

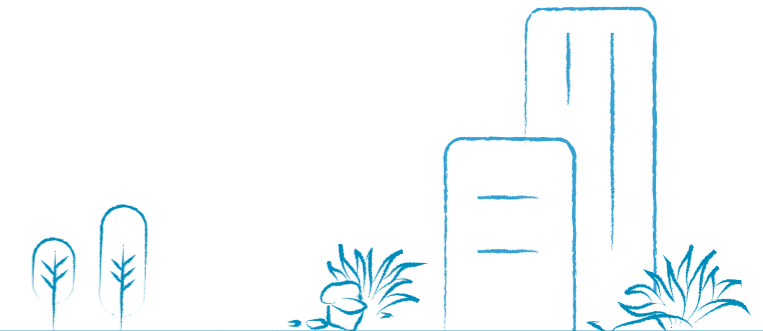


China Mengniu Dairy Company Limited  
2019 Sustainability Report (ESG Report)

Stock Code: 2319



# About the report



## ○ Period

This report covers the period from January 1st, 2019 to December 31st, 2019. Some contents and data are from previous years, , the content of "Feature: Industry leader in fighting COVID-19" covers the first half of 2020.

## ○ Organizational coverage

The report covers China Mengniu Dairy Company Limited and all its branches, subsidiaries, and affiliates.

## ○ Publish

China Mengniu Dairy Company Limited Sustainability Report (2019) is the seventh nonfinancial report.

## ○ References

Compliance with Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong Limited and the GRI Standards.

## ○ Abbreviations

For convenience, China Mengniu Dairy Company Limited is also referred to as Mengniu, the Group, the Company and We in this report.

## ○ Data sources

All information and data used in this report originate from formal files, statistical reports, and financial reports of the Company. All materials used in this report are provided by our employees and our partners, which will only be used for reporting our progress in sustainable development and may not be used for commercial purpose.

## ○ Language

This report is provided in three languages: simplified Chinese, traditional Chinese, and English. In case of any discrepancy among these three versions, the Simplified Chinese version shall be authoritative.

## ○ Access to this report

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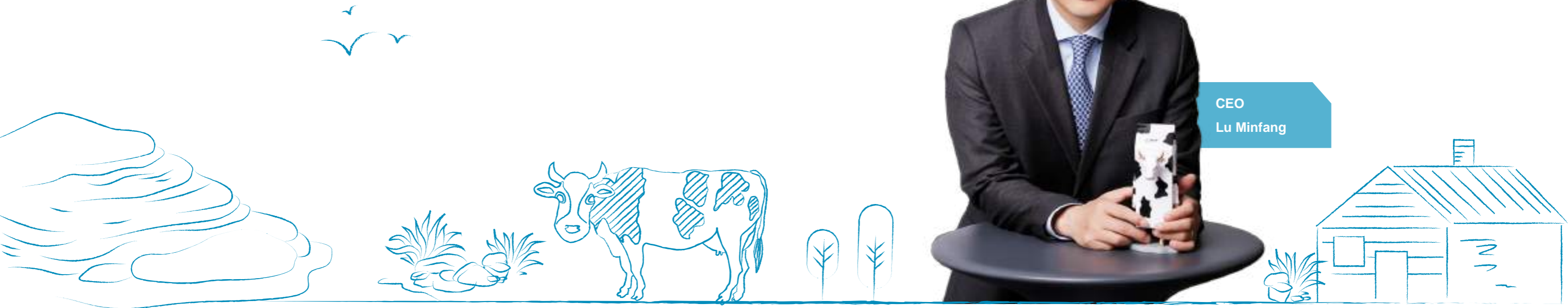
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# CEO's statement



CEO  
Lu Minfang

With mountains and rivers bearing witness across time, Mengniu celebrated its 20th anniversary in 2019. Mengniu, born in 1999 in the Inner Mongolia prairie with the mission to vitalize China's dairy industry, has since grown from "Mengniu of the prairie" to "Mengniu of the world", ranking in the global top ten in the industry. In 2019, 20-year-old Mengniu established its sustainability vision, which is summed up in the tagline "Promise a Healthier World", and started a systematic effort to integrate its sustainability strategy with its operating targets and drive forward sustainable development on the three pillars of economy, society, and environment. We are committed to becoming a world-class Chinese dairy brand by "producing more nutritious products, guiding consumers towards a healthier life, and contributing to a more sustainable earth".

We have persisted in "producing more nutritious products". In 2019, we continued to improve our business ethics management. With the focus on fostering a sustainable ecosystem of milk sources through win-win cooperation, we have put in place our "Quality and Safety Management System 3.0" to further strengthen our lifecycle management of products. As it steadily pushes ahead with its "Digital Milk Source" and "Digital Mengniu" initiatives, Mengniu has gradually developed an international food safety management system. Through intensive product R&D and innovation, we offer a full range of trusted and healthy dairy products to consumers, covering wide categories including organic, low-fat, low-sugar, and high-nutrition products.

We have stayed steadfast to "guiding consumers towards a healthier life". In 2019, Mengniu achieved a series of progresses in basic research and food waste reduction and implemented various consumer education activities on healthy diet. During the reporting period, Mengniu received praise from the State Council Leading Group Office of Poverty Alleviation and Development for its precision poverty alleviation model which integrates "industrial poverty alleviation, nutrition-based poverty alleviation, and targeted poverty alleviation". It further upgraded its "Inclusive Nutrition Plan" by not only donating milk to students in poor areas but also carrying out public science communication campaigns on nutritional health to improve nutrition of children in poor areas. To better serve talent and protect employees' rights, Mengniu organized regular employee training and enhanced its employee welfare programs, which accelerated employees' career growth and increased their workplace satisfaction.

We have adhered to "contributing to a more sustainable earth". In 2019, Mengniu increased the percentage of green energy in its energy mix while continuing to reduce its overall energy consumption. In advancing the circular economy, Mengniu continued to promote efficient use of resources by reexamining and refining key control points of product packaging and production with a particular focus on green packaging materials and water recycling. In addition, Mengniu paid sustained attention to animal welfare and environmentally friendly ranch facilities and took action to support the sustainable development of partner ranches. By 2019, a total of 9 factories of Mengniu were recognized as "National Green Factory", leading the industry in green manufacturing demonstration.

China has shown its extraordinary strength in fighting back COVID-19. In the national effort, Mengniu has proudly played its part by, on the basis of ensuring employees' health, taking positive actions in response to the national call for resumption of work and production and helping maintain stable supply and prices of dairy products nationwide during the epidemic. It donated a cumulative RMB740 million in cash and goods, ranking first in the FMCG sector, to provide nutritional support for medical institutions nationwide and medics working on the COVID-19 frontline. Mengniu made donations at the first opportunity to establish a COVID-19 prevention and control emergency materials center in Wuhan, which played an important role in closing the last kilometer of transportation of anti-epidemic supplies. Mengniu introduced five safeguard measures, including prepayment for raw milk and credit granting, to help supply chain partners to cope with the difficult situation brought by the epidemic. In addition, Mengniu co-launched the "Drink Milk Every Day for the Health of All Chinese" initiative, taking practical action to interpret its promise of "A Healthier World", which demonstrated Mengniu's social commitment as a leading national enterprise.

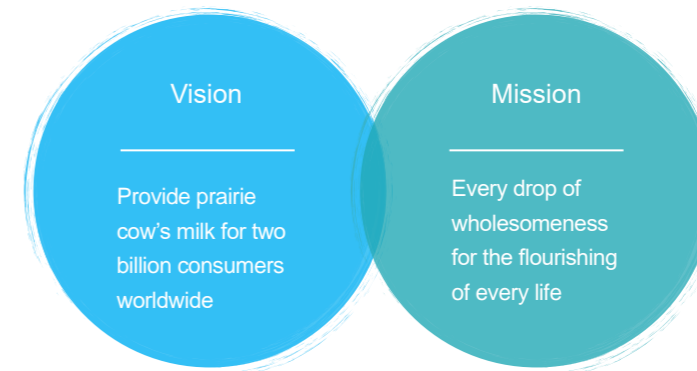
"Idle boast the strong pass is a wall of iron, with firm strides we are crossing its summit." As a world-leading dairy enterprise, Mengniu will remain committed to fostering an ecosystem of sustainable development for the dairy industry as it seeks its own long-term high-quality development. By continuing to produce more nutritious products, guide consumers towards a healthier life, and contribute to a more sustainable earth, we will keep striving to bring more value to our employees, shareholders and all stakeholders and build a better future for all.

## About Mengniu

Established in 1999, Inner Mongolia Mengniu Dairy (Group) Co., Ltd. has its headquarters in Hohhot, Inner Mongolia, the PRC. Mengniu has become the fastest-growing dairy company in China with a sales growth rate of more than 1600 times in 20 years. In 2004, Mengniu was listed in Hong Kong (stock code: HK2319). In 2014, it became the first Chinese dairy stock to be included in the Hang Seng Index. Its top three strategic shareholders are China Oil and Foodstuffs Corporation (COFCO), the largest supplier of diversified products and services in the agricultural products and food industry in China, Danone of France and Arla Foods of Denmark. These companies own 16.3%, 9.9% and 5.3% of Mengniu shares, respectively. In 2019, Mengniu posted close to RMB79 billion in revenue and maintained its lead in the industry in high-end ultra-high-temperature (UHT) milk and chilled yoghurt products. It has securely ranked among the top 10 on the Rabobank Global Dairy Top 20 list for multiple years.

As a leading supplier of dairy products in China, Mengniu focuses on producing nutritious, healthy and delicious dairy products for consumers in all countries. Over the 20 years since its establishment, Mengniu has put in place a diversified product portfolio including liquid milk, ice-cream, milk formula and other products such as cheese under various well-known brands like Milk Deluxe, Just Yoghurt, Champion, Fruit Milk Drink, Yoyi C, Future Star, Shiny Meadow and Deluxe.

## Corporate Culture



## Major awards and achievements



### Social recognition

- Ranking in the top ten on the Rabobank Global Dairy Top 20 list for three consecutive years
- Mengniu won nine awards presented by China Dairy Industry Association, including the Special Technology Invention Award and the Excellent Enterprise Award for Dairy Poverty Alleviation
- Winning the "Climate Leader Plant" presented by the Energy Foundation and China Council for an Energy Efficient Economy (CCEEE)
- Winning the "National Exemplary Enterprise for Excellent Milk Source Management" title at the China Excellent Milk Source & New Pasture Management Model International Forum
- Ranking first in the Dairy CSR Development Index (2019) published by the Center for Responsibility Research of the Chinese Academy of Social Sciences (CASS)
- Mengniu's "Inclusive Nutrition Plan" program winning the Asian Corporate Social Responsibility Award - Social Good Award from Enterprise Asia in 2019 for the third consecutive year
- Winning the "Poverty Alleviation Award of the Year" at the 14th People's Corporate Social Responsibility Awards
- Evergreen Award for Sustainable Development presented by Caijing Magazine and China Alliance of Social Value Investment



### Product recognition

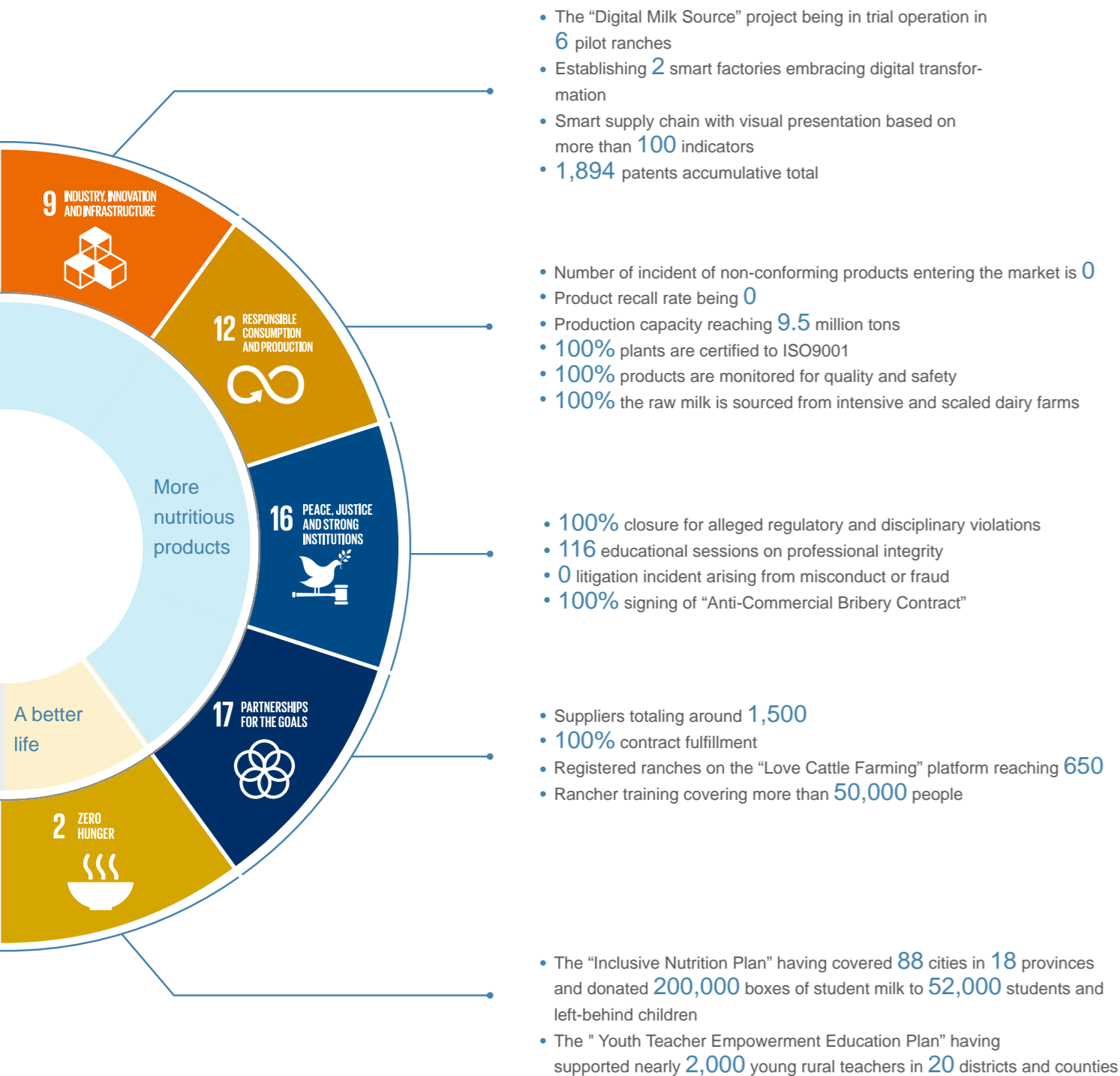
- Milk Deluxe won the gold product award conferred by BIOFACH China for the seventh consecutive year
- Breast milk probiotics Probio-M8 was added to Champion Blue Cap Vigor Bottle series. This type of bacteria is involved in the research and development project "Key Techniques in Precise Screening and Industrialization of Probiotics Based on the Effects of Intestinal Flora". The project was subsequently awarded Top Prize for Outstanding Scientific Research Achievements (Technical Invention) in Higher Education 2019
- Milk Deluxe, Mengniu Nordic Cheese Flavor Yoghurt, and Modern Meadow winning the Outstanding New Product Award at China Children and Women Industry Expo; Shiny Meadow, NINGCHUN, and M-PLUS winning the "Product Innovation Award"
- Shiny Meadow high-quality fresh milk, XinYangDao zero-lactose skimmed milk, Future Star children's organic milk, M-PLUS low-calorie fiber milk shake, and Huanqing high-protein powder ranking among the Top 100 New Consumer Innovation Products at the Global Food & Beverage Innovation Conference (FBIC)
- Yashili International Infant Nutrition Co., Ltd winning the Gold Award and the International High Quality Trophy presented by Monde Selection



### Brand recognition

- Ranking first on the China Brand Power Index (C-BPI) for the lactobacillus beverage industry, published by the Ministry of Industry and Information Technology of China, for ten consecutive years
- Ranking 27th on the BrandZ™ Most Valuable Chinese Brands list and first in Brand Contribution, and being named the "Most Trend-setting Chinese Brand" for the first time
- Ranked among Brand Finance's list of the top 500 most valuable brands in the world
- Mengniu was ranked second on the list of "Most Chosen Brands in China" in the consumer research statistics of Kantar Worldpanel

# Focus on 2019: Highlights of the Year



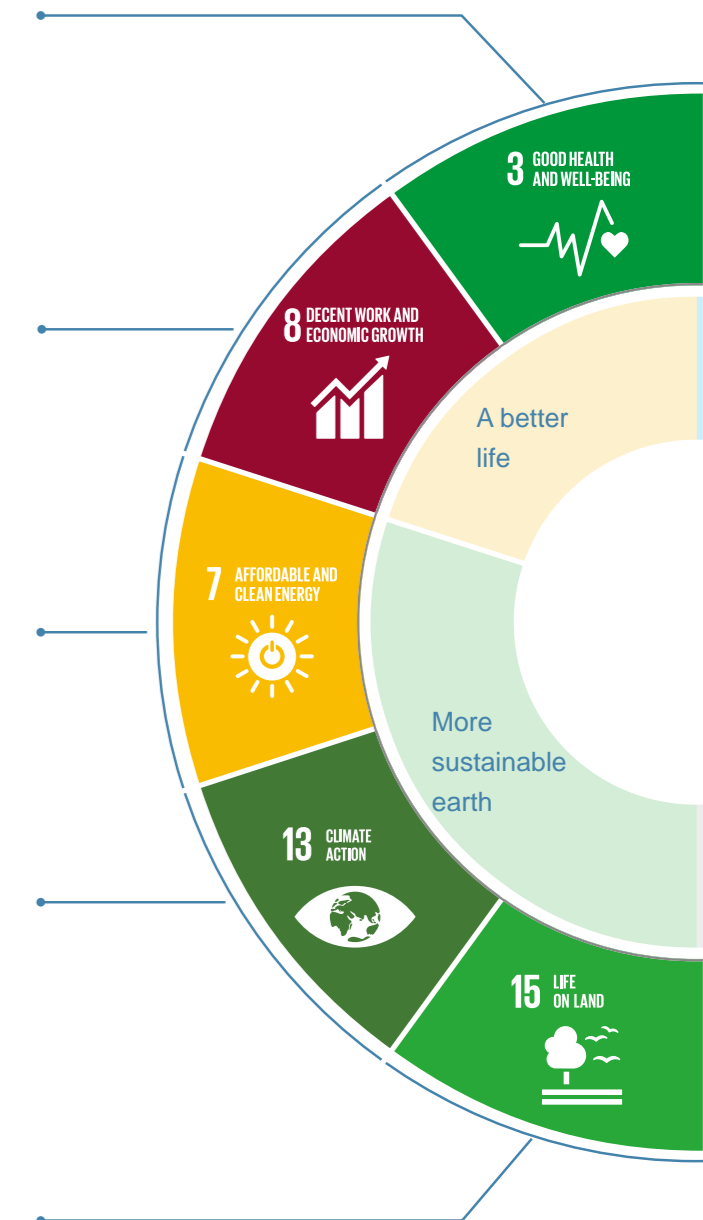
- Number of new products launched **40+**
- Made publish a group of organic products, reduced-sugar products, high-nutrition products and function enhanced products

- Employing **37,894** employees in Chinese mainland, Hong Kong, Oceania and Southeast Asia
- 100%** employee training with an average of **66.30** hours of training per employee

- Built **9** "National Green Factory" till the year of 2019
- Annual standard coal saving **7,169.83** tons
- Annual water conservation **1.374** million tons
- Establishing a biomass boiler with a capacity of **20** tons of steam, with green energy use accounting for **8.72%**
- 4.83** million kWh of solar power generated
- 320,000** tons of steam production from biomass energy

- Phasing out a total of **23** coal-fired boilers with a combined capacity of **284** tons of steam
- Completing dephosphorization, denitrification, and deodorization of **eight** sewage treatment plants
- Reducing **4,803.23** tons of carbon dioxide emissions

- 100%** training on the animal welfare system for all ranches
- RMB**350** million in support funding of ranch facility improvement
- More than RMB**7.5** billion in funding for Ulan Buh Desert ecological conservation, **90** million trees planted in Ulan Buh Desert



Feature:

# Industry leader in fighting COVID-19

Since the outbreak of the COVID-19 pandemic, Mengniu, as the “national team” of the Chinese dairy industry, has not only taken the lead in the donation of 740 million yuan, but also taken a series of other proactive measures, including adopting the three commitments on “guarantee on quality, on price, and on supply”. Mengniu was the first in the industry to resume work and production and released five major measures to guarantee purchase, supply, transportation, funding and operations on the upstream. In addition, it joined hands with the Food and Nutrition Health Industry Branch of the National Association of Health Industry and Enterprise Management to launch the Drink Milk Every Day for the Health of All Chinese initiative.

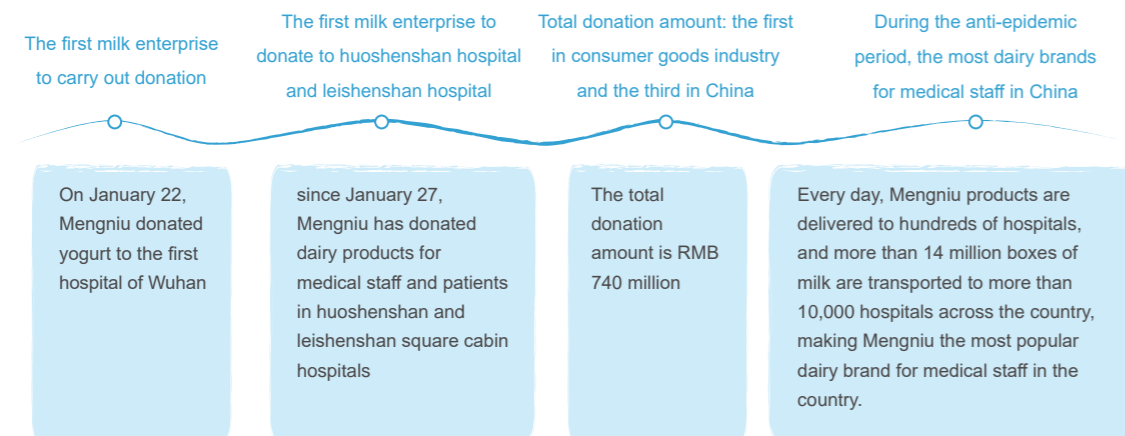
In the face of the COVID-19 pandemic, Mengniu has taken practical actions in fulfilment of its corporate social responsibility as a dairy industry leader.



