns of stakeholders. Based on issues that significantly impact Modern Dairy's sustainable development and those of the utmost concern to stakeholders, a materiality matrix has been formed to help the Company identify and manage issues related to ESG risks and opportunities.



Governance

- **Board of Directors:** The Board of Directors of Modern Dairy holds ultimate responsibility for ESG matters, including formulating the "FRESH Sustainable Development Strategy," ESG policies, and action plans. The Board also identifies, monitors, and mitigates ESG risks while capitalizing on related opportunities, and regularly reviews ESG performance and strategy.
- **Sustainability Committee:** Reporting to the Board of Directors, the Sustainability Committee assists with ESG decision-making and oversight. Its responsibilities include reviewing ESG-related proposals and providing recommendations to the Board, regularly receiving and evaluating reports on ESG performance and implementation and monitoring the effectiveness of ESG initiatives to identify areas for improvement.

Management

- **Sustainability Executive Committee (SEC):** Composed of Modern Dairy management, the SEC reports to the Sustainability Committee and is responsible for translating the Board's ESG strategy into actionable plans and targets. The SEC also oversees the implementation of ESG initiatives across the Group, manages ESG-related resources and budgets, and reports on ESG performance to the Sustainability Committee.

Execution

- **Secretariat of the SEC:** A Secretariat is established under the Sustainability Executive Committee. Supported by Sustainability Working Group, The Secretariat of the SEC is responsible for formulating sustainability implementation roadmaps, establishing management structures, promoting special initiatives and organizing regular sustainability work meetings for communication.
- **Sustainability Working Group:** Spanning subsidiaries and functional departments, the Sustainability Working Group is responsible for the day-to-day implementation of ESG activities. Its duties include executing ESG-related strategic plans, policies, and projects, collecting data and

reporting on ESG performance to the SEC, collaborating with other departments to integrate ESG considerations into business operations and raising awareness of ESG issues within the Group.

1.6 About the Framework

To recognize Modern Dairy's focus on sustainability and to support its commitment to invest in sustainable assets and outcomes in the future, the Company has developed the Sustainable Finance Framework (the "Framework"). Through the Framework, Modern Dairy will aim to achieve its FRESH sustainability strategies while providing a mechanism for investors to contribute capital to help achieve their own sustainability goals. The Framework outlines the process by which Modern Dairy intends to issue and manage bonds and loans that will fund sustainable assets and outcomes to which it is committed ("Sustainable Debt"), in alignment with the relevant market standards ("Market Standards").

Modern Dairy may issue or manage the following Sustainable Debt instruments (such as bonds and loans) in accordance with the applicable Market Standards:

- **Use of Proceeds Instruments** (see section 2), where an amount equals to the net proceeds of the Green, Social or Sustainability Bonds and/or Loans are intended to be notionally allocated exclusively to finance or refinance Eligible Assets.

2. Use of Proceeds Instruments

2.1 Introduction

Use of Proceeds Instruments raise funds for new and existing projects with social and/or environmental benefits.

Modern Dairy intends to notionally allocate the net proceeds from its Use of Proceeds Instruments to finance or refinance projects, assets and/or activities that are Social Assets or Green Assets (together, Eligible Assets), each as defined below. Use of Proceeds Instruments include but are not limited to bonds and loans.

With respect to bonds, Use of Proceeds Instruments will be aligned as appropriate for the type of bond issued, with the: ICMA 2021 Green Bond Principles (GBP), 2023 Social Bond Principles (SBP) and the ICMA 2021 Sustainability Bond Guidelines (SBG).

For loans, the Use of Proceeds Instruments will be aligned with the APLMA and LMA 2025 Green Loan Principles (GLP) and 2025 Social Loan Principles (SLP) or as they may be subsequently amended.

Eligible Assets may include projects delivered, or in the process of being delivered, or assets owned by Modern Dairy's subsidiaries and include the funding of capital expenditure, operating expenditure and other related expenditure for the projects, assets and/or activities. Modern Dairy will endeavour to prioritise the financing of new Eligible Assets when allocating net proceeds from Use of Proceeds Instruments and will apply a look-back period of no longer than three prior financial years when refinancing existing Eligible Assets. The share of finance vs. refinance will be disclosed subject to availability. The Use of Proceeds Framework may be subsequently updated to reflect further investments in Eligible Assets beyond what is already included.

The following five components form the basis of the Use of Proceeds Framework:

- Eligible Assets
- Project Evaluation and Selection
- Management of Proceeds
- Disclosure and Reporting
- External Review

The Use of Proceeds Framework covers the following financing instruments:

- Green Bonds and Loans
- Social Bond and Loans
- Sustainability Bonds

2.2 Framework

2.2.1 Green Assets

Eligible Projects & Environmental Objectives	Eligibility Criteria & Examples	UN SDG Mapping
Eligible Green Projects		

Environmentally sustainable management of living natural resources and land use

Key Objective: Climate Change Mitigation

Procurement of sustainable feed including feed additives, feed replacement and deforestation-free feed to promote sustainable agriculture practices and reduce greenhouse gas emissions. Examples include, but are not limited to:

- Deforestation-Free Soybean Sourcing:** Procuring deforestation-free soybeans to avoid greenhouse gas emissions associated with land conversion for soy production. Avoiding deforestation preserves carbon stocks in forests and prevents the release of significant amounts of CO2 into the atmosphere. Identifying and sourcing soybean meal exclusively from suppliers with certifications such as COFCO International Conversion-Free Soy Standard Module 1 or Module 2, Cargill Triple S, U.S. Soybean Sustainability Assurance Protocol (SSAP).
- Canola Meal Substitution:** Incorporating canola meal as a feed substitute to reduce enteric methane emissions through its natural fatty acid composition and by improving milk production efficiency to reduce emissions per unit of milk.



Investments and expenditures related to development, construction, installation, operation and maintenance of renewable energy generation facilities to promote clean energy transition and reduce greenhouse gas emissions. Examples include, but are not limited to:

Renewable Energy

Key Objective: Climate Change Mitigation

- Solar Power Installations:** Photovoltaic systems on the south-facing steel roofs of dairy cow barns, which generate renewable energy and reduce carbon emissions from agricultural operations.
- Biogas Generation:** The purified biogas produced from the anaerobic digestion system is comprehensively utilized to generate steam for heating in farm operations and drying digestate through combustion. The biogas is also used for power generation, where electricity is first used for self-consumption, with excess power fed into the grid for additional revenue.



Sustainable water and wastewater management

Key Objective:
Water Conservation

Expenditures related to sustainable water management, such as water reuse and recycling, efficiency, and conservation. Examples include, but are not limited to:

- **Water Conservation Initiatives:** Installation of precision sprinkler systems in cow barns for heat stress management. Transition to an enzymatic and plant-extract-based detergent for udder wiping, reducing water consumption by streamlining the cleaning process. Installation of smart water valves in pasture irrigation systems to improve water use efficiency and minimize water waste.
- **Sewage Treatment and Recycling:** Regular replacement of sewage pipes and repair of drainage ditches/channels. Recycled cooling water from milk chilling is recycled as drinking water for cattle. Milking machine wastewater is recycled for cleaning milking equipment and facilities.



Clean transportation

Key Objectives:

- Climate Change Mitigation
- Pollution Prevention and Control

Investments in assets, activities, technology and research and development that reduce the greenhouse gas emissions arising from transportation. Examples include, but are not limited to:

- **Electric Farm Equipment:** Purchasing or leasing electric units, including but not limited to loaders, stationary mixers, forklifts, calf feeding carts, feed pushers, aerial work platforms and milk tanker trucks.



Circular economy adapted products, production technologies and processes and/or certified eco-efficient products

Key Objectives:

- Circular Economy
- Natural Resources Conservation

Investments and expenditures related to the acquisition, construction, maintenance and operation of manure utilization facilities, decomposition and biorefinery technologies. Examples include, but are not limited to:

- **Establishment of Green Circular Industry Chains:** Forage is grown to feed dairy cows, and the resulting manure undergoes solid-liquid separation and treatment. The separated liquid digestate serves as organic fertilizer, nourishing the forage growth and creating a closed-loop system of feed-cow-manure-fertilizer-forage. The separated solid digestate is then dried and used as bedding material in the cow barns, further maximizing resource utilization.