## Joining hands to fight the COVID-19 pandemic

In the face of the raging virus, Mengniu adhered to the action guideline of “rapid, effective, and thoughtful response” and sent out its first batch of donated supplies on, as early as, 22 January 2020, becoming the first enterprise in the dairy industry to start a donation action. In the following nine days, Mengniu mobilised its factories, logistics, outlets, distributors and overseas partners and made six additional donations. Together with China Modern Dairy, Yashili International, Fuyuan International and ShengMu High-tech Farming — Mengniu donated RMB740 million in supplies to the anti-epidemic frontline.

Mengniu’s donation activities represented the largest and most extensive public welfare action in the history of China’s dairy industry and the entire consumer goods industry. During the outbreak, over ten thousand Mengniu’s employees sent milk to nearly 10,000 hospitals and other epidemic prevention institutions in 31 provinces and municipalities, more than 350 prefecture-level cities, and more than 1,800 districts and counties.



## Care for frontline medical workers



Mengniu maintaining persistent dairy supply during the pandemic

## Establishment of emergency supply centre in Wuhan

On 4 February 2020, Mengniu donated to and operated the China Charity Federation (Mengniu) COVID-19 Prevention and Control Emergency Materials Centre in Wuhan. The centre, with funding support from Mengniu and in cooperation with China Charity Federation and the Blue Sky Rescue Team, greatly facilitated the transfer and distribution of emergency supplies during the COVID-19 outbreak in Wuhan and played an exceptional role in fighting and controlling the COVID-19 pandemic.

On 25 March, the centre was officially closed with mission accomplished.



The center is officially closed with mission accomplished

As of 22 March, the centre had received and distributed

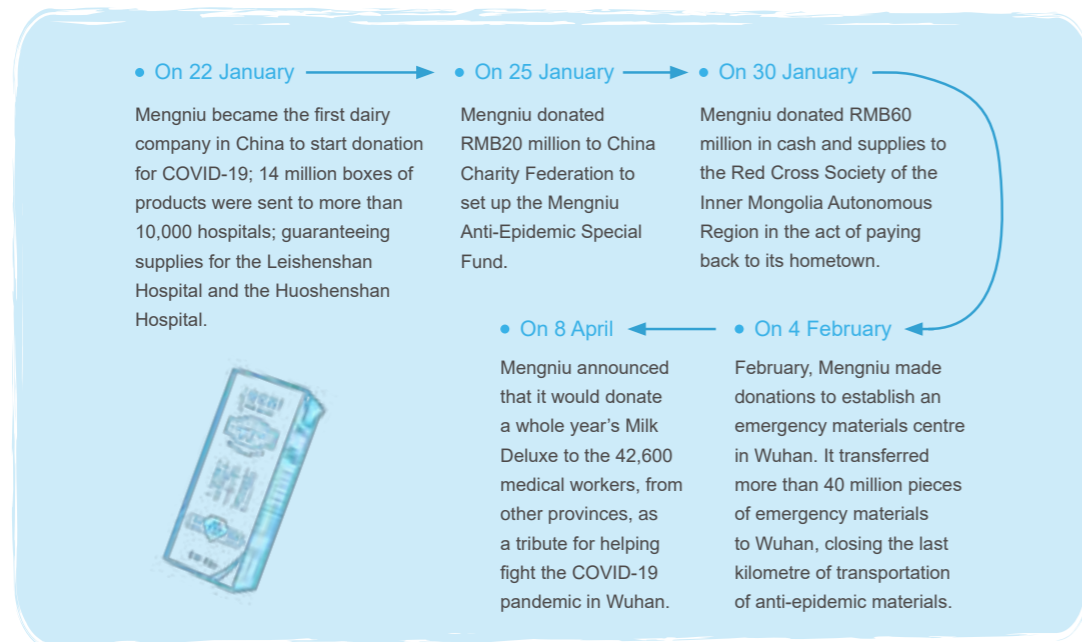
**40.12** million pieces of donated anti-epidemic materials.

### Donation of a whole year's Milk Deluxe for all medical assistance workers from other provinces

On 8 April 2020, the day when the lockdown was lifted in Wuhan, Mengniu made an announcement at the online launch ceremony of "A Little Tribute" — a charity project launched by the National Health Commission. We confirmed to provide a whole year's Milk Deluxe and a lifetime golden membership, free of charge, to all the 42,600 medical personnel from other provinces, as a token of gratitude for their efforts during Wuhan's pandemic fight. The dairy supplies would be shipped to the personnel's homes via SF Express. Mengniu provided the best nutritional support for the medical personnel from other provinces who helped out in the epidemic fight in Hubei Province, by way of paying tribute to their great contribution to the public.



Milk donation ceremony for all medical aid workers in other provinces



### Comprehensive resumption of work and assurance of supply

As a leading enterprise in the dairy industry, from the beginning of the pandemic, Mengniu has taken "no shutdown to ensure production and supply" as its goal to ensure staff safety and maintain product quality and sufficient supply through stable and orderly production. Mengniu's factories in regions such as Inner Mongolia, Anhui, Beijing and Sichuan resumed production as early as on the Chinese New Year's Eve (24 January), laying a good foundation for the resumption of production of all its factories nationwide.

As of 1 April,

all its **41** production bases and **64** factories across the country had resumed production at full steam to ensure normal supply in all regional markets.

### Epidemic prevention and control

During the special period of the pandemic, Mengniu promptly activated the first-level response mechanism. Firstly, based on an adequate supply of raw materials, Mengniu formed a product protection. Then, it devised a reporting mechanism for COVID-19 prevention and control by publishing daily national pandemic updates and related information. To streamline the system, Mengniu has established epidemic prevention and control leading groups where the person in charge of each unit assumes the first responsibility for the epidemic prevention and control work of their unit. They are responsible for making careful arrangements to ensure smooth and orderly daily production and operation.

At the same time, Mengniu identified 15 key tasks for factory quality control during the pandemic and carried out layer-by-layer inspections to ensure that every product from the factory is safe and of high quality.

**Health protection**

In the production process, the factories strictly monitor health condition of its employees through incoming body temperature testing points, regular disinfection and body temperature testing, wearing masks throughout the work time and prohibiting gathering of more than 10 people for purposes including meeting and dining.

**Employee welfare**

In terms of working environment, office areas, production workshops, canteens and other places are thoroughly ventilated and disinfected regularly. Employees are required to dine in canteens on alternate hours.

Mengniu required filing of all construction activities and formulation of epidemic prevention and control plans. It also organised regular health checks, daily monitoring and on-site disinfection; isolated construction workers from employees; set up verification teams in the various business divisions to conduct daily spot checks and ensure effective pandemic prevention and control work in the factory.

### Care for employees

**Health protection**

Home office: Mengniu postponed the return to work. Employees working from home were required to complete work on time with their remuneration and benefits remaining unchanged.

Health management: The company prepared daily health reports for all employees with point-to-point abnormalities reporting within 30 minutes. They issued pandemic prevention manuals to disseminate knowledge of pandemic prevention and provided psychological counselling to employees to ease their anxiety.

Anti-epidemic supplies: Mengniu provided all employees with masks, gloves and other anti-epidemic supplies as well as drugs; and provided returning employees with milk, yoghurt and fruit.

**Employee welfare**

Gift packages for employees' families: The company sent gift packages to the families of employees who were still working from 24 January to 9 February.

Epidemic insurance: Mengniu insured a total of 18,000 sales staff with epidemic insurance.

Travel allowance: The company provided a daily travel allowance for employees who are required to perform their duties at the office site during the pandemic.



### Assurance of supply

As a leading dairy company, Mengniu issued a commitment letter on 1 February 2020, to participate in the Three Guarantees action, taking the lead in resuming work to safeguard people's health and consumer rights, and maintain the stability of the market through the vigorous Guaranteeing Quality, Price and Supply initiative.

Mengniu took the lead in launching an early warning mechanism for products soon to expire to ensure the freshness of products during the outbreak and after the resumption of work. The company strengthened the coordination between its nationwide logistics, distribution system and its factories to ensure supply across the regions. Through all these efforts, Mengniu ensured that its products were distributed to consumers through online and offline channels in a timely way at stable prices.

During the pandemic, Mengniu adopted a variety of measures to ensure the daily milk supply was unaffected, particularly for Hubei residents. In addition to guaranteeing the supply for outlets, supermarkets and other retail channels, Mengniu collaborated with partners to train store salespersons in online sales. This way, the company expanded the scale of distribution and improved delivery, so that Hubei residents could buy its milk products conveniently from home or in their communities.



Mengniu self-service sales points

### Stabilise confidence and protect the upstream

The COVID-19 outbreak happened at a peak time of cow calving and yield recovery, creating a challenging situation of declining consumer demand and increasing milk supply. Mengniu responded proactively by taking five major measures - ensuring purchase, supply, transportation, funding, and operations. This measure boosted the confidence of the industrial chain upstream, ensured the regular purchase of fresh milk from dairy farmers, maintained the normal operations of ranches and supported the development of the dairy industry.

#### Ensure supply

•Mengniu cooperated with supply chain partners on the Love Cattle Farming platform to ensure stable prices and timely supply of fresh raw milk and support the normal operations of the ranches. Through the platform, Mengniu ensured the supply of 50,000 tons of materials and the provision of more than RMB30 million worth of free materials in February.

Through negotiation with suppliers, Mengniu secured stable raw material prices, with some materials supplied at 3-5% off market prices, providing more than 30,000 tons of more than 30 urgently needed ranch supplies in five categories for over 1,000 cooperative ranches.

#### Ensure funding

Mengniu offered financial support for cooperative farms, including low-rate loans, earlier payment and delayed deduction, to alleviate their pressure.

Mengniu granted RMB3 billion in short-term, interest-free loans, which are expected to bring more than RMB30 million of operating cost savings for the cooperative ranches.

Mengniu's Love Cattle Farming platform secured RMB10 billion in the credit line for cooperative ranches in 2020 in cooperation with banks and financial institutions such as COFCO Capital, Tencent and Linklogis, to support stable operations.

#### Ensure purchase

Mengniu purchased fresh raw milk from the ranches in accordance with the previous contracts signed with them to protect the interests of the dairy farmers.

#### Ensure transportation

Mengniu cooperated with the government, dairy associations and logistics partners to address vehicle shortage and impeded access to ensure that pasture forage "can be shipped in" and raw milk "can be sent out" by adding over 10,000 tons of transportation capacity through more than 300 vehicles.

#### Ensure operations

•Mengniu provided ranches with technical support, helping them optimise feeding formula, adjust herd structure, reduce procurement costs and implement lean operation management to reduce cost and increase efficiency.

Mengniu developed the *Ranch Guide to COVID-19 Prevention and Control* and engaged experts to conduct online technical lectures, which has received more than 6,000 views.



Mengniu maintains normal purchase of fresh raw milk from dairy farmers



## Drink milk every day to protect health

Mengniu took concrete actions to protect the health of healthcare workers and call on people to strengthen their physical wellbeing to lay a good foundation for the common war against the pandemic.

On 8 February 2020, the National Health Commission issued the *Dietary Guidelines on Nutrition for the Prevention and Treatment of COVID-19 Infections*, emphasising the importance of milk and milk products in enhancing immunity. Mengniu, playing its role as a dairy industry leader, made proactive efforts to popularise and implement the dietary guidelines.

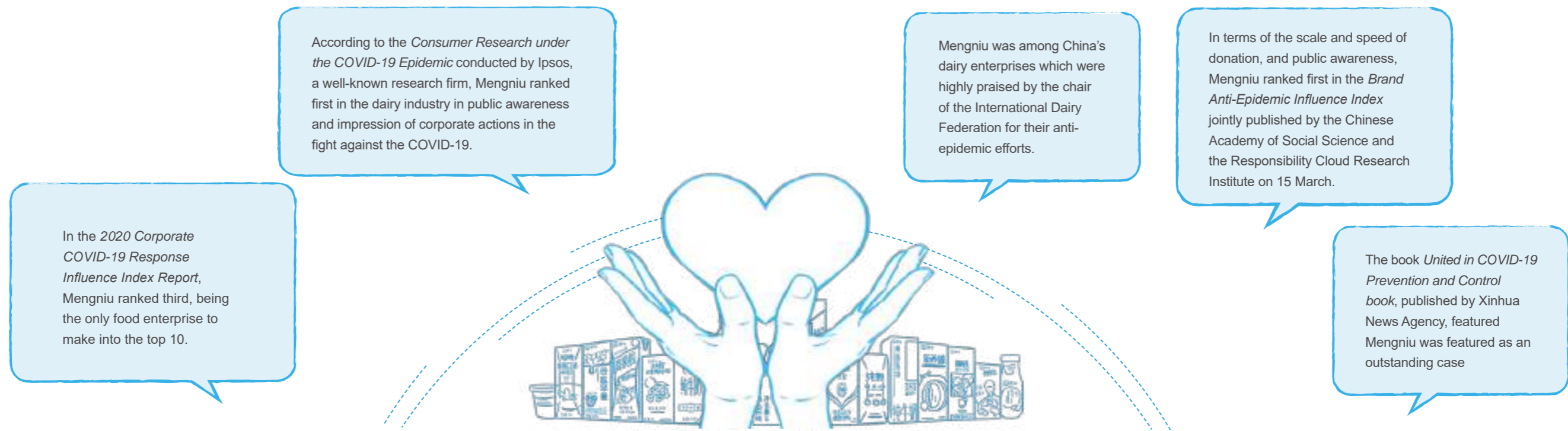
On 15 February 2020, Mengniu together with the Food and Nutrition Health Industry Branch of the National Association of Health Industry and Enterprise Management launched the Drink Milk Every Day for the Health of All Chinese initiative. This initiative guides on the appropriate intake of milk and dairy products, especially those containing probiotics, that can help improve the intestinal microecology and COVID-19 disinfections.

On 26 February 2020, the National Association of Health Industry and Enterprise Management, Chinese Nutrition Society, Dairy Association of China, and China Dairy Industry Association jointly released the *Milk and Dairy Products Consumption Guidelines for Chinese Residents*, which recommends a daily intake of 300g of liquid milk or other dairy products with the equivalent amount of protein. Mengniu Group, as China's dairy industry leader, participated in the formulation of the authoritative document, doing its part to promote healthy dietary habits in general and well-informed consumption of milk and dairy products in particular in China as the country fights the COVID-19 epidemic.



In the extraordinary period, Mengniu stood up and fought the epidemic resolutely, which not only demonstrated Mengniu's determination to drive the industry to actively fulfil its social responsibility, but also showed Mengniu's firm belief in the revitalisation of China's dairy industry and its commitment to Promise a Healthier World. Over the four months since the outbreak, Mengniu has won widespread praise from healthcare workers, charities and the public through a series of initiatives.

### Mengniu receives accolades for its outstanding epidemic response



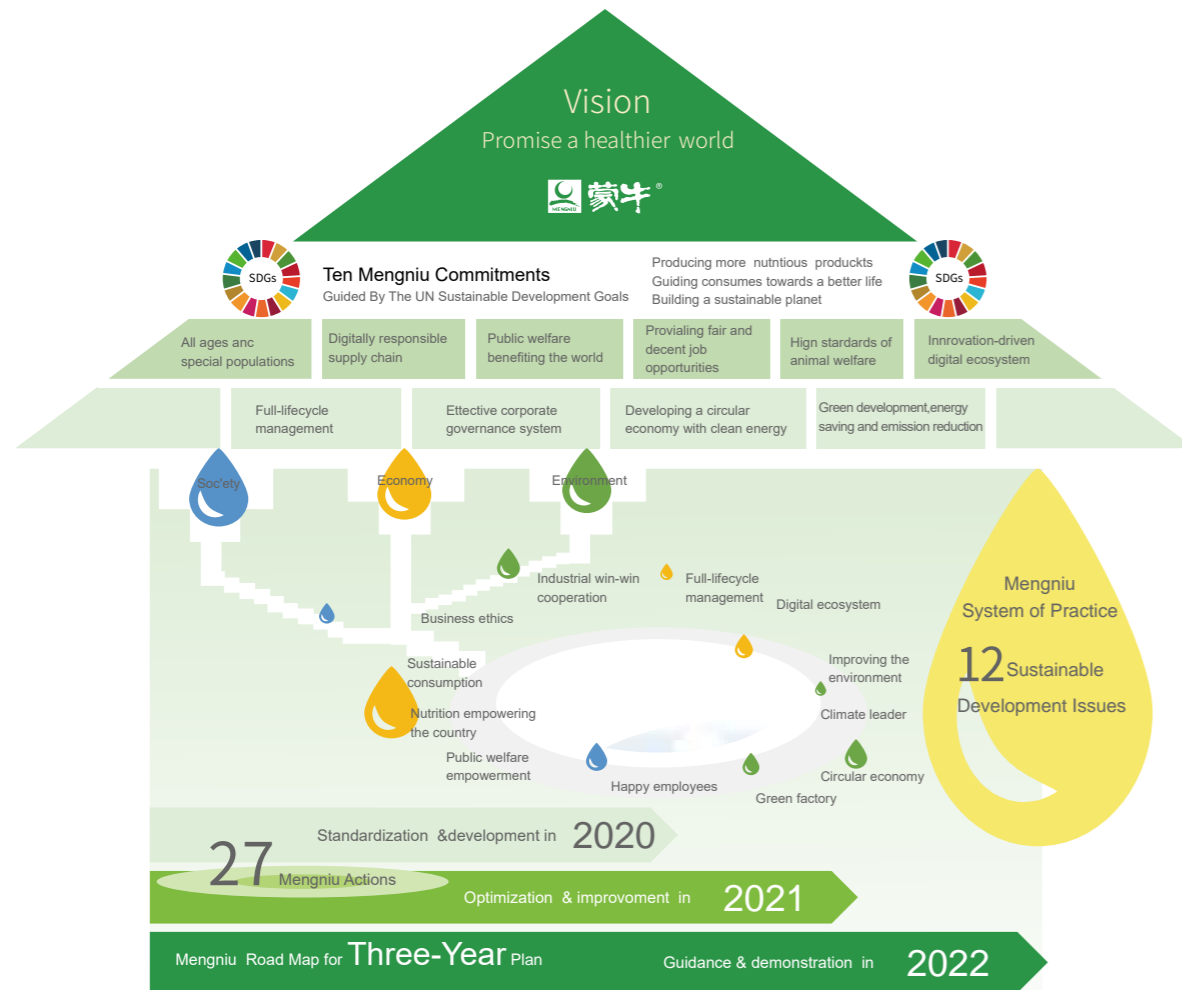
# Sustainability Management

As a leading dairy company in China and responsible corporate, Mengniu is making unswerving efforts to achieve the sustainable development goal of producing more nutritious products, guiding consumers towards a healthier lifestyle, and building a sustainable earth for human beings.

- ◆ Sustainability strategy
- ◆ Sustainability governance system
- ◆ Stakeholder engagement
- ◆ Materiality analysis



# Sustainability Strategy

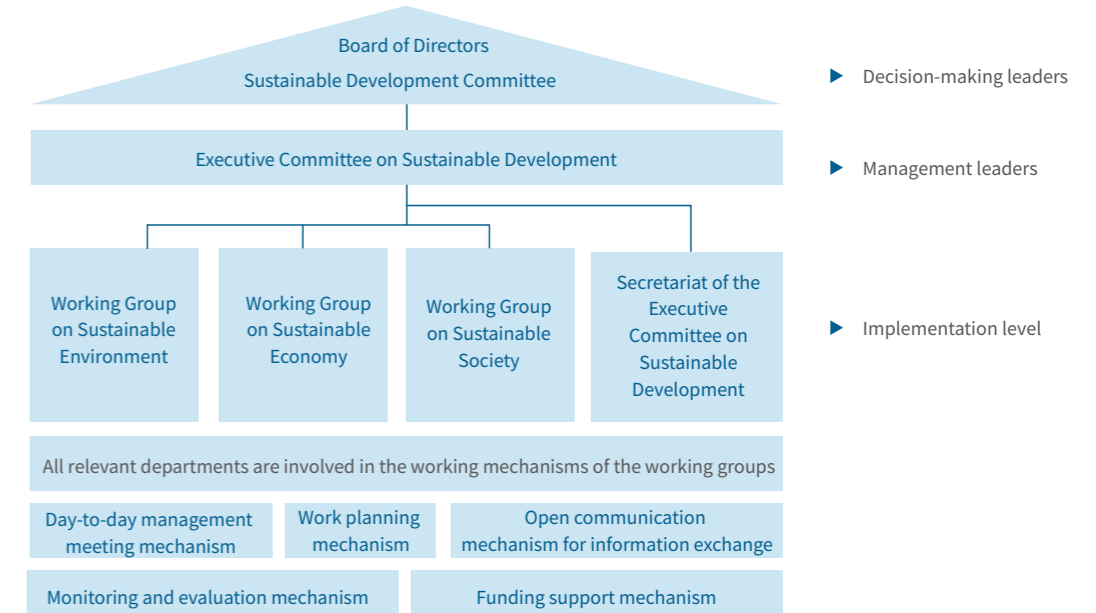


Guided by the vision of "Promise a Healthier World", Mengniu's sustainability strategy is committed to achieving more nutritious products, a better life, and a more sustainable planet. We have announced our ten sustainability commitments covering economic, social and environmental dimensions in alignment with the United Nations 2030 Sustainable Development Goals with a view to building a company-wide sustainability development system which includes 12 sustainable development issues and 27 actions. Mengniu will combine its core business strengths to create sustainable value for all stakeholders.

## Sustainability governance system

In order to better promote the implementation of Mengniu's sustainability strategy and strengthen the management of matters related to the Company's sustainable development, the Company has set up a three-tier sustainable development management system with the Sustainable Development Committee, the Executive Committee on Sustainable Development and the Sustainable Development Working Group as the core, which are respectively responsible for the decision-making, management and implementation of the Company's sustainable development. The Corporate Affairs Department and the Finance Department, which serve as the secretariat of the Company's Executive Committee on Sustainable Development, are responsible for the management of the Company's daily affairs of sustainable development and the deployment of corresponding resources.

Three-tier sustainable development management system



### Decision-making leaders

Mengniu at its Board of Directors meeting on August 28, 2019 approved the establishment of the Sustainable Development Committee, with members comprising main board members including LU Minfang, Tim Ørting Jørgensen, Pascal De Petrini, and Yau Ka Chi. The Sustainable Development Committee is the highest decision-making body of Mengniu's sustainability work and responsible for determining sustainability policy, reviewing key internal ESG management data and external disclosure data, ensuring assessment and response to the Company's sustainability risks and opportunities, overseeing important ESG-related matters, planning and reviewing the annual sustainability reports, and developing and signing the life of the board, among other responsibilities.









### Management leaders

The Sustainable Development Committee of Mengniu has an Executive Committee on Sustainable Development with its members comprising main management members which is authorized by the Board of Directors to be responsible for the management and strategic advancement of all sustainability matters within the Group. The specific responsibilities of the executive committee include: developing sustainable development plans, reviewing and assessing the effectiveness of sustainable development implementation, promoting the improvement of sustainable development risk management systems, and continuously optimizing the Company's sustainability policies and initiatives.

### Implementation level

Mengniu's Sustainable Development Committee has three working groups on sustainable development, which focus on sustainable environment, sustainable economy, and sustainable society, respectively, and with relevant departments serving as members to carry out specific tasks of each group. The sustainable development working groups are responsible for assistance in the preparation of reports, formulation and implementation of work plans, communication with stakeholders, communication and training, and summarizing and reporting on the operation of the sustainable development system and the achievement of targets.

# Stakeholder engagement

Stakeholders	Common goals	Communication and response channels
 Shareholders and investors	Preventing business risks Maintenance and appreciation of asset value New markets and opportunities Robust growth in investment returns	Annual report, interim report and announcements Roadshows Special meetings Investor relations website
 Government and regulatory bodies	Compliance Paying tax in accordance with the law Contributions to local economic development	Supervision and assessment Proactive tax payment Special meetings
 Consumers	Providing high-quality products Comprehensive customer service Smooth communication channel Diversified Products Selection	Company Weibo & WeChat Transparent factories Interaction Consumer service hotline
 Suppliers	Open, fair and just procurement Integrity and honesty Information confidentiality	Supplier meetings Supplier assistance Supplier training
 Distributors	Mutual benefit Shared growth	Distributor meetings Distributor satisfaction surveys Decision management committee Customer communications platform
 Environment	Environmental protection Low-carbon production	Government's environment related information communication platform Company Weibo
 Employees	Health and safety Salary and benefits Career development platform Work-life balance	Management communication emails Worker's Congress Training and communications
 Communities	Promoting employment Driving local economic development Poverty alleviation	Increase employment Drive local development of related industries Local infrastructure construction Targeted poverty alleviation Charity

# Materiality analysis

In order to truly understand the expectations and concerns of stakeholders and respond to the appeals of stakeholders in a timely manner, the Company organized stakeholder communication and materiality analysis of their concerns and appeals to identify material issues that are highly relevant to stakeholders and the Company's sustainable development, and effectively communicated and responded to the expectations of different stakeholders.

Our materiality analysis process was as follows:

**Identification:**

According to the Company's priorities, industry characteristics, and social responsibility standards, we established the Company's repository of sustainability issues.

**Research and interview:**

We conducted surveys on key stakeholders such as shareholders, consumers, suppliers, and communities to identify their concerns.

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**Screening and assessment:**

Issues were screened based on global sustainable development goals, degree of stakeholder attention, and importance to Mengniu.

**Review and confirmation:**

The Company's management and experts reviewed and selected the material issues for disclosure.

Mengniu's ESG Materiality Matrix in 2019



# Corporate governance

In its efforts to continuously improve its corporate management system, Mengniu has set up a diversified governance structure and clarified the rights and responsibilities of each level and the decision-making process. We emphasise on risk management and adopting high standards of business ethics to ensure efficient and sound operations, and lay the foundation for us to achieve sustainable development.

- ◆ Corporate governance
- ◆ Risk management
- ◆ Business ethics

16 PEACE, JUSTICE  
AND STRONG  
INSTITUTIONS



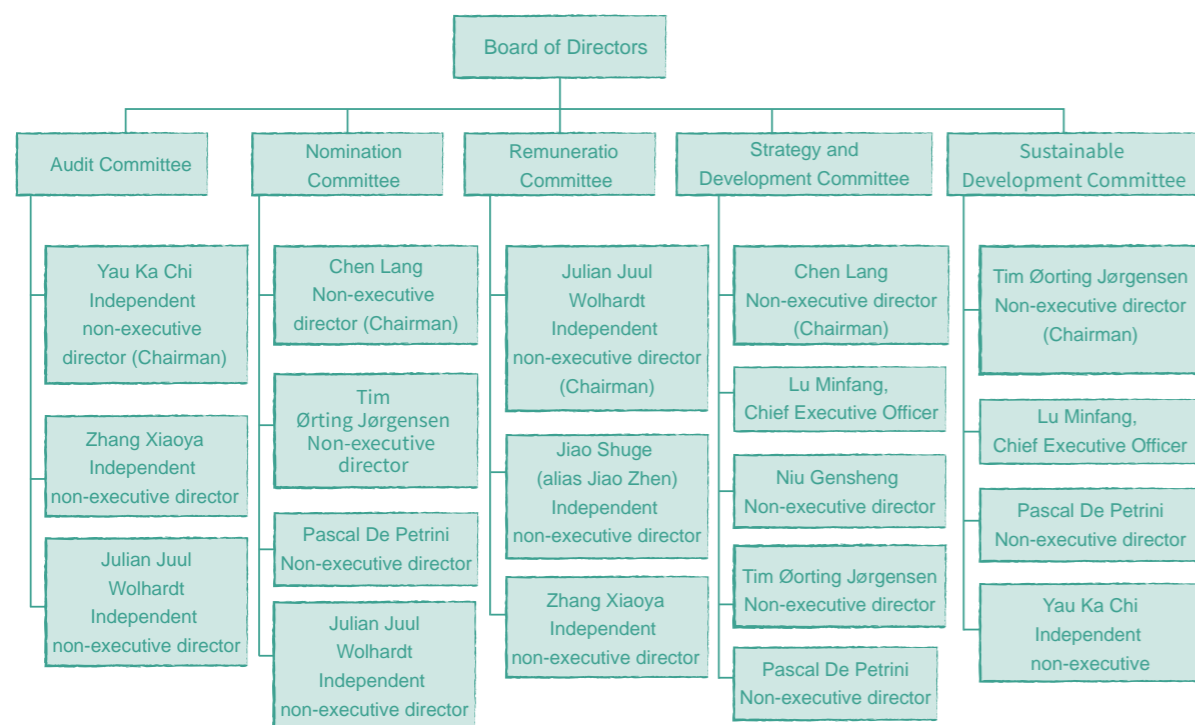


## Corporate governance

With the help of three strategic shareholders of China COFCO, France Danone and Denmark Arla Foods, Mengniu has established a pluralistic governance structure to fully mobilise resources on all fronts to coordinate and improve corporate governance.

The Board of Directors consists of 10 directors, including two executive directors, four non-executive directors and four independent non-executive directors. The board is primarily responsible for formulating the overall strategy and policies of the group, setting objectives for performance and management, assessing business performance and monitoring management performance. The Board of Directors has five board committees: Audit Committee, Remuneration Committee, Strategy and Development Committee, and Sustainable Development Committee. The board committees examine the specific affairs of the board and assist it in fulfilling its duties to ensure that the company's decisions are rigorous and efficient. Mr. Lu Minfang is the company's CEO and executive director.

Structure of the Board of Directors of Mengniu



In 2019, the Investor Relations Department maintained effective interactions and communications with the capital market through various ways including email, teleconferences, and face-to-face meetings. During the reporting period, the Company participated in 16 large investor events and conducted more than 200 investor meetings and seller-side analyst meetings and 21 ESG teleconferences. It maintained smooth communication with the capital market through various channels and continued its efforts to increase transparency as a listed company and achieve the steady improvement of the Company's inherent value and its performance in the capital market.

## Risk management

Mengniu is committed to sustainable business growth by developing and implementing a rigorous and comprehensively thought out risk management system and internal control system with scientific and effective division of responsibilities. The risk management system has three lines of defences - various business units serving as the first line of defence; the Risk and Internal Control Management Committee (hereinafter referred to as "Risk Control Committee"), the Risk Management Department and the various departments with a supervisory function serving as the second line of defence; the Internal Audit Department and the Discipline Inspection Department serving as the third line of defence.

The company has a risk management structure that consists of the Risk Management Committee, Risk Management Department and the risk management officers of the various business units. In addition, this structure clarifies the responsibilities of each risk management unit. Through complying with the risk management framework under the Committee of Sponsoring Organisations of the Treadway Commission and by way of introducing external consultation bodies for providing guidance and training on risk management and advocating the culture of risk management, the company has gradually enhanced the professional standard of the risk management staff.

The company has established a comprehensive risk management framework based on its Risk Management Regulations, six detailed rules of risk management, and basic norms and related management procedures. The Risk Management Department organises various business units and functional departments every year to identify and analyse risks accurately, in seven aspects, including the group's strategies, market, finance, operation, law and compliance, quality and food safety as well as sustainable development. The department focuses on the control over the significant risks at the group level and the business division/function level. It has also formulated appropriate risk response strategies to effectively reduce and avoid the adverse impact brought by such significant risks to the group's strategic objectives, operation objectives and sustainable development.

### Case: Sustainability risk management – environmental risk map

In 2019, we developed an innovative environmental risk map based on risks identified through research and field visits to Grassroots Enterprises. This risk map covers the main ecological and environmental risk points of factories and ranches at the current stage and classifies the risks into four risk levels and eight risk categories including wastewater, waste gas, manure, monitoring, solid waste, noise, radiation and management. It systematically encompasses all the existing environmental control factors and achieves visual level and category-based management. Based on the risk map, we coordinated the various units to address the risks and improve management with tracking of the entire rectification process. The risk map focuses on the inherent risks the company faces currently. Those actual risks are strongly related to the effectiveness of management. The company will continuously update the risk map dynamically to consolidate its environmental management foundation.

## Business ethics

Mengniu strictly abides by the laws and regulations of each place where it operates, including the *Supervision Law of the PRC*, the *Contract Law of the PRC*, the *Company Law of the PRC*, the *Anti-monopoly Law of the PRC* and the *Law of the PRC Against Unfair Competition*, among others, in the Chinese mainland. It has formulated relevant policies and systems such as the *Senior Management Code of Conduct*, *Ten Regulations on Management Integrity and Self-discipline*, and *Administrative System for Discipline Inspection and Supervision*, clarifying the company's anti-corruption policies, including violations, ways to deal with violations, and ways of auditing, etc. All Mengniu subsidiaries must implement these policies accordingly. In 2019, Mengniu had no litigation caused by unfair competition.

Mengniu has set up the Department on Discipline Inspection and Supervision to manage various business ethics and corruption issues. The Group Discipline Committee directly appoints the heads of the discipline inspection departments of the four business divisions of room temperature products, chilled temperature products, ice products and fresh milk products, and Mengniu's three holding companies — Yashily, Junlebao and Bellamy's. The *Administrative System for Discipline Inspection and Supervision* specifies the matter given below:



- It is expressly prohibited for employees to receive any form of kickbacks, intermediary fees, favours and the likes in the course of business activities. In 2019, there were no incidents involving facilitating payments or evacuation fees, no political contributions or lobbying to governments or political parties in China or other countries, and no contracts with governments.

- Mengniu employees are strictly required to abide by business ethics and labour discipline. In accordance with the *Administrative System for Discipline Inspection and Supervision*, acts that violate organisational and personnel disciplines, such as provocation and fight during work and falsification, are punishable with actions including warning, dismissal and cancellation of the labour contract, depending on the severity of the cases.

- The company signs business contracts with all suppliers (including contract security providers) based on fairness and impartiality, and sign an *Anti-Commercial Bribery Agreement* that binds employees of both sides.

## Complaining and whistle-blowing

The company's Department on Discipline Inspection and Supervision is responsible for investigating and handling reports of various violations, misconduct and corruption.

### The whistle-blowing channels

- The company's website: The whistle-blowing channels (including telephone and email) are made public.
- Official WeChat account: An anti-corruption module was added to the Mengniu Voice column, announcing whistle-blowing methods and scope of acceptance.
- Anti-Commercial Bribery Agreement*: The company signs an *Anti-Commercial Bribery Agreement* with a supplier, announcing the whistle-blowing methods.
- Major meetings: Notices are issued at major meetings annually such as customer meetings and employee meetings to announce the whistle-blowing methods.
- Daily education: Whistle-blowing methods are announced during internal anti-corruption training.
- Typical case sharing: Every year, the company issues two circulars of typical cases on discipline inspection and supervision, which announces the whistle-blowing methods.
- Bidding: The company announces whistle-blowing methods before the bid opening meeting.

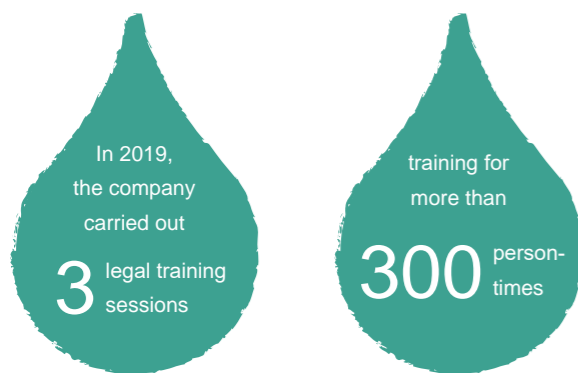
### Whistle-blower protection

The company clearly stipulates, in the *Administrative System for Discipline Inspection and Supervision*, that the Department on Discipline Inspection and Supervision strictly keeps the whistle-blower's name, employer, home address and other relevant information and the content of the report confidential. It is strictly forbidden to transfer the report materials to the reported department or the reported person, and unrelated persons may not transcribe, copy or destroy the report materials. When the Department on Discipline Inspection and Supervision accepts the report or verifies the report with the whistle-blower, it shall ensure the personal safety of the whistle-blower and not publicly expose their identity. In promoting and reporting rewards for a whistle-blower with merit, the company shall not publicise the name and department of the whistle-blower except with the consent of the whistle-blower.

### Complaint handling

After receiving whistle-blowing reports from members of the public and clues of misconduct referred by relevant departments, we will verify the facts and, if justified, initiate investigations in accordance with applicable rules. After the conclusion of investigations, we will announce the results, propose punitive actions against the persons found guilty and refer the cases to the Human Resources Department for implementation.





## Anti-unfair competition

Mengniu has always attached significant importance to anti-unfair competition work, complied with relevant laws and regulations. The company has also emphasised and actively taken various measures to ensure that the group's business activities do not violate any provisions of the *Law of the PRC Against Unfair Competition*.



### Strengthening proprietary innovation awareness through training

Mengniu conducts legal training for the group's key business divisions at least once a year to enhance their legal awareness in the areas of trademarks and public relations.



### Strict quality inspection

Mengniu has amended its *Intellectual Property Management Measures*, *Advertising Slogan and Trademark Review System* and other departmental systems. The company requires the relevant business units to subject their promotional acts and activities to legal review to ensure fair and proper market competition.

## Building a culture of integrity

Mengniu attaches importance to business ethics, anti-corruption publicity, and education and training to build a culture of integrity. In 2019, Mengniu's discipline inspection system organised a total of 116 integrity warning education sessions, covering more than 17,777 employees, including a total of 30 hours of anti-corruption training for six directors. In addition, we had interviews with newly appointed senior management members and required them to sign a statement on professional integrity; gave relies on the professional integrity of 6,278 managers; conducted integrity review of 750 employees selected for honours and recognitions; established comprehensive professional integrity records for 209 middle and senior management members.

In 2019, Mengniu Group formally joined the Trust and Integrity Enterprise Alliance<sup>1</sup> and worked together to build a corporate integrity ecosphere through internet-based IT means and big data analysis while sharing information and having communication with other alliance members.

<sup>1</sup>Trust and Integrity Enterprise Alliance: This alliance was initiated by JD.com and jointly founded by leading enterprises such as Tencent and Meituan and the Research Center of Criminal Jurisprudence of Renmin University of China. It aims to leverage internet means to jointly build a security wall against corruption, fraud, counterfeiting and information security crimes, and foster a clean and transparent business environment.

We have a pre appointment reminder talk with **6** senior executives and signed a letter of commitment for integrity,

The honest reply was made to the employment of **6278** managers

Audit the integrity of **750** candidates

Established and improved the integrity files for **209** middle and senior managers in the functional departments



## Economy: More nutritious products

Putting consumer at the centre and continuously pushing innovation and digital transformation, Mengniu is committed to providing a full range of high-quality, world-class products to global consumers. The company will achieve this by combining superior milk sources, R&D and technology resources worldwide to become a global dairy leader known for outstanding products.

- ◆ Superior quality
- ◆ Research and innovation
- ◆ Win-win with industrial chain partners
- ◆ Digital Mengniu
- ◆ International presence



## Superior quality

To establish an exceptional quality management system, Mengniu involves all staff, processes and the entire industrial chain to apply the strictest standards for full compliance in all respects. In 2019, Mengniu had zero cases of food safety accident, product recall and product labelling violation.

### Quality assurance

Mengniu comprehensively implements the Food Safety Law of the PRC and the Product Safety Law of the PRC and continuously strengthens the compliance awareness of all actors within their scope of responsibility. It has formulated an internal food safety management system to enforce strict product quality management.

In 2019, the company issued the Food Safety Review Management Plan and introduced a series of new rules including the Food Safety Equipment Configuration Management and New Plant (Production Line) Access Management System in efforts to improve its management system continuously. In 2019, the company passed a total of 372 Quality and Food Safety Management System certifications with a 100% passing rate, which comprehensively validated its quality management system. At present, Mengniu has a total of 64 factories certified under the ISO 9001 system, with a 100% passing rate.

In 2019, Mengniu carried out the Quality and Safety Management System 3.0 project to promote lifecycle quality management of supply and procurement. We examined procurement and supply quality management on the four dimensions of the entry, use, improvement and optimisation, and identified a total of 26 key quality management activities. The group laid out the elements, rules and standards of quality management activities for all business divisions and functional departments, putting their quality management activities on a solid institutional basis. In addition, we have established an industrial chain safety and quality risk management mechanism, which covers the key processes of food quality management, advancing our commitment to gradually building an international food safety management system.

In 2019, the company passed a total of

**372**

Quality and Food Safety Management System certifications with a

**100%**

passing rate

Mengniu has a total of

**64**

factories certified under the ISO 9001 system

with a

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passing rate

### Strict raw material management

In 2019, Mengniu developed a standard process of supplier selection for the entire industrial chain and put in place a lifecycle quality management framework for raw and auxiliary materials. To strengthen management, the group has intervened in the selection management of raw and auxiliary material suppliers and powdered milk OEMs and implemented a review of the milk suppliers, material suppliers, OEMs and promotional material suppliers selected by the various business divisions. The company is continuously increasing the criteria for raw milk suppliers by introducing an on-site sampling of raw materials and requiring suppliers to pass third-party tests on all indicators. In addition, the company included raw and auxiliary materials in its quality risk management system and standardised the quality performance evaluation of suppliers.

### Strengthened production control

The company continuously strengthens control of internal production. In 2019, it carried out a comprehensive evaluation of quality management of the business divisions to identify areas for improvement and continuously improve quality management. In response to long-standing quality challenges, the company's Quality Department took the lead in organizing various business divisions to carry out special improvement and completed a total of five quality improvement projects throughout the year, which brought the company's quality management to a new level.

To improve the knowledge and skills of managers, Mengniu has established a regulatory training system for food workers covering the industrial chain and all levels. The company has also designed and built learning maps for food safety workers according to their areas of work and ranks.

Case: Industrial chain-wide safety and quality risk management mechanism

To continuously improve food quality and safety management, Mengniu has established an industrial chain safety and quality risk management mechanism benchmarked against internationally leading enterprises in accordance with ISO 9001, FSSC 22000, HACCP, ISO 14001 and ISO 45001. This mechanism covers all processes related to safety and quality of key businesses ranging from farm feed, veterinary drugs, safety and environmental protection management to end markets. The establishment of the management mechanism has given greater clarity and specificity to the processes and principles of safety and quality risk management, and provided assurance for the overall risk management of the company.



2019



### Improvement of testing capabilities

To improve food quality, Mengniu continues to consolidate the standards of product testing and strengthen its evaluation team. In 2019, the group issued the Food Safety Review Management Plan, which unified the food safety review rules for comprehensive monitoring of the end products. During the year, it sampled a total of 2,776 batches of products with a passing rate of 100%, and it received random inspections, from the regulatory authorities, for 17,755 batches of products with a passing rate of 100%. The group has also actively promoted the unified training and certification of quality reviewers and trained a strong force of knowledgeable and professionally competent quality reviewers by establishing rigorous reviewer training standards and certification processes and organising reviewers to participate in centralised training, platform learning, apprenticeship practice and reviewer evaluation. As of 31 December 2019, a total of 55 reviewers had been certified.



### Full traceability management

To ensure that quality and food safety risks can be controlled, Mengniu has formulated the Product Traceability Management System, which divides product traceability into first-level traceability, second-level traceability and industrial chain traceability according to the actual operation and management of the industrial chain, covering the whole process from raw milk to sales outlets. At the same time, to ensure the effectiveness and success rate of traceability, the group, business divisions and factories are required to carry out traceability drills on a grade-by-grade and regular basis. The company listed the success rates of traceability as a performance evaluation indicator for those responsible for production, quality and sales of each unit to ensure the effective implementation of traceability work. Mengniu also uses information management tools, based on the synergistic combination of SAP and LIMS systems, to link information of each business activity through material order management and form a comprehensive traceability chain, creating a digital product traceability system ranging from the suppliers (farms) to the distributors.

### Product recall

Mengniu has developed emergency mechanisms such as Food Safety Incident Management System and Product Recall Management System. These mechanisms classify product recalls into first, second and third level recalls according to the degree of hazard and urgency of unsafe products. They also provide clear provisions on the initiation, implementation, product disposal and summary of recalls at all levels, and set forth requirements for validation of product recall management process. During the reporting period, the company had no food recalls.

### High-quality milk source

The source of milk is the starting point of the dairy industry and is the most fundamental factor of the quality of dairy products. Mengniu extends the industrial chain, strengthens the milk source management, promotes four excellence strategies and continuously improves quality management of dairy farms to achieve quality leadership.