2.2.2 Social Assets

Eligible Projects & Social Objectives	Eligibility Criteria & Examples	UN SDG Mapping
Eligible Social Projects		
<p>Employment generation</p> <p>Key Objective(s): Employment Generation for Vulnerable Groups</p>	<p>Procurement of silage to promote sustainable agriculture and generate employment, particularly for low-income farmers and their families in rural communities, in partnership with local governments and rural cooperatives. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Promotion of Forage Agriculture: Partner with local governments and rural cooperatives to support the employment of local farmers in cultivating silage corn near dairy farms. This includes providing technical guidance on silage planting, ensuring consistent procurement of silage, promoting sustainable agricultural practices (reducing reliance on chemical fertilizers and minimizing air pollution from stalk burning), and providing biogas slurry as fertilizer to further reduce the need for chemical fertilizers. 	

2.2.3 Exclusion Criteria

Eligible projects and assets exclude the following:

- Fossil fuel energy production
- Palm oil production
- Activities listed in the International Finance Corporation (IFC) Exclusion List
- Activities that violate The Five Freedoms of Animal Welfare
- Large-scale or industrial farming in protected areas or high conservation value areas

2.3 Project Evaluation and Selection

The Green Financing Working Group (“GFWG”) of Modern Dairy, comprising of Investor Relations and Finance Departments, is responsible for assessment and selection of Eligible Projects nominated by relevant Sustainability Working Group and functional departments, based on the eligibility criteria outlined in Use of Proceeds section. In addition, all project allocated funding from the issuance proceeds will follow an internal process that includes final review and approval by SEC. SEC will oversee the

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environmental and social risk assessment and management of potential Eligible Projects financed under the Framework.

- Alignment to Modern Dairy’s Sustainability Strategy as outlined in the prior section;
- Conformance with the Market Standards (as applicable);
- Conformance with the Green Asset and/or Social Asset Eligibility Criteria as described in this section;
- Alignment to the SDGs, as well as contribution to potential social or environmental outcomes arising from the Eligible Assets;
- Modern Dairy’s own professional judgement, discretion and sustainability knowledge;
- Assessment of any potential social and/or environmental impacts from the Eligible Assets, management of those impacts, and confirmation that the Eligible Assets will not significantly harm any of Modern Dairy’s social or environmental objectives;
- Conformance with any other applicable selected principles, standards, or tools that are or become both commonplace and respected in the market.

The GFWG will be responsible for periodically updating the pool of Eligible Assets. This pool may be adjusted through the addition of new Eligible Assets, the removal of assets no longer meeting eligibility criteria, or the replacement of assets sold or disposed of. Eligible Assets that meet both the Green Asset and Social Asset Eligibility Criteria will not be double counted.

2.4 Management of Proceeds

Modern Dairy will maintain a register of Eligible Assets that outlines (among other things) the project cost of the Eligible Assets, the notional allocation of net proceeds from the Use of Proceeds Instruments against each Eligible Asset, and disclosure of any unallocated proceeds from the Use of Proceeds Instruments (the “Register”).

The Register will demonstrate that the Eligible Assets have an aggregate project cost that is larger than the sum of the net proceeds from the Use of Proceeds Instruments. The Register will be included in annual monitoring reports provided by GFWG.

On the issuance of a new Use of Proceeds Instrument, Modern Dairy intends to notionally allocate net proceeds to Eligible Assets within 24 months of issuance. In the unlikely event that the net proceeds from Use of Proceeds Instruments are unallocated to Eligible Assets within this timeframe, Modern Dairy intends that any unallocated proceeds shall be temporarily:

- Held in cash or cash equivalent instruments with a Treasury function
- Held in investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy

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- Applied to reduce indebtedness of a short term or revolving nature before being redrawn for notional allocation to Eligible Assets.

Modern Dairy will service its debt obligations under Use of Proceeds Instruments out of its general cashflows and not specifically from revenues generated by Eligible Assets alone.

2.5 Disclosure and Reporting

Modern Dairy recognizes the importance investors place on transparency and disclosure relating to Use of Proceeds Instruments. Reporting will be made available directly to lenders (at a minimum) for loans, and publicly available on our website for bonds.

Following issuance, Modern Dairy intends to disclose Annual Update Reports in line with the Market Standards that include the following information:

- **Allocation Reporting:** A list and description of the Eligible Assets financed or refinanced by the Use of Proceeds Instruments, the amount of net proceeds notionally allocated towards such Eligible Assets and the amount of unallocated net proceeds. It also includes the share of finance vs. refinance.
- **Eligibility Reporting:** Confirmation that the Eligible Assets meet the relevant eligibility requirements included in the Framework and the Market Standards and include information on the characteristics and sustainability performance of the Eligible Assets.
- **Impact Reporting:** Where applicable Modern Dairy will seek to provide qualitative and/or quantitative reporting on one or more of the environmental and/or social impacts of the Eligible Assets resulting from the Use of Proceeds Instruments, generally aligned with ICMA’s “Handbook – Harmonised Framework for Impact Reporting (June 2024)” subject to the availability of suitable information and data. The assumptions and methodologies for calculation will also be made publicly available.

Eligible Green Projects	Examples of Impact Reporting Indicators
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Percentage of zero-deforestation soy in total soy procurement • Percentage of soybean meal replaced by canola meal
Renewable Energy	<ul style="list-style-type: none"> • MWh of renewable energy generated • Cubic meter of biogas production • MWh of electricity generated from biogas

	<ul style="list-style-type: none"> • Metric tons CO2e reduced/avoided
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Percentage of freshwater saved from precision sprinkler • Cubic meter of freshwater saved from detergent • Cubic meters of rainwater prevented from entering cattle manure • Cubic meter of cooling water recovered • Percentage of milking machine wastewater recycling
Circular economy adapted products, production technologies and processes and/or certified eco-efficient products	<ul style="list-style-type: none"> • Tons of biogas slurry used as fertilizer • Cubic meter of bedding material production
Clean transportation	<ul style="list-style-type: none"> • Number of electric units purchased or leased • Metric tons CO2e reduced by replacing diesel machinery with electric equivalents

Eligible Social Projects	Examples of Impact Reporting Indicators
Employment generation	<ul style="list-style-type: none"> • Number of jobs created for rural farmers • Total tons of silage procured from rural households

2.6 External Review

2.6.1 Pre-Issuance External Review

Modern Dairy’s Use of Proceeds Framework has been reviewed by Moody’s Ratings who provided a Second Party Opinion (SPO), confirming the alignment with the ICMA 2021 Green Bond Principles (GBP), 2023 Social Bond Principles (SBP), the ICMA 2021 Sustainability Bond Guidelines (SBG), the APLMA and LMA 2025 Green Loan Principles (GLP) and 2025 Social Loan Principles (SLP) or as they may be subsequently amended. The SPO will be available on Modern Dairy’s website.

The external review together with the Framework is published on the website of Modern Dairy:
<http://www.moderndairyir.com/en/>

2.6.2 Post-Issuance External Review

In order to provide timely and transparent information about the reporting on the use of proceeds for any Sustainable Debt issued under the Framework, Modern Dairy will engage a qualified, independent third party to conduct a post-issuance audit on the allocation of proceeds to Eligible Social/Green Projects/Assets and the calculated beneficial impact of the allocated Eligible Social/Green Projects/Assets until the full allocation of the Sustainable Debt proceeds, and thereafter in case of material changes.

The post-issuance verification report/statement will be available on the website of Modern Dairy:
<http://www.moderndairyir.com/en/>

3. Amendments to the Framework

Modern Dairy will review the Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to best practices in the market. Over time, additional Use of Proceeds may be added, or significant or structural changes to the business model of the Group may occur. Such review may result in the Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of a qualified provider of Second Party Opinions. Any future updated version of the Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Verifier.

The updated Framework, if any, will be published on Modern Dairy's website and will replace the Framework.