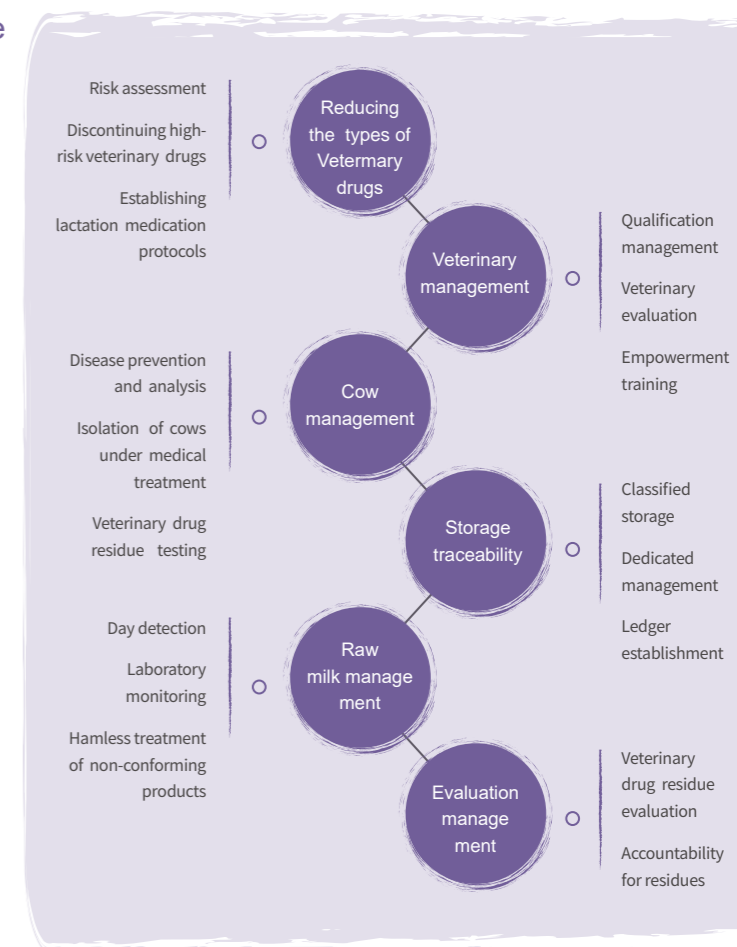
Mengniu has set clear quality standards for partner dairy farms. To help dairy farms improve their independent management capabilities, the company has established the Mengniu Ranch Quality and Safety Management System in conjunction with the ISO 9000 system, which includes eight dimensions (planting management, farm construction, cow raising, milk production, milk storage, milk transportation, procurement management, and monitoring and improvement) and 92 modules that covers the whole process and all elements of dairy farm management. On the technical front, with reference to advanced technical standards for dairy farms and expert advice, Mengniu has set up the Mengniu Standard Operating Procedures for Partner Dairy Farms and the Technical Guidance Manual for Dairy Farm Operations containing a total of 18 modules, 108 second-level modules and 469 key points. These modules cover all aspects including farm design, disease prevention and control, breeding, forage management, herd and milk hall management, guiding the dairy farms to standardise operations and accelerate their transition into modern milk source bases.

In 2019, Mengniu Group's headquarters and regional branches conducted compliance reviews of the actual operational processes of partner dairy farms. For problems and irregularities identified, they set deadlines for rectification and tracked and verified the rectification results.

### Control of veterinary drug use

Mengniu abides by the Animal Epidemic Prevention Law of the PRC and strictly implements animal disease prevention work. It has formulated a comprehensive management system to strictly monitor and manage the use of veterinary drugs (including antibiotics) through professional personnel to control antibiotic residues effectively. The company organises not less than four training sessions, for dairy farmers and veterinarians, in knowledge relating to laws and regulations, safe use of veterinary drugs, and management of cows taking medicine and raw milk. We also require all dairy farms to establish their catalogues of veterinary drugs and update them every month, and conduct targeted milk testing according to actual veterinary drug uses.

In the management of the medication process, we control the risks of veterinary drug use through six main steps:



## Research and innovation

Mengniu brings together global forces to promote basic research and frontier exploration, accelerate product and service updates and iterations, inject new energy into a healthy China, and turn the large country into a strong country in the dairy industry.



### Research collaboration with universities

From its inception, Mengniu has seen the importance of collaborative innovation for long-term development. Over the past 20 years, Mengniu has established a world-leading high-tech research institute and high-intelligence production base, which brings together 16 domestic and international dairy research institutes, including UC-Davis, Cambridge University, Danone, Chinese Academy of Sciences and China Agricultural University. The company has also established three overseas R&D centres with more than 30 R&D partners around the world.

In 2019, Mengniu elevated cooperation and innovation to a higher level by tapping into the global value chain, integrating domestic and foreign high-quality resources, deepening cooperation with industry associations, overseas resources, universities and hospitals, opening postdoctoral workstations, effectively integrating technical resources in universities, and accelerating the transformation of scientific and technological achievements. Through mutually beneficial win-win cooperation, Mengniu has continued to expand its areas of research and develop more tools for the high-quality development of China's dairy industry.

### Extensive cooperation to drive innovation research in 2019

#### Nutrition Research Institute

Mengniu jointly established the Healthy China Nutrition+ alliance with the Chinese Nutrition Society to promote research and development and innovation in a new stage of development.



#### Dairy Research Institute

This institute serves as a scientific experiment base and a platform for the transformation of research results to accelerate the implementation of technical achievements. At present, the institute takes care of the China-Denmark Research and Development Demonstration Farm, the Practice Teaching Base of China Agricultural University and the National Key Laboratory Test Base of Inner Mongolia University. Moreover, it is a strategic cooperation partner of the Global Dairy Research Institute, that works with the National Technical Standard Innovation Base on setting up a quality milk source innovation base.



Mengniu and Inner Mongolia Agricultural University planned to establish a joint lactobacillus innovation laboratory.

#### Cooperation with universities and hospitals

- Mengniu collaborated with China Agricultural University on the development of proprietary strain MN Gup for immune and metabolic disease prevention and mitigation to reach a preliminary five-year strategic cooperation plan.
- Mengniu established a joint laboratory with Inner Mongolia Agricultural University to conduct functional research on the application of Bifidobacterium M8 from breast milk. In the future, the two sides will collaborate on probiotic screening applications to better utilise the unique resources and government support advantages of Inner Mongolia.
- Mengniu collaborated with the Dalian Institute of Chemical Physics of the Chinese Academy of Sciences on the detection of oligosaccharides in breast milk samples from different regions.
- Mengniu collaborated with Peking University Health Science Centre to conduct a research project on the intestinal health of formula-fed infants.
- Mengniu conducted clinical trial research on hydrolysed whey protein with multiple AAA hospitals such as the Chinese PLA General Hospital and Hebei People's Hospital.

## Application of R&D results

In 2019, to focus on R&D in critical areas and optimise the allocation of R&D resources, Mengniu had set up additional special R&D institutions to introduce and foster key talents and advancing R&D work in an orderly manner.

In 2019, Mengniu made significant breakthroughs in basic research, key product processes and packaging materials and received wide recognition, which helped boost its brand influence and product competitiveness.

Our product development follows an iterative process that incorporates consumer feedback in order to provide consumers with the best product experience.

### Main progresses of R&D in 2019

#### Basic research

- Mengniu unveiled its proprietary active probiotic Probio-M8, which won nine heavyweight awards at the Annual Meeting of the China Dairy Industry Association, including the Special Award for Technology Invention.
- Mengniu continued its efforts to collect, isolate and preserve probiotic resources shared by mother and child and ensure that strains are safe, reliable and friendly to the human body.
- Mengniu completed the development and validation of the first breast-milk-derived Bifidobacterium M8 and the space-fostered bacterium, Mn Gup, with M8 contributing to the successful launch of the Champion BB+Pro product.



#### Key products

- Milk Deluxe won the Best Quality Innovative Product Award at the 13th Inner Mongolia International Dairy Expo and Summit, and the National Technical Standards Innovation Base (Dairy Industry) Gold Medal Innovation Project Award.
- The Key Technology Research and Development of Granular Room Temperature Yoghurt of the Just Yoghurt smiling face package series won Special Prize for Technical Invention jointly presented by the China Dairy Industry Association, the International Dairy Federation and the National Technical Standards Innovation Base (Dairy Industry) Gold Medal Innovation Project Award.
- Shiny Meadow fresh milk won the Best Liquid Milk Award at the Innovators' Night awards event of the 2019 Global Food & Beverage Innovation Conference (FBIC).



#### Packaging materials

- Yoghurt cup material replacement (recyclable): In 2019, Mengniu completed the research and validation of PP material blister cup, using a packaging material that is recyclable and more environmentally friendly and cost-effective.
- Gift gasket replacement (recyclable, renewable): Foam gaskets are replaced with recycled paper gaskets, which are both recyclable and cost-effective.
- Non-stick covering film (reducing waste): It uses a special material coating to reduce sticking of milk on the cover.
- Block lid (reusable): The lid is specially designed as a Lego-style block, which can be used in new scenarios. It uses PP material that can be recycled.

### Undertaking national projects

In 2019, Mengniu continued to undertake the National Key Research and Development Program projects for the 13th Five-Year Plan period. It researched on milk fat globule membrane infant formula to comprehensively enhance the trace functional active components in the formula. The project was highly recognised by the Mid-term Inspection Panel of the Ministry of Science and Technology during the mid-term review in 2019 and was selected as an outstanding project and reported to the ministry.

Mengniu was approved in 2018 to prepare for the establishment of the only National Technical Standard Innovation Base in China's dairy industry. In 2019, the construction of the base was carried out in an orderly manner. The company also set up an expert advisory committee consisting of 14 experts, including seven academicians of the Chinese Academy of Engineering, and a second-tier expert committee consisting of 90 expert members from the fields of animal husbandry and veterinary medicine, dairy technology, intelligent manufacturing, testing technology, standards and regulations, and other fields. The first batch of partner organisations involved in the construction of the base has increased from 73 to 88, covering both upstream and downstream enterprises and institutions along the industrial chain. Together, they undertook the national standardisation strategy, led the entire industry into the era of new dairy technology, promoted the transformation of innovative achievements and improved the competitiveness of the industry through technical standards.

### Intellectual property protection

Carrying out independent research and strengthening intellectual property innovation is an important means for Mengniu to connect the industry closely with top research and technical resources. Mengniu strictly abides by relevant state laws and regulations, including the Patent Law, Trademark Law, and Copyright Law while continuously improving their Measures of Intellectual Property Protection and Management, Patent Management System, Intellectual Property Management Program Compilation and Product Innovation Management System. Through group-level policies and procedures, Mengniu conducts patent risk assessment and mitigation through project launching, development and marketing of new products to avoid patent violations, while nurturing a robust IP culture within the group. Through training and effective incentives, Mengniu is committed to steadily improving employees' respect for intellectual property and encouraging the spirit of innovation. In 2019, Mengniu filed 221 patent applications relating to products, materials, processes, and techniques and were granted 120 patents.

In 2019, Mengniu filed

**221**

patent applications relating to products, materials, processes, and techniques and were granted

**120**

patents

# Digital Mengniu



“Behind this cup of milk, there is a whopping 170 megabytes of data, including dairy farm data, production data and logistics data. Industrial chain digitalisation allows Mengniu to milk to 90% of China’s households with the highest efficiency and quality.”

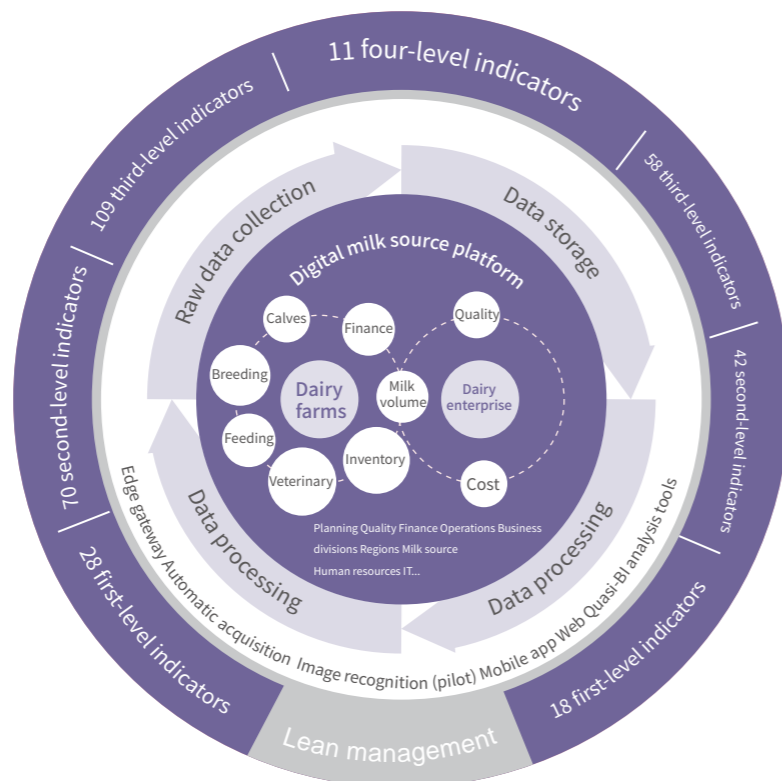
– LU Minfang, Chief Executive Officer, Mengniu



Mengniu takes intelligent supply chain management as a key link of its digital transformation. It combines cloud computing, big data and other technologies to improve coordination along the entire dairy industrial chain and achieve faster growth for Mengniu and all its partners.

## Digital milk sources

Mengniu, in cooperation with Aliyun, has completed the development of Digital Milk Source - Smart Farming management platform framework. This platform framework is a farm operation management solution using IoT devices, cloud computing, big data, artificial intelligence and other information technology. Mengniu’s platform development is based on two pillars - dairy enterprises and ranches. This platform enables the horizontal interconnection of breeding management, health management, milk production management, feeding management, quality management, veterinary medicine management, and dairy enterprise management and operation. The platform also facilitates the integration of dairy enterprises, dairy farms and government-industry coordination.



Mengniu's Digital Milk Source Platform Model

In 2019, as part of its Digital Milk Source project, Mengniu piloted six dairy farms, where the coordination platform provided the dairy farms with more comprehensive data support. The project also helped standardise the farm management process, refine daily operation and refine the cost per kilogram of milk, leading to more efficient dairy farm management and improved performance.

Since its launch, the project has increased operating service efficiency by

25%

management analysis efficiency by

40%

and dairy farm business efficiency by

18%

achieving a substantial increase in dairy farm productivity.

## Smart manufacturing

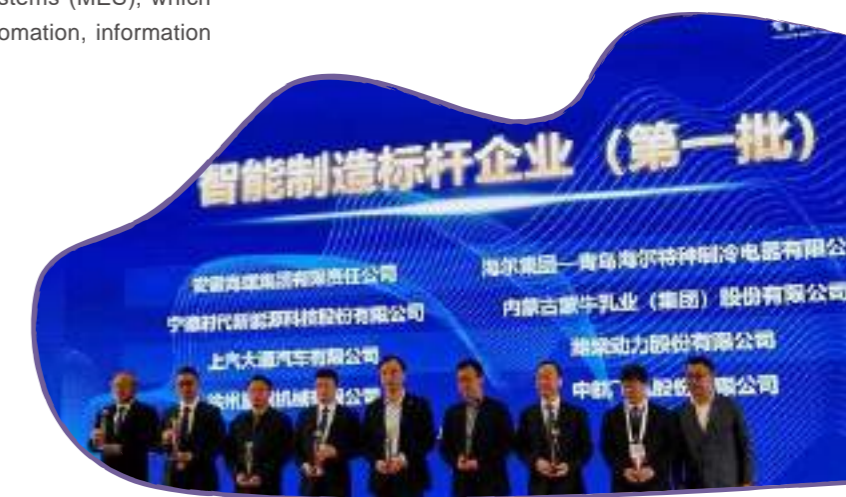
As a pilot demonstration enterprise and a key support unit for intelligent manufacturing of dairy products designated by the Ministry of Industry and Information Technology (MIIT) of China, Mengniu has established two new model factories of intelligent manufacturing and digitalisation in the dairy industry. The two factories, Gaoke and Jinhua plants passed the acceptance inspection of the ministry in February 2019 and received RMB45 million of state support funding to comprehensive promote applications of intelligent manufacturing digitalisation in the factories.

Mengniu’s pilot digital factories are empowered by the integration of an automated operational technology (OT) data acquisition platform and the Manufacturing Execution Systems (MES), which enables sophisticated production, process automation, information digitalisation and management transparency.

Leveraging advanced production processes and scientific management systems, Mengniu’s intelligent manufacturing project became one of the first recipients of the Intelligent Manufacturing Benchmark Enterprise title designated by MIIT of China in October 2019, along with eight other companies, including AVIC Aircraft, Haier Group and CATL. Mengniu was the only enterprise in the dairy industry to receive the distinction.

Since the launch of the system, which continuously digitalises manual reporting, Jinhua plant’s electronic reporting rate has exceeded

33%



Mengniu was among the first companies to receive the Intelligent Manufacturing Benchmark Enterprise title from the MIIT



## Consumer insights

Mengniu and Alibaba signed a strategic cooperation agreement on 7 September 2017, to better respond to the opportunities and challenges under new retail, to further focus on and stay close to consumers' buying scenarios and behaviour through a series of in-depth cooperation and to practice the consumer-centric concept.

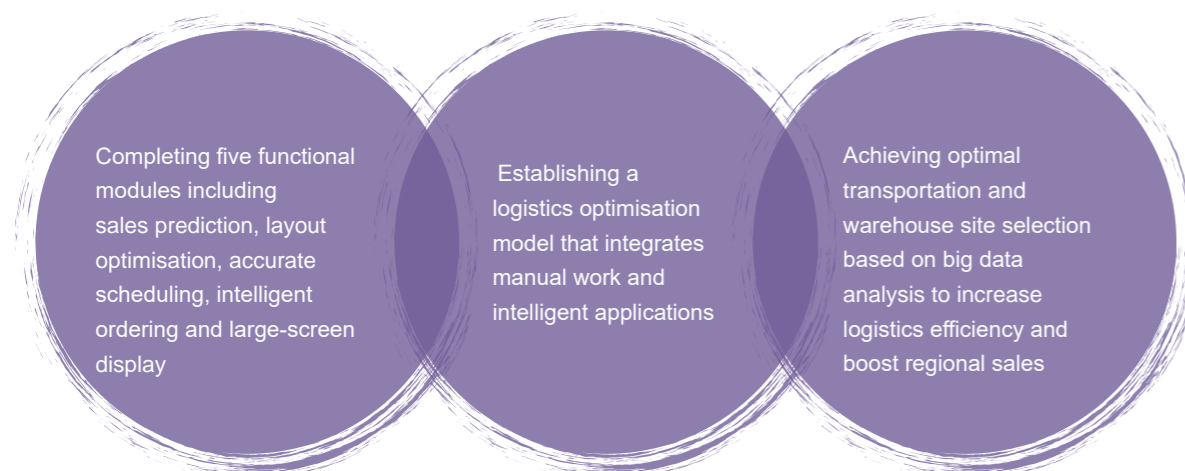
In 2019, Mengniu continued to work closely with Alibaba to build a panoramic consumer insight system that leverages the big data system to promote R&D in order to better suit consumers' needs and enable more accurate market placements. Together, the companies carried out a series of new retail innovation projects driven by data and technology to explore new buying scenarios that appeal to young consumers. These digital explorations on the consumer front have advanced Mengniu's continuous innovation in its business model, R&D and production process, forming a virtuous interactive consumption cycle.

**Mengniu is committed to building a consumer insight system for the dairy information age:**

## Smart supply chain

By promoting intelligent supply chains and establishing data models and data insights, Mengniu has reshaped the new online+offline supply chain model and established a nationwide production network, making the traditional dairy industry lighter and thinner.

After enabling end-to-end coordination of products, information, funds and logistics along the entire supply chain, Mengniu's pioneering digital transformation initiative has put in place a complete industrial chain information platform integrating breeding, planting, procurement, production, storage, sales, distribution and end market. In 2019, the smart supply chain examined and visualised more than 100 indicators and, on this basis, achieved one-stop monitoring of supply chain operations and made breakthroughs in sales prediction, intelligent ordering, accurate scheduling and layout optimisation.





## Win-win with industrial chain partners

Mengniu is committed to creating a pluralistic environment of symbiosis and common development, actively supporting the upstream and downstream partners of the industrial chain, creating a high-quality sustainable supply chain, and sharing the development ecosphere.

### “136 Project” for the revitalisation of the dairy industry

As a leading enterprise in the industry, Mengniu actively responds to the national dairy industry revitalisation policy and takes it as its mission to develop and revitalise the industry. In June 2019, Mengniu, bravely carrying the great banner as the “national team” for the dairy industry’s revitalisation, launched the “136 Project” geared to “plotting out a grand strategy”, constructing “three major service platforms” and implementing “six major linkage initiatives” to achieve coordinated development and make the industry’s revitalisation a reality by enabling sharing of funds, technologies and information resources with dairy farm partners nationwide.



**“136 Project”**

A major initiative to achieve the dairy industry’s sustainable development: In response to the national strategy of milk source development, Mengniu has focused on the advantageous areas to grow the dairy industry from the three aspects of strategic area, strategic scale and strategy leadership. The Group is committed to building a comprehensive presence along the entire industrial chain and achieving win-win development through resource sharing and complementary advantages.

**Establishing three major service platforms to achieve high-quality development of the dairy industry**

<p style="text-align: center;"><b>“Digital Milk Source - Smart Farming” platform</b></p> <p>Information technology and digital transformation are leveraged to drive dairy farm management and enable more sophisticated, more intelligent and more efficient operations.</p>	<p style="text-align: center;"><b>Cow Research Institute</b></p> <p>This is a comprehensive project integrating cow research, technical training, production demonstration, science and technology exhibition, leisure and tourism, and consumer experience. The world’s top technology, resources and experts are combined to provide technical support for the dairy industry’s development.</p>	<p style="text-align: center;"><b>“Love Cattle Farming” centralised procurement platform</b></p> <p>This platform provides a fair, open, equitable and low-cost material procurement environment for dairy farms. It avoids malicious marketing and helps address dairy farms’ underfunding problem.</p>
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Promote six initiatives to link interests and realise the revitalisation and development of the dairy industry: Mengniu promotes the implementation of six major initiatives to link interests, including “financial support, technical services, scientific pricing, contract price, talent training and party building”, to help dairy farms reduce costs, increase efficiency and enhance operations, and to drive the dairy industry’s revitalisation and development.

Through the “136 Project”, Mengniu aims to integrate leading technology, resources and experts around the world and provide strong technical and funding support for the dairy industry’s development so that dairy farms can raise cows without worry.

### Technical support

Mengniu continues to carry out a number of activities such as “University of Ranchers” and “Golden Key of Milk Cow” technical demonstrations and advanced training workshops for dairy farms. So far, it has conducted more than 3,000 training sessions, covering more than 50,000 people with a 100% coverage of dairy farmers, bringing a cumulative benefit of more than RMB1.5 billion for the dairy farms. At the same time, Mengniu’s technical task force has set up 73 “3+1” operation teams nationwide and proposed more than 6,000 improvement suggestions, leading to a significant improvement in the management of the dairy farms.

### In 2019, Mengniu integrated domestic and international industry resources to support dairy farmers

Mengniu, in cooperation with the national cow industry technical system and the “Golden Key” Mengniu Technology Demonstration, held three technology enhancement demonstrations in 2019, which benefited more than

# 600

dairy farmers and helped improve their management.

Mengniu, in cooperation with universities including the China Agricultural University, held a modern dairy farm manager training workshop in 2019 in which

# 100

people participated. We also provided professional talents for dairy farms.

In 2019, Mengniu, in cooperation with the China-Denmark Centre, invited multiple Danish experts to provide on-site services in

# 53

dairy bases in

# 20

provinces and trained more than

# 1,700

dairy workers, covering 1,000 dairy farms in China.

Rancher University, cow golden key course, top dairy experts teach for Ranch

### Financial support

As of the end of 2019, Mengniu has distributed nearly RMB200 billion in total as payment for raw milk supplies nationwide. In order to help the development and growth of small and medium-sized dairy farms, the Group not only rolled out subsidies for the purchase of cows, pasture upgradation and relocation, breeding and other purposes, but also introduced measures for the transformation and upgradation of dairy farms, milking, refrigeration, feeding, manure resource utilisation, digital equipment upgrade and purchase, forage storage and other aspects of the funding support policy. Of the funding policy, nearly RMB 4 billion had been issued in 2019, saving close to RMB100 million for dairy farms.

While establishing the "Love Cattle Farming" supply chain circulation platform to provide supply chain financial services and foster a fair, open and just procurement environment, Mengniu provides efficient, convenient and low-cost financial support for the transformation and upgradation of small and medium-sized dairy farms through Mengniu credit. By the end of 2019, the platform had recorded more than 500 registered suppliers, 650 registered dairy farms, 150,000 transactions and nearly RMB 3 billion in turnover, bringing approximately RMB 300 million in savings for dairy farms in the year and a substantial improvement in transactional efficiency and earnings.



Mengniu's "136 Project" was recognised by thepaper.cn with the "2019 CSR in Action Award"

### Empowering distributors

Mengniu manages its distributors across the country through its DATE management system. In 2019, we upgraded its DATE distributor management system from 1.0 to 2.0, aiming to continue empowering the distributors. At the same time, we tailor-made the Method to Money project geared to substantially increase the profitability of distributors and achieve a win-win situation.

#### DATE management system:

Mengniu's distributor management system encompasses the whole process, from market development to evaluation. In 2019, we continued to optimise the DATE management system by increasing partners through market segmentation and stabilising the distributor network and achieved increased willingness of cooperation, with the distributor turnover rate decreasing by 3.23% YoY. In addition, Mengniu conducted distributor satisfaction surveys to assess and improve the match between supply and market demand to continuously optimise services and achieve common growth with distributors.

#### Method to Money project:

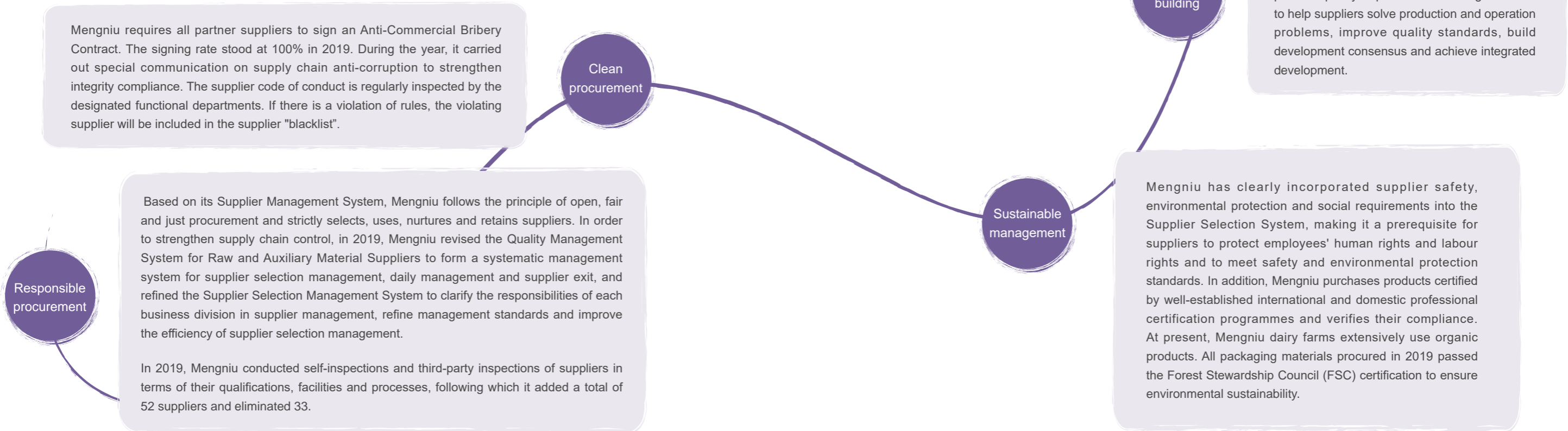
This project provides a complete system that helps distributors improve profitability progressively through three phases, moving from "management" to "empowerment" and from "experience" to "operations". In 2019, the project smoothly advanced to the second phase with a focus on selling, which empowered four pilot subsidiaries facing difficulties with six courses in four modules and gave their businesses a big boost in both sales and profit. They were able to accomplish their sales targets by 102% and record a YoY growth of 27%.



2019 Method to Money workshop

## Responsible supply chain

Mengniu carries out responsible procurement and incorporates suppliers into the scope of anti-corruption and quality control management while integrating the concept of sustainable development into supply chain management to reduce social and environmental risks in the industrial chain and achieve coordinated development with suppliers.



### Supplier Selection System

Clauses on the protection of human rights and labour rights in the supply chain:

- a) The factory is free from any child labour, discrimination, corporal punishment and interference with beliefs, and its working hours are in compliance with Articles 36, 38 and 41 of the Labour Law of the PRC.
- b) During your visit, you did not see or hear about any inappropriate behaviour towards employees, such as restrictions on their personal liberty, corporal punishment, verbal abuse or harassment, especially of young female employees.
- c) Wages meet the local minimum wage; additional overtime is paid; there is no wage deduction as a punishment; there is no delay in payment of wages.
- d) Labour contracts are signed with all employees and employees' benefits are in compliance with applicable laws and regulations, including time off and holidays.

Clauses on supply chain safety and environmental protection:

- a) Work safety: Establish a safety production responsibility system, break down responsibilities and establish clear accountability, establish fire management, dangerous operation and other safety production management systems, and ensure effective implementation. There should be safety instructions on the site, no major safety hazard identified during the site inspection and no death due to accidents in the past three years.
- b) Energy conservation and emission reduction: The Company has a wastewater treatment system or an agreement to enter the municipal pipeline network. It has an exhaust gas treatment system, and the wastewater and exhaust gas are discharged to the standard and the flow is reasonable. The company also has energy conservation and emission reduction plans or programmes and regularly analyses its energy consumption.

### Responsible supply chain performance in 2019

In 2019, Mengniu had a total of **1,500** suppliers including **93** overseas suppliers accounting for **6.2%**

Economic contracts and purchasing contracts were fulfilled **100%** of palm oil is sourced from RSPO certified palm oil suppliers **92%** Training was provided for **50,700+** supplier personnel representing a supplier training ratio of **99.5%**

# International presence

Mengniu vigorously promotes its strategy of business internationalisation, fosters an open Chinese dairy industry, provides Chinese experience and wisdom for global dairy cooperation, and works hand in hand with global partners to achieve common governance and the sustainable development of the global dairy industry.

Since its first overseas liquid milk factory was put into operation, Mengniu has been actively expanding its presence in the Southeast Asian market and other overseas markets, with its overseas sales network having covered countries and regions including Hong Kong, Macau, Singapore, Malaysia, Indonesia, Myanmar, Philippines and Cambodia.

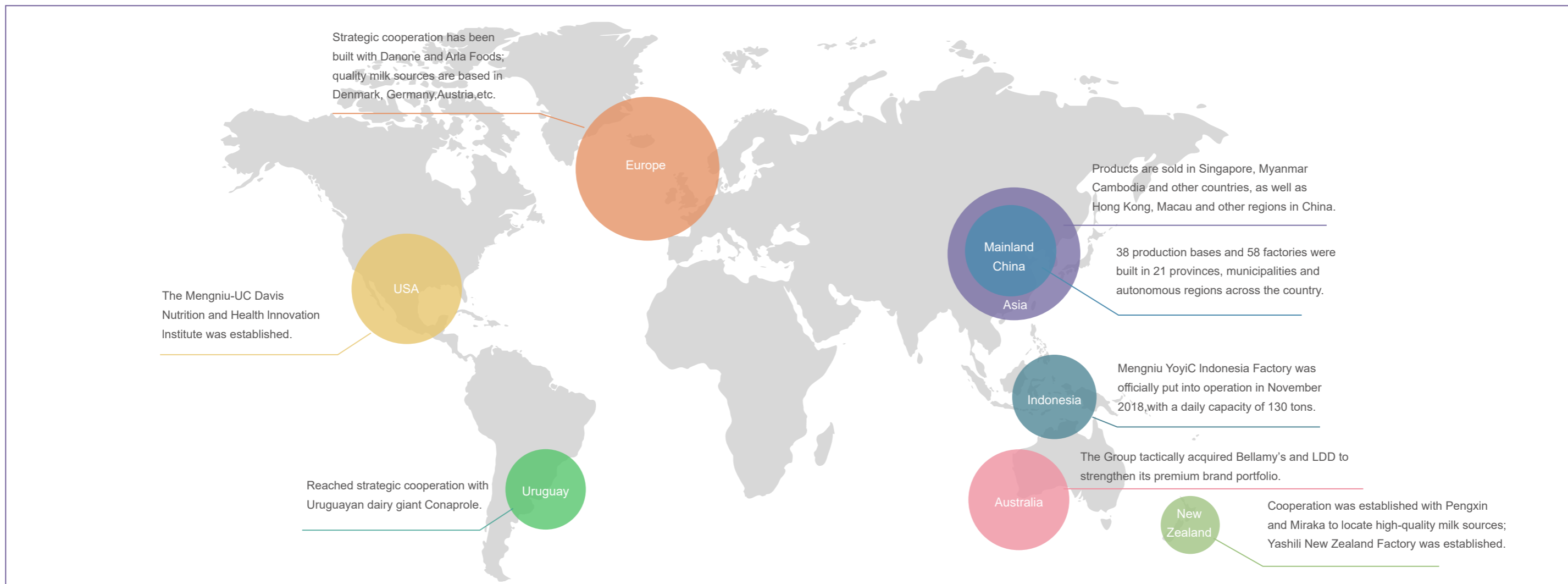
In addition, in 2019, Mengniu accelerated the globalisation process by strategically acquiring Bellamy's and Lion-Dairy & Drinks Pty. Ltd. (LDD) to advance its overseas agenda and promote product upgradation and innovation. Mengniu has secured world-leading milk sources, formulas, brands and R&D strengths, and established comprehensive operations ranging from milk source to production and sales and from R&D to quality control in Australia and New Zealand, achieving the full coverage of chilled temperature, room temperature and powered milk products. Through the combination of multiple categories and brands, Mengniu is committed to providing superior-quality products to consumers in the Asia-Pacific region and becoming a regional market integrator.

## Case: Brand elevation with the acquisition of Bellamy's in 2019

As an international premium organic brand, Bellamy's has certifications from leading organisations including the Australian Organic Certification Organisation (ACO) and the National Association for Sustainable Agriculture Australia (NASAA). In 2019, Bellamy's invested heavily in human resources and digital assets in China and, following a rebranding and formula upgrade, launched a new range of formula and 12 new complementary food products, including Australia's first "no added sugar" range of room temperature milkshakes.



Through business internationalisation, Mengniu has further explored its own brand potential and achieved a comprehensive upgradation and optimisation of the brand, quality and service to provide better products and services to Chinese consumers.





## Society: a better life

Mengniu cares about consumers, spreads nutrition and health awareness to all households, assumes responsibility of local development, and does its part to shine a light of hope for children in rural and poor areas.

- 💧 Healthy life
- 💧 Quality service
- 💧 Charity empowerment
- 💧 Employee well-being



2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

# Healthy life

Mengniu is committed to improving the overall health of the public with its focus on product R&D and innovation and providing consumers with higher-quality, more nutritious and healthier dairy products and more diversified choices.

## Healthy products

Mengniu has introduced several organic, low-fat, reduced sugar, reduced artificial ingredients and enhanced nutrition products to meet consumers' need for nutrition and health.

### Certified organic products

In 2019, Mengniu completed third-party certifications for 20 organic products including Milk Deluxe organic milk, Future Star Student's organic pure milk, Student's Milk organic pure milk and Shiny Meadow organic pure milk.



### Clean labels and natural products



Mengniu Nordic Cheese

With Lactobacillus bulgaricus and other species added, this product leads the trend of natural and healthy consumption with simple ingredients, comprehensive nutrition and reduced additives.



Champion – Qing Heng Series

This product has cow's raw milk as its main ingredient and contains not only 10 billion live Bifidobacterium lactis bacteria but also prebiotic oligofructose, making it a wholesome natural product.



Shiny Meadow Cold Brew Caffe Latte

This product follows a minimalist recipe of "fresh milk + coffee" using the "Fresh Lock" technology. With no food additive, it opens up the "fresh" era of bottled coffee drinks.

### Reduced-sugar products



Yoyi C

All Yoyi C products are fat-free and can be consumed with no worry. On the product line, Yoyi C offers controlled-sugar and low-sugar choices other than the full-sugar choice.

### Low-fat milk



Shiny Meadow

This zero-fat fresh milk product has performed strongly in the market and quickly posted over 10 million in sales. In October 2019, Shiny Meadow took up 21.8% of China's zero-fat milk market.



Fruit Milk Drink

Flower and Fruit Light-flavor Yogurt series: This all-new low-fat bottled yogurt series of the Fruit Milk Drink brand, with its excellent portability, has effectively expanded the consumption scenarios of milk drinks.

Function-enhanced products



Champion Vitality Bottle

This product has raw cow's milk as the main content with the addition of Mengniu's proprietary breast milk probiotic Bifidobacterium lactis Probio-M8. There are 20 billion live bacteria per bottle. Mengniu has also completed the patent application for "a strain of Bifidobacterium lactis for the treatment of constipation and diarrhoea and its consumption".



Champion BB-12

This is at present the only "health brand" yoghurt approved by the National Medical Products Administration for its health benefits. It is rich in BB-12 bifidobacteria with super activity of 1 billion CFU per 100g, which can help regulate the flora and improve the immunity.

High-nutrition products



Shiny Meadow

This sets a new benchmark for fresh milk products with 3.6g of milk protein and 120mg of calcium per 100ml milk.

Consumer advocacy

Mengniu has always been concerned about national health. In order to further educate the public on the need for reasonable dietary consumption, Mengniu in 2019 set up a dedicated nutrition science research team and prepared the Nutrient Evaluation Guide. Based on the nutrient composition of Mengniu products, the guide defines indicators of restricted nutrients for different products (added sugar, sodium, total fat) and additive nutrients (protein, calcium) to increase the public awareness of dairy products. The research team has conducted extensive research, including analysis of breast milk lipid composition in China, oligosaccharides in Chinese breast milk and the applications for infant formula, weight management method based on food point value, and nutrition solutions for people with diabetes, among other subjects, in order to develop nutritional intervention programmes for different groups and contribute to a healthier China.



Promoting physical fitness

Mengniu has been keenly passionate about the sports industry in China and has organically integrated the health and sports industries. The Group has stayed at the forefront of promoting mass sports and advocating the spirit of "staying nutritionally strong". On 22 December 2019, at the Miyun Nanshan Ski Resort in Beijing, Mengniu signed Gu Ailing, who won the championship at the FIS World Cup Women's Slope Obstacle Skills in Italy in 2019 and will participate in the ski event at the 2022 Winter Olympics as its brand ambassador. In September 2019, Mengniu became an official partner of the Chinese Premier League, promoting public participation in football.



Mengniu joins hands with Gu Ailing to accelerate the arrival of a golden era for skiing in China

Quality service

With the goal of "guarding the nation's nutrition and health", Mengniu is committed to working with its partners in extensive sectors including industry, academia, research and application to develop healthy, nutritious and high-quality dairy products that provide consumers with an exceptional experience and contribute to the public health.

Consumer rights

Mengniu strictly abides by the *Advertising Law of the PRC*, the *Provisional Provisions on Food Advertising* and other regulations. It has revised its *Intellectual Property Management Measures*, *Advertising Language and Trademark Review System*, *Product Claims Management System* and other departmental systems, requiring business units to conduct strict audits on the use of advertising language and trademarks with a view to preventing consumers from having wrong associations or misunderstandings about the packaging style, product name, advertising language and other aspects, and to regulating the conduct of promotional activities and practise responsible product marketing.

In accordance with the *Law of the PRC on the Protection of Consumer Rights* and Interests, we strictly respect and protect the rights and interests of consumers and have established an independent department to resolve consumer complaints. In 2019, the company received a total of 21,857 complaints; the complaint handling rate was 100%. Six special training sessions on customer complaint handling were also conducted, covering 276 people. The company actively communicates with consumers, understands consumer needs and surveys satisfaction. In 2019, the rate of consumer dissatisfaction feedback continued to decline for the third consecutive year.



In terms of consumer privacy protection, Mengniu complies with the GB/T 35273-2017 *Standard for Personal Information Security of Information Security Technology*. It has issued the *Standard Management System for Consumer Data Collection* and the *Information Security Baseline Management Specifications* to keep consumer data confidential and ensure that the legitimate rights and interests of consumers are not violated. At the same time, it has established a cloud platform to strengthen the confidential management of consumer big data.

the complaint handling rate was

100%

6

special training sessions on customer complaint handling were also conducted covering

276 people

Case: Consumer grassland tour — “Factory Tour to Witness Quality”

On 1 July 2019, Mengniu invited consumers from different regions to visit Mengniu’s Hohhot factory for a factory tour. During the event, consumers observed the production process of liquid milk up close, visited the grassland attractions and yurts, and took part in a series of activities such as horseback riding, desert motorcycling and bonfire party. The event was highly praised by consumers. Mengniu will continue to deepen its brand communication and services, so that more consumers learn more about the brand and its superior product quality.



Case: Yashily “Three Continents and Five Countries Traceability Tour” to showcase trustworthy high-quality dairy products

Mengniu’s subsidiary Yashily makes functional description and sales representative’s nutritional explanation part of its promotional activities. In 2019, it launched the “Three Continents and Five Countries Traceability Tour” to introduce to the public its high-quality overseas milk sources and production bases, ensuring that infants and toddlers can drink good quality milk through responsible marketing.

Product accessibility

Mengniu continues to deepen the Route to Market (RTM) reform by optimising the supply chain model, improving the coverage of sales outlets and making its superior products accessible for more consumers. By deepening the new B2B retail model and establishing the “Fresh Everyday” intelligent retail platform, the company has promoted the development of circulation, new business formats and modes, and convenient consumption facilities, and allowed consumers to experience the great convenience offered by innovative operation models.

In 2019, Mengniu comprehensively advanced its “Penetration into Towns and Villages” partnership project, covering about 6,000 towns and 100,000 villages nationwide, so that its assured and healthy dairy products are accessible for a vast number of consumers in rural areas. At the same time, through the rapid entry of Mengniu products into villages and stores, the project has created many local jobs, thus effectively solving the employment problems of local people and driving the development of the local economy.

Mengniu comprehensively advanced its “Penetration into Towns and Villages” partnership project, covering about

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Waste reduction

Mengniu is committed to promoting sustainable consumption and production patterns. The Group has conducted a number of studies to reduce milk waste and loss throughout the product lifecycle, including research on the application of milk concentrate production in the early stages of design, the establishment of preventive milk loss maps during production, and the design of non-staining milk cover film for product packaging which is coated with special materials to reduce milk-staining conditions and reduce product waste.

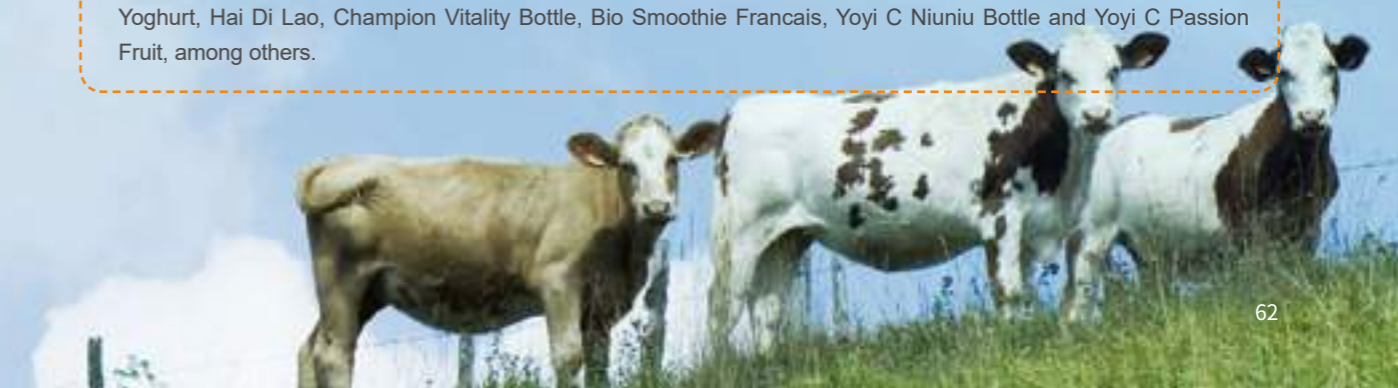
In order to avoid food waste during transportation, Mengniu has developed an order forecasting mechanism based on intelligent supply chain management, which effectively reduces food waste caused by the imbalance in supply and sales. At present, its annual order forecasting accuracy has reached more than 90%, with substantially less product destruction due to expiration of shelf life.

At the same time, Mengniu has stepped up R&D to reduce food waste during circulation by extending the shelf life of its products. As of the first half of 2020, we extended the shelf life from 25 days to 28 days for multiple products such as Mengniu Chinese Nourishing Red Date Flavoured Yoghurt (16 cups), Nutrition+ Flavoured Yoghurt and Xylitol Flavoured Yoghurt and from 21 days to 28 days for Qing Heng Original Flavour, Rose Cherry and Rose Pomegranate flavoured fermented milk products.

In addition, we design packaging based on different customer needs, and guide consumers to purchase different amounts of products as needed to reduce food waste. For products that are due to expire, the company offers price reductions to reduce food waste.

List of small packaged products

Mengniu has introduced products including Mengniu Nordic Cheese, Mengniu Chinese Nourishing Nuan Yan Yoghurt, Hai Di Lao, Champion Vitality Bottle, Bio Smoothie Francais, Yoyi C Niuniu Bottle and Yoyi C Passion Fruit, among others.







Case: "One Gram of Milk" action — milk loss map

In February 2019, Mengniu's low-temperature factory launched the "One Gram of Milk" action and started to sort out and calculate the milk loss points in the workshop through the "Preventive Milk Loss Map", with measures of Danone introduced to make improvements. It was also done with a view to reducing the pressure of sewage treatment and protecting the environment. In March and November, Mengniu conducted intensive seminars and exchanges to share and promote its advanced improvement practices. In 2019, Mengniu's factory milk loss rate decreased to 3.0% from 3.7% in 2018.



Milk loss map of Mengniu

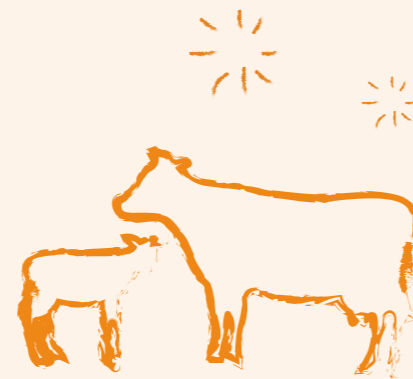


## Charity empowerment

Mengniu actively fulfils the obligation to donate towards poverty alleviation and has participated in a variety of social welfare activities to have a positive impact on society. In 2019, Mengniu's total public welfare investment amounted to RMB40 million.

In 2019, Mengniu's total public welfare investment amounted to RMB

**40** million



## Inclusive nutrition

Upholding the concept that education is the fundamental approach to poverty eradication and acting on the call of "Milk for a Prospering China" action jointly initiated by the Ministry of Agriculture and the Dairy Association of China, Mengniu in 2017 launched the "Inclusive Nutrition Plan" corporate social responsibility program. As part of the program, we not only donate milk to students in poor areas but also carry out public science communication campaigns on nutritional health in order to improve the nutrition of children in rural areas.

In 2019, Mengniu held more than 100 donation ceremonies, committing close to RMB20 million to donate a total of RMB5.28 million boxes of milk to more than 45,000 students in 180 schools in 18 provinces and regions. Among the activities, the "Light a Star, Donate a Cup of Milk" online matched giving activity received an enthusiastic response from the public.

the "Inclusive Nutrition Plan" in 2019

covering

**88** cities **122** counties **186** schools

reaching

**52,768** students **39,652** poor students

donations amounted to

**20** thousand dozens of milk

worth RMB

**9** million

In 2019, Mengniu's "Milk for a Prospering China" action gained increasing recognition and attention, driven by its integrated charity model which combines "nutritional support, food education, and environmental education". By introducing health and education resources from all sectors of society and inviting experts to give on-site lectures to students and teachers, the programme shared professional nutrition knowledge and helped them foster correct drinking habits and healthy living habits, and better helped children in poor areas to grow up in a healthy way. Mengniu's Inclusive Nutrition Plan has been awarded the Asian Corporate Social Responsibility Award — Social Good Award from Enterprise Asia for three consecutive years.



In 2019, Mengniu held more than

**100** donation ceremonies

committing close to RMB

**20** million

Case: Mengniu's Inclusive Nutrition Plan in action in Li county in Gansu province

Li county in the Longnan municipality of Gansu province is a traditional agricultural county and a key county designated by the state for poverty alleviation and development. The town of Zhongba in Li county has a large number of children who need nutritional support and care more than ordinary children because their parents are away all the time.

On 21 June, Mengniu's Inclusive Nutrition Plan was implemented in Li county, through which milk would be donated to 380 children in Xinzhai Village Kindergarten and Jichangba Kindergarten, Zhongba Town, for two years and 1,200 cans of Yashily powdered milk for middle-aged and elderly people were given to the Women's Federation of Li County, helping improve the nutrition and health of local middle-aged and elderly people and children.



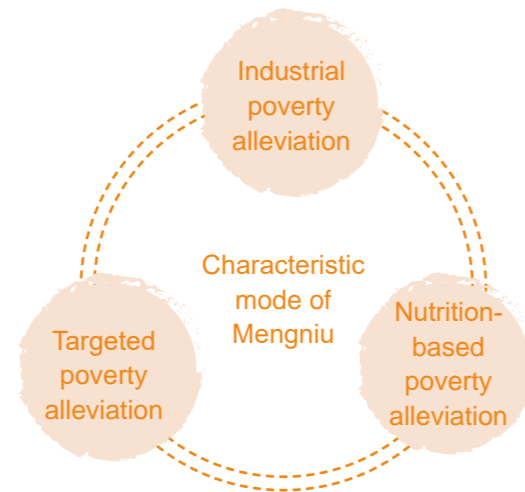
Children drinking milk donated by Mengniu



Mengniu employee sharing dairy knowledge with children

## Targeted poverty alleviation

Under its unique poverty alleviation model that integrates industrial poverty alleviation, nutrition-based poverty alleviation and targeted poverty alleviation, we have carried out a lot of targeted poverty alleviation and community development activities to bring warmth and care to disadvantaged groups.



Case: Mengniu drove local development through industrial poverty alleviation

Mengniu fully supports farmers and herdsmen in terms of funds and technology and provides technical exchange training for dairy farmers through platforms such as the "Golden Key of Milk Cow" and "University of Ranchers" to help them reduce costs and increase efficiency. In 2019, it organised nearly 3,000 technical training sessions for 50,000 people.

In its efforts to provide poor people with a stable income, Mengniu has involved more than 7,000 people in dairy farm management. In 2019, Mengniu invested RMB1 million in the Yangquangou Village Dairy Base with a view to lifting poor households out of poverty through developing the local dairy industry. At the same time, the Group conducted evaluation of the nutritional value of locally grown camellia and promoted the growing of the plant.

During the year, the Group helped more than 50,000 farmers and herders, distributed RMB200 billion in payment for raw milk, and invested a total of RMB5.5 billion in Inner Mongolia. In addition, the Group provided financing channels for farmers and herders which helped reduce their financing costs and effectively solved their financial difficulties.



Case: Mengniu helped poor households under targeted poverty alleviation

The Group has been actively involved in targeted poverty alleviation. In line with the requirements of the COFCO Poverty Alleviation Work Leading Group, Mengniu allocated RMB8 million in donation to Luozha county in Tibet for its breeding and recycling agricultural project and the construction of its border villages.

In 2019, Mengniu Dairy coalesced and mobilised all employees to participate in consumption-based poverty alleviation by purchasing a total of 9,480 jars of bamboo shoot sauce worth RMB69,520 and banana pulp worth RMB22,000 as raw materials of Mengniu products to help people in areas designated for poverty alleviation increase their income and get out of poverty.



Mengniu's targeted poverty alleviation actions



## Social commitment

As a leader in China's dairy industry, Mengniu has long had the understanding that a large enterprise should shoulder a greater responsibility in society and actively participates in social welfare activities. In 2019, the Group donated a total of RMB8 million, with recipients including the Navy Care Fund, a poverty alleviation program in Fuyuan city in Heilongjiang province, and a poverty alleviation program in Yueyang city in Hunan province.

In 2019, Mengniu Group volunteers actively participated in activities such as blood donation, tree planting, environmental protection and employment help. They went to Helin county, a designated poor county, where they cared for the elderly and gave donations, taking concrete actions to spread the positive energy of Mengniu.

### Case: Mengniu partnered with the "Youth Teacher Empowerment Education Plan" to revitalise rural education

Children in poor areas need not just nutritional support, but also intellectual support. In September 2019, Mengniu reached a strategic cooperation with the "Youth Teacher Empowerment Education Plan" to empower rural teachers through "Internet + Teacher Training". Through online professional courses, teacher ethics courses and various offline training activities and community operations, young teachers in rural areas can better educate and teach and truly improve the quality of rural education. The plan provided assistance to 2,000 young rural teachers in 20 districts, counties and cities to promote the balanced development of urban and rural education.



Launch ceremony of strategic cooperation between Mengniu and the "Youth Teacher Empowerment Education Plan"

### Case: Mengniu's "Milk for 999 Military Veterans" project

On 15 April 2019, Mengniu Group officially launched the "Milk for 999 Military Veterans" project in response to the "Care for Service People Express 999 Charity Plan" initiated by the Chinese Foundation for Military Families and Army Support, representing an innovative "internet + charity" model for military families and army support. The project identified 999 military veterans whose families were in difficult situations and provided them with free milk products over the long term in order to help improve their living quality, taking a lead in the industry to pay tribute to the military veterans for their service to the country.



Launch ceremony of Mengniu's "Milk for 999 Military Veterans" CSR project

## Employee well-being

In line with the People First concept, we actively protect the rights and interests of employees, promote democratic employee management, improve employee training and promotion mechanisms, and care for their health and life.

### Employees' rights and benefits

The company strictly abides by the *Labour Law of the PRC*, the *Labour Contract Law of the PRC* and other relevant laws and regulations and has established internal employment rules and regulations such as *Recruitment Management Guideline*, *Incentive Management Guideline* and *Re-employment Rules of Resigned Employees*. At the same time, the company follows all internationally recognised human rights policies as set out in the United Nations Universal Declaration of Human Rights, the International conventions on Human Rights and the core conventions of the International Labour Organisation, respects and guarantees the human rights of employees, upholds the principle of equal employment and avoids discrimination and other issues.

In addition, we insist on treating employees of different nationalities, ethnicities, races, genders, religious beliefs and cultural backgrounds equally, firmly prohibiting the employment and use of child labourprohibiting forced labor, and respecting and protecting the legitimate rights and interests of all employees. At Mengniu, female and male employees have equal rights. The Group has always focused on promoting employment for local residents, women and ethnic minorities in an effort to increase employment opportunities in the local community. In 2019, Mengniu had a total of 37,894 employees,<sup>1</sup> of which 90% were employed locally.

In 2019, Mengniu had a total of

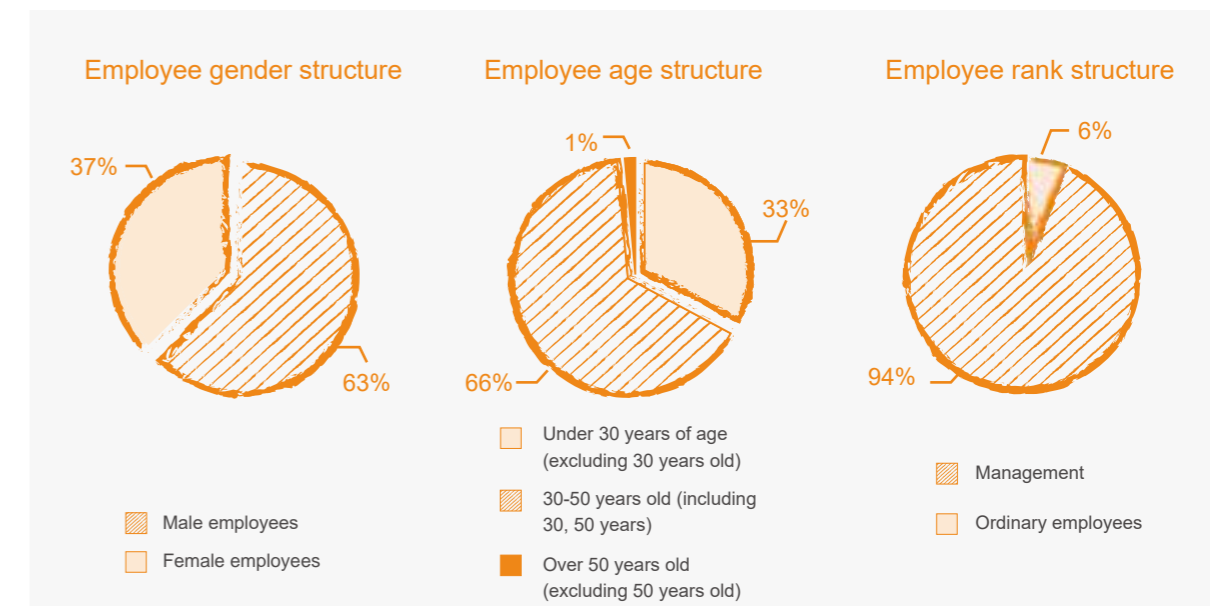
# 37,894

employees<sup>1</sup>

of which

# 90%

were employed locally



<sup>1</sup>This refers to the total employees employed by the Group in the Chinese mainland, Hong Kong, Oceania, the United States and Southeast Asia.

## Democratic management

In accordance with the *Union Work Procedures*, we have strengthened and perfected the management system of workers' congresses and established channels of communication for equal consultation, thereby building harmonious labour relations and driving democratic enterprise management.

Mengniu's trade union holds annual employee congresses, conducts thematic training for new employee representatives every year to strengthen their duties, and solicits high-quality proposals for the entire Group. On 28 June 2019, the Group held the third meeting of the Sixth General Member and Representative Member Assembly to listen to and review the systems concerning the vital interests of employees, labour protection measures, employee welfare programmes, working hours and other related systems, and collected 390 proposals from employee representatives, with a total of 128 proposals being formally created. At the same time, we have established an inspection system for employee representatives and a labour dispute coordination committee to build harmonious labour relations.

Mengniu has also implemented human rights protection and freedom of expression in specific initiatives to further protect employees' rights and interests. We have formulated a communication management system for united front personnel, established internal online communication channels and maintained regular communication with democratic party members and other united front personnel to ensure stability of united front work. We respect local customs of our employees, identify with the religious freedom of our employees and are regularly informed about ethnic dynamics to ensure national unity.

### Case: Protection of local employees' rights of cultural belief at the Indonesia factory of Mengniu's International Business Division

Indonesia has the largest Muslim population in the world, with about 87% of Indonesians believing in Islam. The Indonesia factory of Mengniu's International Division respects employees' cultural beliefs. It has set up prayer rooms for employees and also provided slippers, shoe cabinets, wash areas and religious supplies for prayer.

In addition, the company respects the dining habits of local employees by providing Halal meals for those who follow the Islamic faith and vegetarian Ramadan meals for those who follow the Buddhist faith. Every year during Ramadan, the company provides its employees with an Iftar schedule and grants Ramadan subsidies.



Prayer room at Mengniu's Indonesia factory



Indonesian female employees in Mengniu Indonesia factory

## Safety protection

We have conscientiously implemented relevant laws and regulations such as the *Law of the PRC on Work Safety* and the *Law of the PRC on Prevention and Control of Occupational Diseases*. In accordance with national laws and regulations and the requirements of COFCO documents, we developed and refined a series of rules and standards of the Group, including the *Safety Management Standards of the Shift System Headed by Leaders* and the *Related-party Management System*, aimed at clarifying and enforcing accountability, strengthening the areas of weakness and introducing innovative management practices in order to enhance safety management, improve risk prevention and hazard elimination capabilities, and effectively protect employees' safety and health through a comprehensive and rigorous work safety management system.

Mengniu has put in place a three-level organisational structure of work safety management ("Group – Business Division – Factory"), promoted the construction of a dual prevention mechanism and carried out safety risk control and the investigation and management of safety hazards in the production process. In 2019, a total of 27 frontline units of Mengniu were approved as national first-class enterprises of work safety standardisation. At the same time, we have been committed to creating a safe working environment for our employees to avoid occupational hazards. In response to occupational hazards, the company provides frontline employees with appropriate labour protection supplies and protective gear, organises annual medical examinations of employees for occupational diseases by issuing medical examination reports, and creates employee health files and updates them on a regular basis.

In 2019, the Group experienced

0 work-related death.

### Case: Mengniu was recognised as "National Demonstration Enterprise of Safety Culture Construction"

On 18 December 2019, four frontline units belonging to Mengniu Group — Inner Mongolia Mengniu Hi-tech Dairy Company Limited, Mengniu Dairy (Qiqihar) Co. Ltd., Mengniu Dairy (Meishan) Co. Ltd. and Mengniu Dairy (Baoji) Co. Ltd. — were recognised as National Demonstration Enterprise of Safety Culture Construction.

This made Mengniu the enterprise that has received the greatest number of titles in China's light industry and the only company in the dairy industry that has subsidiaries recognised with the title.



**Case: Mengniu provides employees with a comfortable working environment**

Mengniu has made unremitting efforts to create a comfortable working environment for its employees and has implemented occupational hazard prevention and control in hard, soft and supervisory aspects:

**In the hard aspect**

the Group implemented 172 improvements in noise, high temperature, dust and other working conditions in 2019, reducing the average noise by 10 decibels and the average temperature by 5°C.

**In the soft aspect**

the Group launched the Occupational Disease Prevention Law publicity week to create a good atmosphere for all employees to pay attention to the prevention and treatment of occupational diseases.

**In the supervisory aspect**

the Group established and perfected management systems, programmes and standards such as Occupational Health Management System, Special Program for Noise Control and Occupational Health Assessment Standards, the implementation of which is supervised by a five-level inspection.

## Growth and development

In accordance with the Training Manual, we have established the Mengniu Learning and Development System, developed a WorthIt online training platform for employees, and organised special training according to the employees' job requirements in order to enhance their professional and technical abilities and comprehensive capabilities. In 2019, Mengniu's employee training rate was 100%, with training provided to 823,450 person-times, representing 66.30 hours of training per trainee.



Mengniu's employee training rate was

**100%**



with training provided to

**823,450**

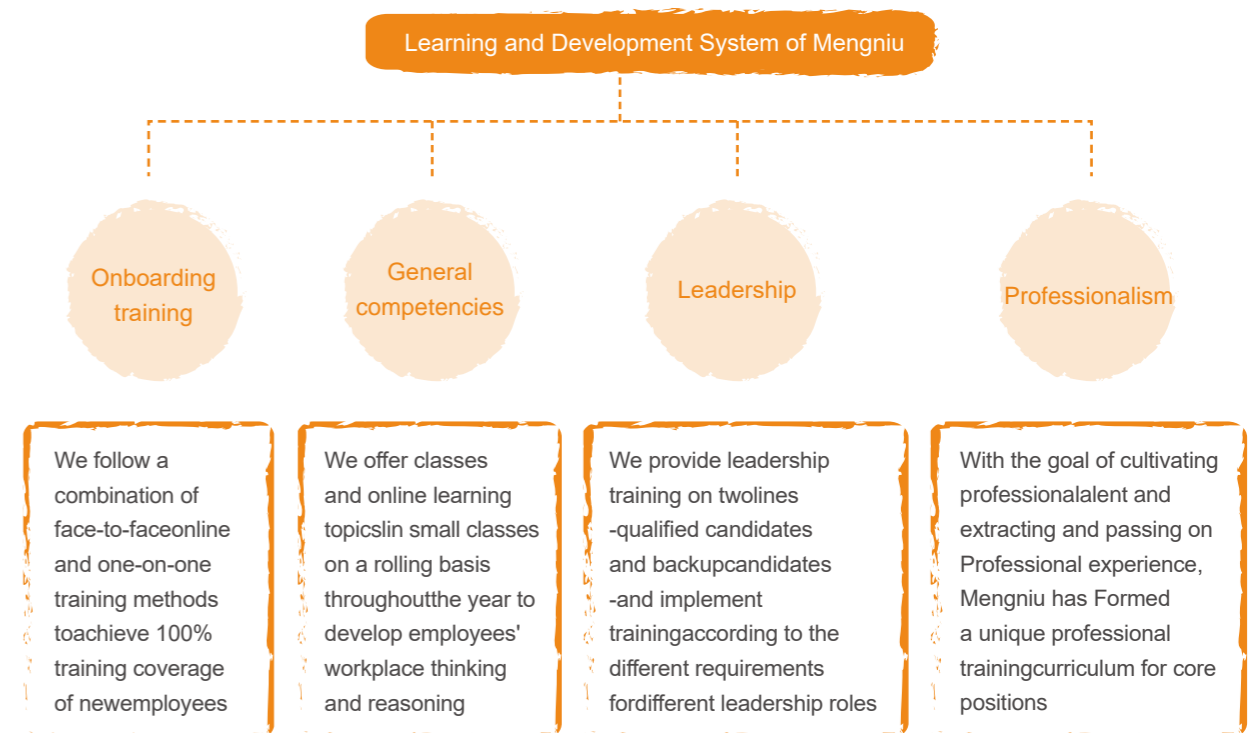
person-times



representing

**66.30**

hours of training per trainee



**Case: The WorthIt online training platforms**

Mengniu has established an online training platform that provides free learning and training for all employees.

In 2019, the WorthIt platform introduced 18 courses from China Europe International Business School (CEIBS), Hundun Business School and Himalayan FM, covering seven modules including strategic management, organisational skills, decision-making execution, marketing, financial management, team management and leadership. Meanwhile, an innovative course learning format inspired by TikTok short video streaming was introduced.

Moreover, the Group and its divisions set up a total of 225 learning projects by way of project-based training, which covered 72,392 person-times, with each trainee having received an average of 34.19 credit hours and 2,287 trainees receiving a five-star rating.

In order to better serve the talent, the Group continued to improve its incentive mechanisms in 2019 by providing tiered incentives and optimising the incentive system to meet the needs of all employees at different levels and in different positions. The company set up process and efficiency awards for employees and management to strengthen the link between personal motivation and organisational performance and to recognise employees with outstanding work results.

Case: Mengniu's "Blue Ocean" strategic talent pipeline programme

"Blue Ocean" is the Group's strategic talent pipeline programme which covers 240 senior and middle-management members in key positions.

Since the start of the programme in 2018, a total of 11 training modules have been carried out and 17 business topics have been formulated, covering many fields such as strategy, innovation, marketing, branding, finance and leadership, which help trainees build a multi-level composite knowledge structure and excellent practical skills.

## Employee care

We value the well-being of our employees. In 2019, we launched the Employee Wellbeing Plan which comprehensively covers the issues and needs of employees in everyday life, including food, housing, childcare, filial piety, medical care and poverty and enables our employees to share in the company's development and consider the company as a warm harbour for all employees. We have also set up the Mengniu Group Care Fund and the Caring Mutual Aid Fund for employees in need, helping employees and their immediate family members suffering from major diseases or accidents. In 2019, the Care Fund helped 18 employees with major illnesses and their families by providing a total of RMB470,000 in support.

the Care Fund helped

18

employees with major illnesses and their families by providing a total of RMB

470,000

in support



## Mengniu's Six Employee Wellbeing Plan



The Company's Filial Piety Plan distributes two boxes of milk for employees' parents who are over 60 years old, sending the Company's wishes and greetings to the employees' families.



The Baby Plan is a new employee care plan introduced by the Group in October 2019 for employees with babies.



We invest in the health of our employees' children and parents by taking out insurance for their families so that employees can feel the warmth of the Group's care for them.



This plan, implemented in accordance with the Assistance Scheme of the "Born for Greatness" Fund, allows the various units to apply for assistance for their employees in light of their actual situations.



On major holidays, the company sends gifts and greetings to veteran employees in recognition of their loyalty to the company.



This plan provides lodging for employees with difficulties in renting a home.

Case: Mengniu's diverse employee care projects

Female employee support

The Labour Union of the Group organised celebrations during the International Women's Day on 8 March by recognising 20 outstanding female employees, in addition to establishing 36 moms' little rooms nationwide.

Young employee support

The Labour Union of the Group and the Communist Youth League Committee of the Group held a "As luck has it" dating party in Helin base, which received the enthusiastic participation of more than 60 excellent young, single employees.

Retired officer support

The Group organises "Stay true to the mission, sharing talks of Mengniu" gathering events and sends greetings on important holidays such as the Spring Festival and the Mid-Autumn Day to retired officers of the Group.



## Environment: More sustainable earth

With the vision of promising a healthier world, we embrace a sustainable development strategy and are committed to green manufacturing, green development, sustainable reduction of GHG emissions and the development of a circular economy through technological upgradation and the use of clean energy.

- 💧 Ecological ranch
- 💧 Green factories
- 💧 Circular economy





Table: Mengniu's Performance on Key Environmental Indicators in 2019

Indicator		Indicator unit	2019 data
Exhaust gas	Total exhaust gas emissions	cubic metre	2,583,107,214.86
	SO <sub>2</sub> emissions	ton	123.20
	NO <sub>x</sub> emissions	ton	230.22
	Soot emissions	ton	121.91
Waste water	Sewage discharge	10,000 tons	2,647.97
	COD emissions	ton	1,384.63
	NH <sub>3</sub> -N emission	ton	185.16
CO <sub>2</sub> emissions		ton	1,169,600
- Category I emissions		ton	260,100
- Category II emissions		ton	909,500
CO <sub>2</sub> reduction		ton	4803.23
Hazardous Waste generation		ton	247.92
Total general waste <sup>3</sup>		ton	5,386.00
On-grid electricity consumption in all regions		kWh	799,627,013.44
Coal consumption		ton	29,534.84

<sup>3</sup> Statistics of total general waste generation, gasoline consumption, diesel consumption, and others packaging material usage only cover Yashili.

Indicator		Indicator unit	2019 data
Gasoline consumption <sup>3</sup>		Liter	13,855.00
Diesel consumption <sup>3</sup>		Liter	25,332.00
Natural gas consumption		10,000 standard cubic meters	5,546.14
Solar energy generation		kWh	483,1600.00
Biomass energy generation		ton	320,200.00
Steam consumption		ton	779,065.81
Combined energy consumption		tons of standard coal	293,368.07
Total water consumption		ton	28,375,521.00
COD reduction		ton	49,575.42
Water savings (including 357,000 tons of social water savings)		ton	137.4
Water reuse rate		%	7.99
Packaging material usage	Internal packaging materials	100 million packs	213
	External packaging materials	100 million packs	39
	Others <sup>3</sup>	ton	17,663.35

Note:

In 2019, Mengniu sold its stake in Junlebao, whose environmental statistics for 2019 are therefore not included; Mengniu acquired Bellamy's in December 2019, whose environmental statistics are not included for the time being as they lacked a basis and had little impact on Mengniu.

Note on calculation:

1. For the conversion of air pollutants, reference is made to the calculation formula for sulphur dioxide emissions in the Emission Coefficients and Material Calculation Methods for Industries Not Included in the Emission Permit Management (for Trial Implementation) issued by the Ministry of Environmental Protection of the PRC.

$$PSO_2 = Q \times \eta \times 0.85 \times 2 \times 10$$

The formula for calculation of NO<sub>x</sub> emissions:

$$PNO_x = Q \times \mu$$

Where: PSO<sub>2</sub> is sulphur dioxide emissions (kg); Q is fuel consumption (ton); η is sulphur content of fuel (%).

PNO<sub>x</sub> is NO<sub>x</sub> emissions (kg); Q is fuel consumption (ton); μ is pollutant discharge coefficient.

2. Combined energy consumption is calculated according to the General Principles for Calculation of Combined Energy Consumption (GB-T25892008) based on the consumption of energy sources including gasoline, diesel, natural gas, electricity and externally purchased thermal power.

3. GHG emissions are calculated according to the Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco and Wine (For Trial Implementation) issued by the National Development and Reform Commission, where Category I emissions include emissions from fossil fuel combustion and emissions from wastewater treatment and Category II emissions include those attributable to externally purchased electricity and thermal power.



## Ecological ranch

In accordance with the *Soil Pollution Control Law of the PRC* and the *Water and Soil Conservation Law of the PRC* and other current laws and regulations, Mengniu has developed a management system for the three wastes of the dairy industry (waste gas, wastewater and slag), which was updated in May 2019, requiring ranches to strengthen control to minimise the pollution of groundwater and surrounding soil. Considering the impact of ranches on the surrounding ecology and community, we have set up an ecological protection petition channel to collect opinions from the surrounding residents. In 2019, there were no major environmental pollution incidents at Mengniu cooperative ranches and no complaint letters were received.



## Ranch management

Mengniu has made it mandatory for all cooperative ranches to implement an environmental management system, making environmental management a reference standard for ranch rating and cooperation renewal. In 2019, the company, together with strategic suppliers and professional managers of large and medium-sized ranch with long-term cooperation, conducted a comprehensive professional assessment of the environmental protection facilities of the ranches and ordered rectifications of items which did not meet environmental requirements. We also give financial support to the ranches. In 2019, we provided a total of RMB350 million of support funding for the improvement of the environmental protection facilities of ranches and the implementation of green farming concepts. There were no ranch violations during the reporting period.

In 2019, the Company conducted three major trainings via video conferencing and 17 on-site conference trainings with a 100% coverage of ranches. The trainings covered laws and regulations, manure treatment process, water recycling and input and output of environmental protection facilities, with a view to guiding ranches to raise environmental awareness and pay attention to environmental protection and upgrading their environmental management concept from "input" to "investment".



Ranch Environment Management System

## Refined resource management

Mengniu has implemented the sophisticated management of ranch resources and energy consumption to improve resource utilisation and reduce the environmental impact of its production operations.

Water reserves and grassland ecosystems are inextricably linked. As an enterprise that relies on livestock production, Mengniu requires ranches to make reasonable use of local water resources, implement scientific and strict management, meet national drinking water standards, and provide compliance reports issued by third-party organisations. At the same time, we encourage ranches to carry out water and electricity conservation technology renovation by introducing new devices such as water sprinklers and automatic induction fans. In 2019, we achieved 0.06 tons of water savings per head of cattle per day and 0.25 degrees of electricity per day. While reducing the use of water resources, we greatly lowered the amount of sewage generated and brought down environmental pollution.

Greenhouse gas emissions from upstream ranches are mainly from energy use and methane emissions from cows. We believe that good feed and digestion is the key to reducing carbon dioxide emissions from upstream ranches. To prevent over-nutrition and low digestibility of cows, which can lead to the excretion of nutrients and cause wastage of resources and environmental stress, we employed experts to design scientifically sound formulas to guide the ranches in precision feeding.



### Manure resourcification

Mengniu vigorously implements the technology of manure resourcification in cooperative ranches. Through separating dry and wet manure to produce organic fertilisers and compound fertilisers, the technology not only realises the utilisation of manure resources, but also lowers the amount of fertilisers used by farmers and reduced environmental pollution. For small ranches, manure is first dried and hardened by way of natural composting and fermentation before being sold to nearby farmers; for large ranches, manure is treated through a process involving dry-wet separation + anaerobic fermentation + biogas power generation process, with the biogas residues being used for bedding or production of organic or compound fertilisers and the biogas slurry being degraded through three-stage sedimentation and aerobic degradation before being discharged for agricultural use in compliance with environmental standards. Through resourcification, the organic fertiliser raw materials produced by the company's cooperative suppliers are expected to replace chemical fertilisers by 3.8 million tons per year.

### Animal welfare

Mengniu respects and protects animal welfare. In 2019, it took the lead in the industry to promote cow welfare by issuing the cow welfare management system and conducting a mapping survey of the ranches. The survey found that 65% of the ranches had relatively mature animal welfare measures in place. And it carried out systematic training for all cooperative ranches to continuously improve their management.



Incidence of mastitis

3%



Incidence of postpartum paralysis

2%

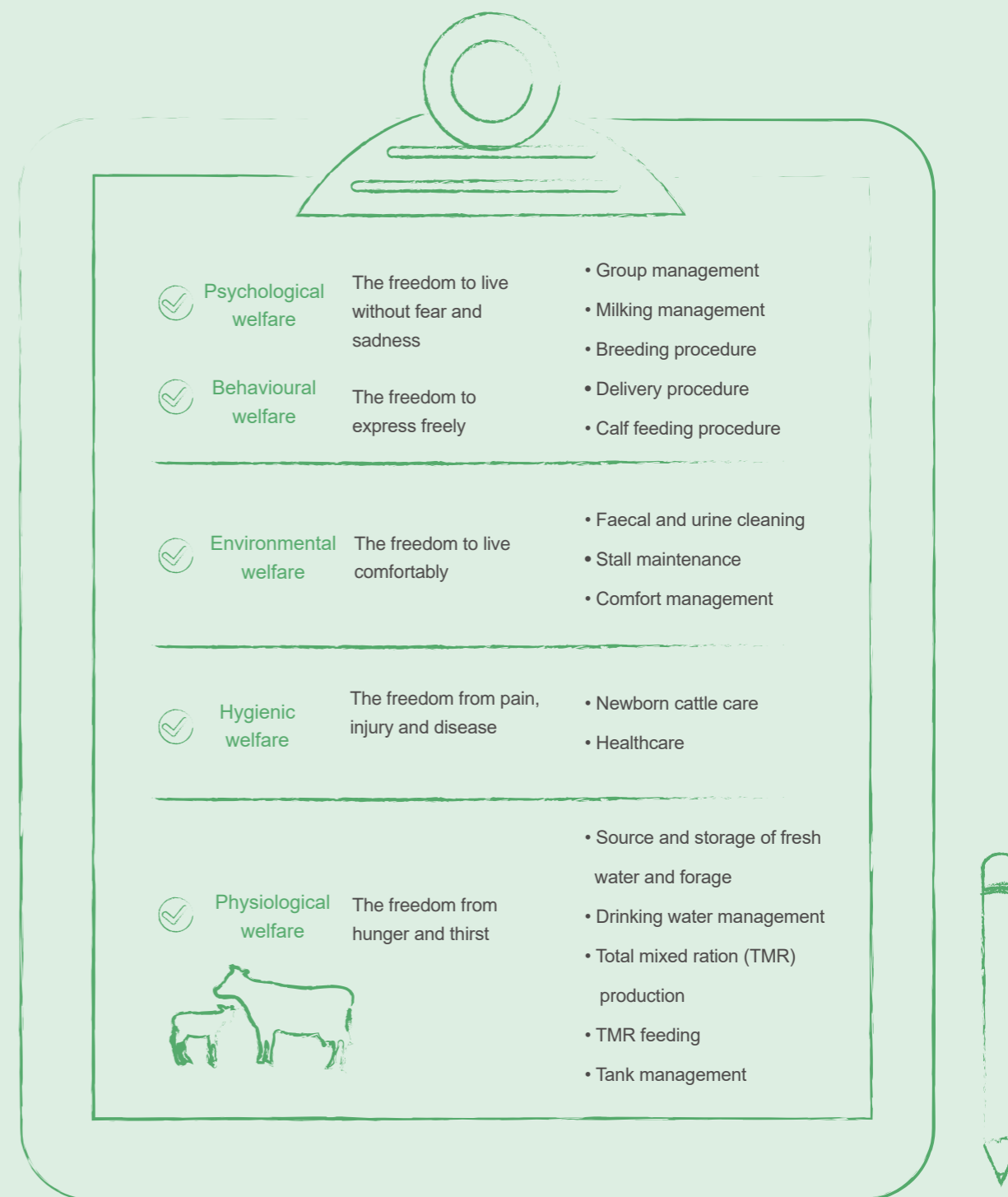


Incidence of cow hoof disease

1%



Mengniu has developed detailed ranch animal welfare initiatives in five areas to regulate dairy farming and safeguard animal welfare through detailed management practices and procedural provisions.





Case: Mengniu takes the lead to introduce an animal welfare management system in the industry

On 1 August 2019, with reference to domestic and international animal welfare-related requirements and industry practice, Mengniu took the lead in formulating the *Animal Welfare Protection Implementation Plan* and the *Mengniu Dairy Farm Animal Welfare Evaluation Standard (First Edition)*, and piloted and promoted them in 123 farms. In November 2019, by summarising the experience during the trial period of the animal welfare programme and drawing on the cow welfare standards of overseas institutions, we revised the *Mengniu Dairy Farm Animal Welfare Evaluation Standard (Second Edition)* to ensure the effective implementation of various animal welfare work.

At the same time, Mengniu worked closely with the Animal Welfare Association in China on the formulation of the China Animal Welfare Standard for Dairy Cattle. The first meeting on the proposed standard was held on 19 December 2019, with Mengniu being the main drafter of chapters such as "Welfare Evaluation of Dairy Cattle".

## Ecological protection

Dairy farming depends on natural resources such as grassland, fresh water, livestock and land. As a dairy company, we know that we can only rely on a stable ecosystem for successful farming and production. We see biodiversity and natural capital as valuable resources and believe that ecological economisation and economic ecologisation can be achieved through the integration of corporate development and ecological governance.

The Mengniu Shengmu High-tech Ranch Base located in Ulan Buh Desert is the first real-sense desert and grass industry in China which combines grass growing and dairy farming in an organic cycle. It has established the world's first desert-based organic industrial chain system. Since 2009, Shengmu High-tech Farming has invested more than RMB7.5 billion in large-scale ecological management and desert industry construction in Ulan Buh Desert. At present, Shengmu High-tech Farming has planted 90 million trees of all kinds in Ulan Buh Desert and greened more than 200 square kilometres of the desert. It has built 11 reservoirs with an average area of 50,000-60,000 square metres to meet its own needs and provide water for the residents of the surrounding communities while playing an effective role in nourishing water and regulating the microclimate.

Case: Shengmu High-tech Farming supports corporate sustainability through quantitative evaluation of natural capital

In 2019, Shengmu High-tech Farming conducted a natural capital analysis of its desert oasis ranch in terms of economic benefits, social benefits and opportunities and risks, and got positive results. The analysis had the following findings:

The construction of reservoirs, while ensuring the company's own use, also contributes to the regulation of the microclimate and the conservation of water.

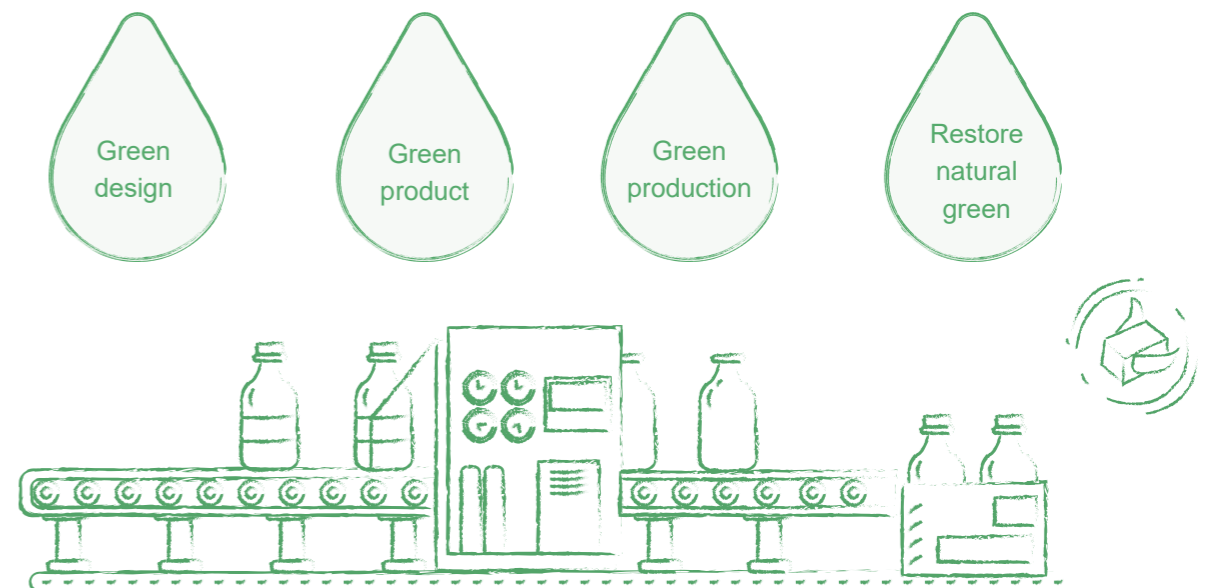
The initiative to green the desert has achieved significant results in terms of carbon sequestration, wind prevention and sand fixation.

Dairy manure-derived fertilisers not only ensure full-chain organic production but also reduce the pollution of water and soil by waste.

The desert oasis ranch creates new job opportunities for local residents and plays an effective role in increasing public awareness, promoting organic agriculture and aiding the overall development of the desert industry.

## Green manufacturing

Adhering to the principle of "green design, green products, green production and restoring natural green" and emphasising environmental management, Mengniu has taken positive actions in response to climate change by conserving resources and integrating the concept of environmental protection into production and corporate operations.

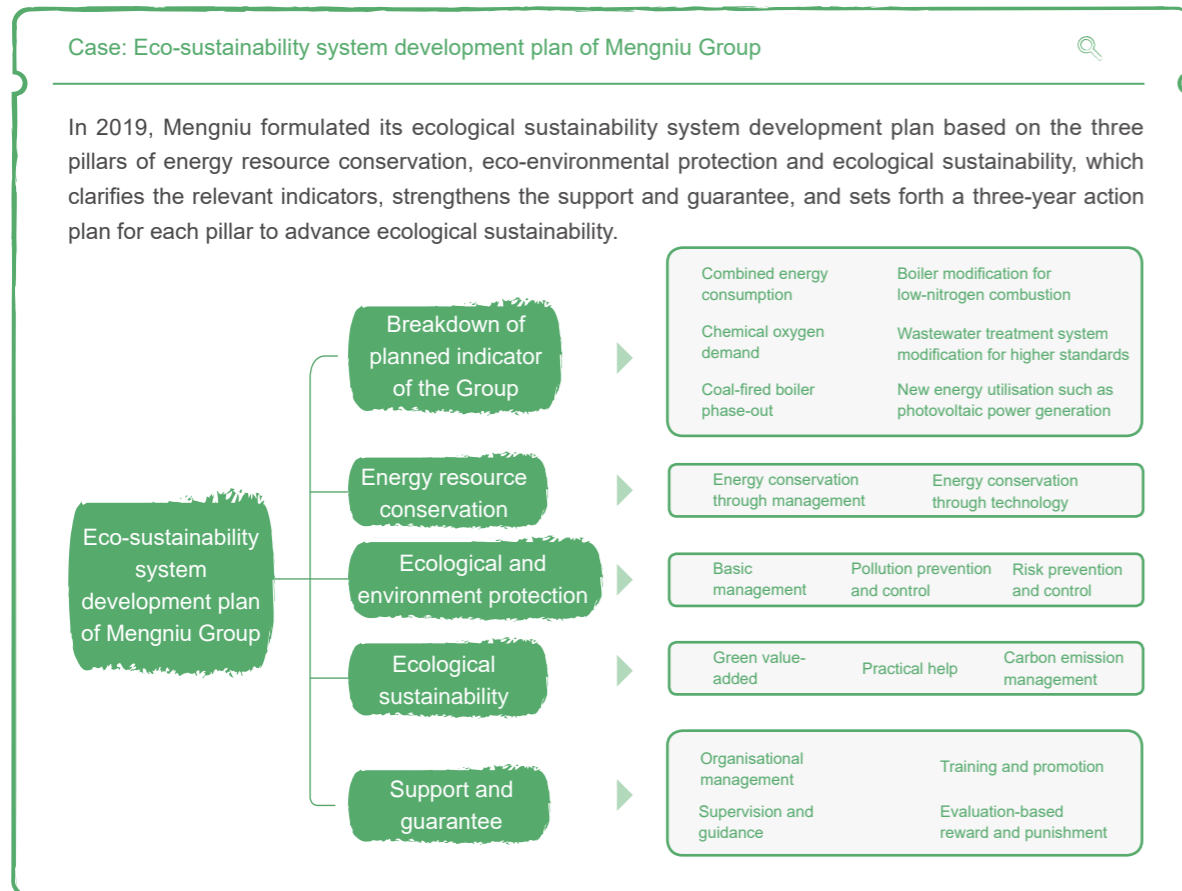


## Environmental management

Mengniu strictly abides by the *Environmental Protection Law of the PRC* and has formulated eight environmental protection management systems, including the *Mengniu Manual on Environmental Protection*, *Procedures for Environmental Risk Assessment and Control Planning*, *Administrative System for Environmental Accident Reporting and Handling* and *Administrative System for Environmental Management of Construction Projects*, in line with 163 national comprehensive and special environmental protection laws and regulations in 22 categories. During the reporting period, the Group did not have any major environmental accidents.

In 2019, Mengniu carried out a comprehensive inspection of its eco-environmental compliance with the help of supervision from the company's headquarters and self-inspection by the subordinate units, which covered all business units and grassroot entities of the company. We focused on verifying the construction of pollution prevention and control systems, environmental pollution prevention and management, and the implementation of environmental responsibility. Through the inspection, we clarified the eco-environmental responsibilities of the various business units and entities and put in place a long-term mechanism of environmental protection management. At the same time, we set up ecological protection petition channels, including petition boxes in the factories and ranch entrances, and kept petition records. During the reporting period, we received no petitions or complaints.

Mengniu Group and all its production units have passed the ISO 50001 energy management system certification, the ISO14001-2015 environmental management system certification and the 18001 Occupational Health Services Australia (OHSA) management system certification.



In addition, Mengniu attaches great importance to sustainable development publicity, education and training, actively explores new forms of publicity, and distributes energy conservation and environmental protection newsletters to all the employees covered.

In 2019, we carried out the following publicity and training activities:

During World Environment Day and the Energy Conservation Awareness Week, we organised a series of activities such as planting a tree that will grow for 100 years and beyond and an exhibition of energy conservation posters, which received participation from as many as 130,000 internet users.

We developed a series of micro-course videos related to energy conservation and environmental protection management, such as EHS System Development at Mengniu Group, Preventing Fire Risks and Building a Better Home, Introduction to Online Environmental Monitoring System Workflow and Waste Separation: I am a Practitioner, which have been viewed by more than 53,000 people.

A total of 125 energy and environmental protection managers nationwide were brought together for a special empowerment training in light of their actual work needs. The training was conducted by a team of lecturers composed of experienced managers and managers of typical factories. After completing the training, the trainees themselves gave training to 7,150 employees in the 36 factories where they worked.

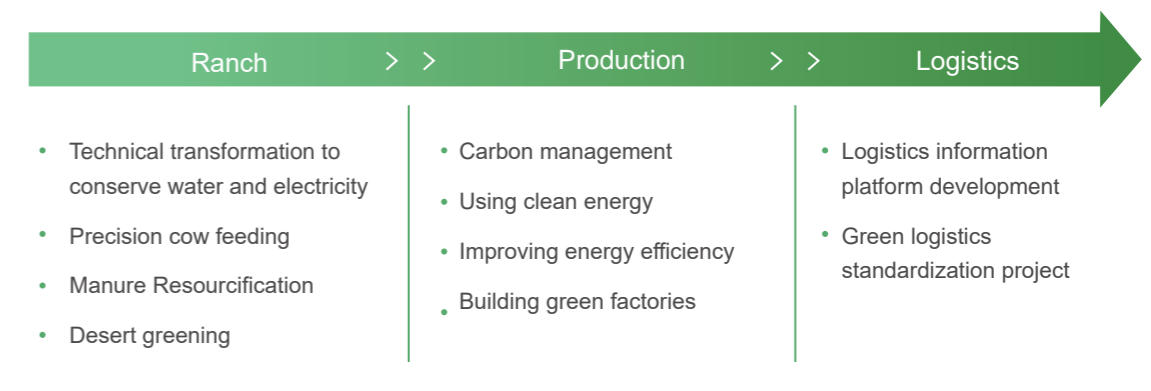
## Energy and climate change response

Climate change is a serious challenge for humanity in the twenty-first century. In order to more effectively slow down and control greenhouse gas emissions and achieve sustainable development, Mengniu takes efficient energy management, use of clean energy, energy conservation and consumption reduction as its main response strategies, and aims to achieve environmental friendliness through low-carbon operations, clean production and waste resourcification.

Mengniu has established a special energy management department following a "Group – Business Division – Factory" three-level management structure, which has formulated ten energy management documents, including the *Energy Management Manual* and *Laws, Regulations and Compliance Evaluation Procedures*.

In 2019, Mengniu continued to improve energy management. It drew 63 energy-usage network maps and identified 3,688 key energy control points. It refined the areas of responsibility, established the main responsibilities of energy management, and clarified the key energy control points in different areas of responsibility. Moreover, we pushed forward with the Group's energy management digital transformation by completing the intelligent energy module of intelligent manufacturing and putting it into application with data connection in five factories. In October 2019, Mengniu was awarded the "Intelligent Manufacturing Benchmark Enterprise" title by the Ministry of Industry and Information Technology.

### Mengniu has adopted lifecycle greenhouse gas management



### Strengthening carbon management

On the basis of the carbon inventory of the pilot units, a preliminary carbon emission estimation model was developed and the units were organised to carry out carbon emission estimation.

Carbon emissions were managed by way of a combination of methods including performance contracts, statements of responsibility and control programs for energy conservation and environmental targets.

### Using clean energy

Invested in solar energy, biomass and biogas projects, having introduced two biogas applications, two solar photovoltaic power generation systems and 11 biomass boilers in five factories. The use of renewable energy accounted for 8.72%.

### Improving energy efficiency

Internal experts were asked to select 10 excellent cases of engineering transformation from 60 energy and water conservation cases and 13 cases of control optimisations, which were entered into the Group's energy and water conservation technology library for internal technology sharing.

Eighteen internal and external experts were asked to conduct energy diagnosis in three production bases, which identified 60 energy and water conservation opportunities. The division acted on the opportunities in 117 application cases which led to 12,850 tons of water and 220,000 kWh of electricity being saved per month.

A range of optimisation measures were implemented, including waste heat recovery, power conversion optimisation of ammonia panels, workshop lighting optimisation for energy conservation, solar bath water heating, air pressure system retrofit for energy efficiency and equipment operation optimisation.

Implemented implemented a series of optimisation projects, including pre-treatment CIP hot water recovery, pasteurisation waste heat recovery, pattern printing module cleaning and defrosting time standardisation.

### Building green factories

By 2019, Mengniu established nine national green factories (Hohhot, Baotou, Ma'anshan, Shangzhi, Baoji, Tangshan, Tai'an, Jiaozuo, Yinchuan) and five provincial green factories (Bayannur, Ulanhot, Tongliao, Meishan and Tianjin).

### Case: Energy management platform

The energy management platform aggregates the energy data of all production factories across the country into the energy management information system for centralised analysis and implements centralised and flat dynamic monitoring, digital management and operation optimisation for the production, transmission, distribution and consumption of energy media such as water, electricity, gas and heat, as well as energy supply and energy conservation equipment status. At the same time, the energy management platform is combined with the ISO50001 energy management system to form an overall management structure of management system + information system.

As of December 31, 2019, the intelligent energy information platform had been completed in

**5** factories

### Case: Green Operation and Life

In 2019, the Chilled Temperature Business Division established the Green Operation and Life (GOAL) taskforce led by the Production Management Centre. We hope that the idea of green development will take root in people's minds and guide them in green citizenship and environmentally responsible behaviour at all times and motivate them to influence more people to take up this cause. In 2019, we selected two factories in Qingyuan and Tianjin for a pilot study and set up an advancement group in each of the factories.

The GOAL system is based on the environmentally sustainable knowledge system and evaluation system within MNWCO2.0. It consists of the following eight modules:



## Water resource management

We are fully aware of the importance of water as a basic living resource and constantly improve the management of water resources. We have an energy conservation and emission reduction committee established with the approval of the CEO, which has put in place a three-level management structure — “Group – Business Division – Factory” — with the first level being the Department of Health, Safety and Environmental Protection, the second being the safety and environmental protection offices of the business divisions, and the third being the safety and environmental technology offices of the factories.

Water resources management focuses on indicator target control. The Group's freshwater consumption indicator targets for products are formulated annually, with a mechanism that requires the various business divisions to sign a commitment statement, clearly establishing the responsibilities of the persons in charge of safety and environment and the responsibilities for relevant employees at various levels, and implements daily supervision and monthly review:

### Daily supervision

The energy management information platform conducts daily monitoring of the progress of the various business divisions in fulfilling their indicator targets, issues timely warning upon identification of any abnormalities of water consumption by its main products, and urges business divisions in question to find the causes and formulate control measures.

### Monthly review

The performance of the various business divisions in fulfilling their indicator targets is reviewed on a monthly basis, with requirements for those units failing to meet their targets to analyse their failure and work out improvement measures, and for the implementation of incentive measures for those with a strong performance in accordance with the performance contracts.

In 2019, we formulated our water conservation targets for 2020-2022, aiming at a YoY water consumption reduction of 0.5% in 2020, 0.5% in 2021 and 0.5% in 2022.

At the same time, we introduced the 3U water conservation strategy — save Use, recycle Use and common Use.

### save Use

Technical and management measures are applied to reduce water use in key processes and major equipment with high water consumption.

Main measures include adopting water-efficient equipment, introducing automation technology and optimising cleaning time and the backwash time of water treatment equipment.

### recycle Use

Water resources that are of reuse value in the production process are recovered and recycled to improve water efficiency.

Main measures include recovering steam condensates, equipment cooling water, last equipment flushing water and reverse-osmosis concentrated water.

### common Use

According to the distribution of water resources and the characteristics of their use, properly treated reclaimed water is provided for use by surrounding water-using units to reduce water consumption and perform corporate social responsibility.

The reclaimed water is mainly used for purposes such as greening, municipal cleaning, replenishment of landscape rivers, water supply to nearby power plant and landscape watering.

In 2019, Mengniu (not include Yashili) used a total of 27.34 million tons of fresh water, a YoY decline of 3.59%, with a total of 1.374 million tons of water being saved (including social water savings of 357,000 tons). The Group supplied reclaimed water to other local enterprises for production purposes, with the reclaimed water reuse rate reaching 8.2%.

Mengniu used a total of  
**27.34**  
million tons of fresh water

saved  
**137.4**  
million tons of water

### Case: Water balance map of Mengniu

Mengniu has been working on water control through systematic thinking, with the focus on water balance mapping tools. All water points are listed in the water balance map which are divided into total water intake, regional water use and water use per machine, with a responsible person designated for each water area and water point and the corresponding rated consumption standard, control period and control level marked. The actual water consumption is compared against the consumption standard in a red and green light management scheme, and the appointed personnel are required to analyse water uses marked with red light and work out improvement measures. Throughout the process, there is expert support for management and technical matters to effectively reduce water consumption.

## Emissions management

Mengniu has formulated the *Mengniu System for Environmental Management of Hazardous Wastes*, which clarifies the responsibilities of the relevant management personnel and disposal processes, standardises the hazardous waste ledger and treatment processes, and strengthens the process management of hazardous waste collection, storage and disposal. In 2019, we developed guiding standards for the whole process of hazardous waste collection, storage and disposal, taking into account national requirements to promote the standardisation of the whole process of hazardous waste management and further ensure that all pollutants are disposed of properly and in compliance with the requirements and do not cause any impact on the environment. Hazardous waste is disposed of by qualified third parties, and the rate of signing disposal contracts is 100%.



Case: Emissions reduction measures of Mengniu's Room Temperature Business Division

In 2019, the Room Temperature Business Division spent RMB164.577 million in capital expenditure on energy conservation and emission reduction, which mainly consisted of two parts.

- 01 The first part was used to increase the production capacity of the sewage treatment facilities by establishing, retrofitting and expanding seven facilities.
- 02 The second part was used to improve pollutant discharge facilities in terms of functions and energy efficiency, mainly including the following:
  - There were 14 phosphorus removal, nitrogen removal and deodorisation projects relating to sewage plants to address unregulated omissions of odorous gas from wastewater discharge facilities and raise the emission standards of nitrogen and phosphorus.
  - There were four projects relating to waste gas emission treatment facilities to control pollutants including nitrogen oxides and sulphur oxides.
  - There were 17 monitoring and testing projects relating to sewage plants to enable discharge data collection, analysis and upload.
  - There were ten energy conservation and consumption reduction projects which mainly involved phase-out of equipment with high energy consumption, reclaimed water use, recovery of concentrated water and introduction of new technologies and equipment such as magnetic levitation fans.

## Circular economy

Mengniu integrates the concept of green development into warehousing, logistics and packaging, and works with its partners to build a green circular economy through information technology.

### Green warehouse

Mengniu has adhered for many years to the concept of green warehouse and transportation by scientifically planning warehousing in order to reduce consumption resources including energy and packaging materials arising out of the transportation and storage of raw and auxiliary materials. In 2019, through concerted efforts with suppliers, the Chilled Temperature Business Division achieved Just in Time delivery of 206 auxiliary materials, reducing the industrial chain inventory value by RMB4 million per month and saving a warehouse area of 129 square metres.

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**206** auxiliary materials

reducing the industrial chain inventory value by

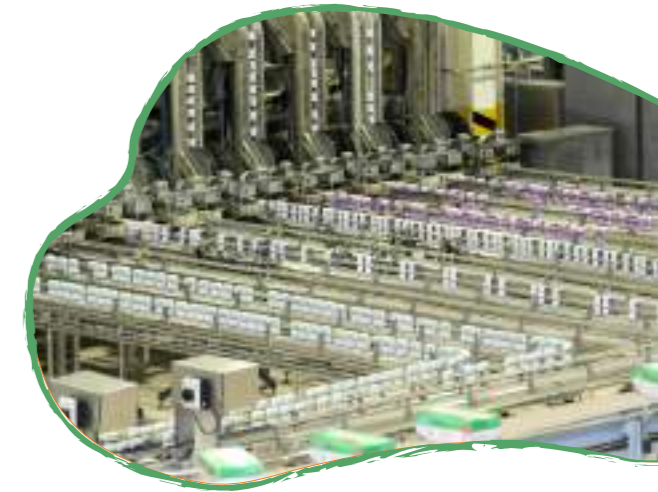
RMB **4** million per month

and saving a warehouse area of

**129** square metres

## Green logistics

We actively encouraged our factories to apply for the Green Logistics Standardisation Project led by the Ministry of Commerce and jointly advanced with the Ministry of Finance and other ministries and commissions. From 2016 to 2019, we successfully applied for the designation of "National Supply Chain Innovation and Application Pilot Enterprise" for our factories in places such as Maanshan, Wuhan, Beijing, Shenyang and Tianjin. At the same time, we have been committed to promoting the reduction of greenhouse gas emissions in the distribution process. By putting in place a standardized logistics information service platform and implementing intelligent supply chain projects, we have made significant progress in maximizing transportation efficiency and reducing energy consumption based on effective production and sales prediction.



In 2019, the Chilled Temperature Business Division increased its production-sales matching rate by 1.44% to 68%, reduced the transportation radius by 57km/ton, reduced transfers by approximately 10,000 tons, and reduced vehicle use by approximately 700 vehicle-times.

## Green packaging materials

Mengniu has partnered with the world's leading manufacturers of sterile packaging materials, pioneering the use of sterile recyclable packaging materials certified by the FSC or the Sustainable Forestry Initiative (SFI). In 2019, we launched a number of green packaging materials projects to reduce packaging waste:

**Use of reusable TOTE tanks to store raw material fruit granules:** This practice reduced the use of cartons by 31.5 tons and aluminium foil bags by 3.1 tons in 2019. At the same time, syrup tanks were established in Tianjin, Maanshan, Wuhan and Qingyuan factories, which stored 25% of the Group's syrups in 2019, reducing the use of 7.4 tons of PP/PE packaging and 12.7 tons of PE packaging.

**Product label of Shiny Meadow:** The back label of Shiny Meadow, by adopting the cold stamping + hot stamping process, is now made of aluminised BOPP material in place of high-permeability BOPP material, thus reducing the use of aluminising in the production process and achieving greater environmental protection and emission reduction.

**Adoption of recyclable PPboxes in Qingyuan factory:** The Qingyuan factory started using recyclable PP boxes in five-cup yogurt SKUs in five cities and nine markets. The practice was adopted a total of 72,640 times in 2019, saving 49.5 tons of paper. Mengniu also adopted recyclable PP boxes in place of auxiliary materials. In 2019, it used recyclable PP baskets for Tetra Pak lid packaging in its Meishan factory, saving 1.2 tons of paper.

# Mengniu's sustainability commitments

UN 2030 Sustainable Development Goals	Mengniu Commitment	Mengniu Future Action Goals
 <p>To eliminate hunger, achieve food safety, improve nutrition and promote sustainable agriculture</p>	Increasing charitable investment, extending Mengniu public welfare benefits to the whole world	Adopting a precision poverty relief model integrating "industrial poverty alleviation, nutrition-based poverty alleviation and targeted poverty alleviation", promoting local employment and driving economic development, implementing the Inclusive Nutrition Plan in proactively committing to social welfare, and giving back to society with practical actions.
 <p>Ensure healthy lives and promote wellbeing for all at all ages</p>	Providing products that meet the needs of all ages and special populations, and providing sustainable health and well-being for all men and women	Providing more nutritious products, promoting a healthy lifestyle, focusing on product R&D and innovation, and improving the overall health of the public.
 <p>Ensure access to affordable, reliable and sustainable modern energy</p>	Using cleaner energy, developing a circular economy, and investing more in energy infrastructure and clean energy technologies	Establishing an environmental control platform, improving IT-powered energy management, implementing energy conservation and emission reduction through strict water resource and waste management, practising green and low carbon operation, developing the circular economy by using green packaging materials, enhancing water recycling, and implementing appropriate treatment of manure and sewage.
 <p>Promote inclusive and sustainable economic growth, employment and decent work for all</p>	Providing fair and decent jobs, helping employees grow and ensuring the occupational safety and health of employees	Providing decent work opportunities for employees, establishing an equal and open growth platform for employees, serving talent, protecting employees' rights and interests, and caring for employees in work and life.
 <p>Build resilient infrastructure, promote sustainable industrialization and foster innovation</p>	Driven by innovation, improving the efficiency of resource and energy use and creating a digital ecosystem	Significantly promoting informatisation and digital transformation and achieving digital milk sources, digital Mengniu and intelligent manufacturing.

UN 2030 Sustainable Development Goals	Mengniu Commitment	Mengniu Future Action Goals
 <p>Ensure sustainable consumption and production patterns</p>	Through full-lifecycle production management and responsible marketing, achieving "larger, better and more economical production"	Promoting sustainable consumption and production patterns, promoting responsible marketing and sales, strengthening basic nutrition research and consumer advocacy, and reducing food waste.
 <p>Take urgent action to combat climate change and its impacts</p>	Implementing green manufacturing and green development, and continuously reducing greenhouse gas emissions	Proactively building green factories, conducting carbon sequestration and carbon emission management, and identifying and addressing business risks arising from climate change.
 <p>Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</p>	Adhering to high standards of animal welfare and safeguarding the health and rights of dairy cows	Launching the animal welfare programme "Happy Cow Plan" that promotes the natural survival of cows, strengthening the management of ranch ecology through the Ranch Ecology Management Program, and exploring a development model that balances ranch operations and ecological conservation.
 <p>Promote just, peaceful and inclusive societies to promote sustainable development. Establish effective, responsible and inclusive institutions at all levels to ensure the right of justice.</p>	Building an effective, accountable and transparent corporate governance system to contribute to a better business community.	Improving business ethics management, strengthening risk identification and management, strictly abiding by business ethics, and maintaining responsible corporate governance and business practices.
 <p>Enhance execution to revitalize the global partnership for sustainable development</p>	Building a digital and responsible supply chain to promote win-win cooperation across the entire industry chain.	Building a responsible supply chain, establishing a lifecycle management system, developing an ecosystem of sustainable milk sources, and driving the dairy industry's development.



# Sustainability performance data

## Economic Performance

Indicator	2015	2016	2017	2018	2019
Operating revenue (RMB100 million)	490.27	537.79	601.56	689.77	790.3
Total assets (RMB 100 million)	506.53	491.24	581.38	664.57	785.37
Profit (RMB 100 million)	25.20	8.13	20.3	32.03	42.95
Production capacity (10,000 tons)	868	921	922	975	950
Performance ratio of economic contracts (%)	100	100	100	100	100
Signing ratio of Anti-Commercial Bribery Contract (%)	100	100	100	100	100
Traceability of nonconforming products (%)	100	100	100	100	100
Pass rate of ex-factory product quality inspection (%)	100	100	100	100	100
Ex-factory batches of products subject to quality and safety monitoring (%)	100	100	100	100	100
Percentage of products recycled due to safety and health factors during product transportation and sales (%)	0	0	0	0	0
TMP and silage coverage (%)	100	100	100	100	100
Mechanized milking ratio (%)	100	100	100	100	100
Raw milk random sampling pass rate (%)	100	100	100	100	100
Ratio of large-scale intensive ranch milk sources (%)	100	100	100	100	100

## Social Performance

Indicator	2015	2016	2017	2018	2019
Labor contract signing rate (%)	100	100	100	100	100
Social insurance coverage (%)	100	100	100	100	100
Medical examination and health record coverage (%)	100	100	100	100	100
Response rate to employee requests (%)	100	100	100	100	100
Total number of employees	39,683	41,600	41,141	41,031	37,894
Training time per employee per year (hours)	36.5	36.7	36.92	41.97	66.3
Performance rate of procurement contracts (%)	100	100	100	100	100
Response rate to consumer complaints and recommendations (%)	100	100	100	100	100
Total expenditure on CSR programs (RMB100 million)	510	1,050	1,969.9	2,500	4,000
Total tax paid (RMB 100 million)	29.5	29.2	36.66	41.11	45.22

## Environmental Performance

Indicator	2015	2016	2017	2018	2019
Water saved (10,000 tons)	122.29	51.60	49.84	96.00	137.4
Reclaimed water rate (%)	10.55	11.38	9.85	7.18	7.99
COD reduction (tons)	29,088.26	30,701.89	34,102.95	47,095.70	49,575.42
Compliant treatment rate of solid waste (%)	100	100	100	100	100

## Outlook

Looking back at 2019, Mengniu made giant strides in sustainability, not only by putting in place our sustainability strategy and management systems but also winning a lot of praise from the outside world. Looking forward to 2020, we will continue to adhere to the path of sustainable development, advance sustainability in all respects of economy, environment and society, and make sustainability part of our corporate DNA.

We will remain consumer-centric and committed to providing consumers with more nutritious high-quality products. We will continue to step up product R&D, make products that comprehensively meet consumers' needs, and take consumers into an era of healthy consumption. At the same time, we will build strong partnerships along the entire industrial chain and provide our partners with funding and technical support to jointly revitalise China's dairy industry.

We will foster an ecosystem of green dairy products based on green operations across all aspects of the supply chain ranging from dairy farms to factories and warehouses to logistics. We will continuously improve the efficiency of resource and energy utilisation and increase investment in energy conservation, emission reduction and other environmental technologies. And we will gradually strengthen ecological governance and biodiversity protection to reduce the impact on the environment and contribute to a more sustainable earth.

We will advocate reasonable dietary consumption while pushing forward with our precision poverty alleviation model that integrates "industrial poverty alleviation, nutrition-based alleviation and targeted poverty alleviation", taking practical actions to support charity and give back to society. Internally, we will focus on serving talent, effectively protecting the rights and interests of our employees, and advancing our commitment to establish a more beautiful life for all stakeholders.

Looking forward, Mengniu will remain steadfast to its goal of becoming a world-class dairy company in China and thoroughly embrace sustainability in all its business activities. While acting under the strategic guidance towards comprehensively enhancing the Company's sustainability, Mengniu will engage all stakeholders along its super-long "from grass to glass" industrial chain to do their share of responsibility, joining hands to promise a healthier world.

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# Reader's feedback

Dear Readers:

Thank you very much for reading the China Mengniu Dairy Company Limited 2019 Sustainability Report (ESG Report). We attach great importance to your opinions, and look forward to hearing your feedback on our sustainable development management, practice and information disclosure. Your opinions and suggestions are an important basis for our sustainable development management and practice. Looking forward to your reply!

### Optional questions (please mark ✓ on your answer)

- Do you think this report can reflect material impact of Mengniu on economy, society and environment?  
Good  Fair  Poor
- Do you think this report can identify stakeholders and correctly and comprehensively analyze their relationships with Mengniu?  
Good  Fair  Poor
- Do you think the information in this report is comprehensive?  
Good  Fair  Poor
- Do you think the information in this report is readable?  
Good  Fair  Poor

### Open-ended question

You are welcomed to making comments and suggestions for the China Mengniu Dairy Company Limited 2019 Sustainability Report (ESG Report).

### Your contact information

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